



**AKMERKEZ GAYRİMENKUL
YATIRIM ORTAKLIĞI
ANONİM ŞİRKETİ**

**ANNUAL REPORT
COVERING THE PERIOD OF
01.01.2019 – 31.12.2019**

(ORIGINALLY ISSUED IN TURKISH)

(Convenience translation of a report originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

To the Shareholders of Akmerkez Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

1) Opinion

We have audited the annual report of Akmerkez Gayrimenkul Yatırım Ortaklığı Anonim Şirketi ("the Company") for the period of January 1 - December 31, 2019.

In our opinion, the financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Company are presented fairly and consistent, in all material respects, with the audited full set financial statements and the information we obtained during the audit.

2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Report section of our report. We are independent of the Company in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Our Auditor's Opinion on the Full Set Financial Statements

We have expressed an unqualified opinion in our auditor's report dated February 27, 2020 on the full set financial statements of the Company for the period of January 1 – December 31, 2019.

4) The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC") and the provisions of the Communiqué II-14.1 on the Principles of Financial Reporting in Capital Markets" ("the Communiqué") of the Capital Market Board ("CMB"), the management of the Company is responsible for the following items:

- a) Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.
- b) Preparation and fair presentation of the annual report; reflecting the operations of the Company for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the financial statements. The development of the Company and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.
- c) The annual report also includes the matters below:
 - Subsequent events occurred after the end of the fiscal year which have significance,
 - The research and development activities of the Company,
 - Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Customs and Trade and related institutions.

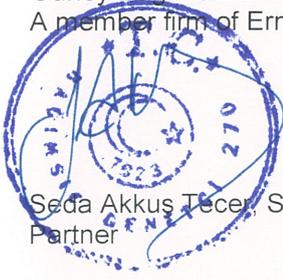
5) Auditor's Responsibilities for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code and the Communiqué, on whether the financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Company's audited financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAS and the standards on auditing as issued by the Capital Markets Board of Turkey. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the financial statements.

The name of the engagement partner who supervised and concluded this audit is Seda Akkuş Tecer.

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



Seda Akkuş Tecer, SMMM
Partner

February 27, 2020
İstanbul, Türkiye

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AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI
ANONİM ŞİRKETİ
REPORT OF THE BOARD OF DIRECTORS ON THE ACTIVITIES IN
THE PERIOD OF
01.01.2019 – 31.12.2019

This Annual Report (the 'Report') is issued pursuant to the provision of article 516 of the Turkish Commercial Code, the provisions of the 'Regulation on the Establishment of Minimum Content of Annual Reports of Companies' of the Ministry of Customs and Trade, which was published in the Official Gazette no. 28395 of 28.08.2012, and the provision of article 8 of the 'Communiqué on the Principles Applicable to Financial Reporting in Capital Market' (II-14.1), provisions of relevant articles of the 'Corporate Governance Communiqué' (II-17.1) and provisions of article 39 of the 'Communiqué on the Principles Applicable to Real Estate Investment Partnerships' (III-48.1), of the Capital Markets Board. The Report intends to evaluate, and provide information to our investors about, the business activities of the Company during the period of 01.01.2019-31.12.2019.

A. GENERAL INFORMATION

1.1. Corporate Information:

Trade Name	AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ
Trade Registry Office:	İstanbul
Trade Registration Number:	260139
Stock Exchange where stocks of the Company are traded:	Borsa İstanbul A.Ş.
Market where the Capital Market Instrument is Traded, and Indexes where the Company Takes Place:	BIST MAIN – Group 1 BIST Main/ BIST Financial/ BIST Corporate Governance/ BIST Dividend/ BIST All-100/ BIST Real Estate Investment Partnerships
Trading Symbol:	AKMGY
Portfolio Details:	Date of Establishment: 08.12.1989 Date of Public Offering: 15.04.2005
Head Office:	Kültür Mah. Nispetiye Cad. Akmerkez No: 56/1 Beşiktaş/İstanbul
Website:	www.akmgyo.com
E-mail:	gyo@akmerkez.com.tr
Investor Relations E-mail:	yatirimciiliskileri@akmerkez.com.tr
KEP:	akmerkez@akmerkez.hs02.kep.tr
Mersis:	7352333284923116
Tax Office:	Büyük Mükellefler Vergi Dairesi
Tax Number:	837 003 1973
Phone Number:	+90 (212) 282 01 70
Fax Number:	+90 (212) 282 01 19

Akmerkez in Brief

Meeting venue in Istanbul

Opened in 1993 in Istanbul's central district Etiler, Akmerkez has remained the most popular meeting venue and ideal address of pleasurable experiences thanks to its elegant brands and stores, shopping, entertainment and food and beverage points... It is the indispensable meeting venue of business, arts, culture and entertainment world as it is home to various "firsts" with meticulously designed details for upholding the comfort of guests. Situated on eight floors in total of which four are shopping center floors and the remaining four are parking lot floors, Akmerkez offers services with 3 interconnected atriums, 2 office blocks of 14 and 17 floors, residence of 23 floors and 160 stores.

The "Akmerkez" concept originated with the collaboration of Akkök, Tekfen and Istikbal groups, all of which are pioneers of their own industries, yet focuses on the same goal. The goal is both to revolutionize the "shopping center" concept of Istanbulites in order to provide them with many opportunities in one place; as well as to provide high-quality living spaces to elite members of the business world. As a result of the joint forces of the Groups, Akmerkez was inaugurated on December 18, 1993 in Etiler, one of the busiest districts in Istanbul.

Even in its early years, the prudent strategies set forth by the founders of Akmerkez Shopping Center were recognized by prestigious institutions. In 1995, Akmerkez was named the "Best Shopping Center in Europe" by the International Council of Shopping Centers (ICSC). In 1996, Akmerkez received the "ICSC International Design and Development" award, which is the biggest award issued in this field. The fact that Akmerkez is the first shopping center to receive both awards simultaneously as well as its structural and design quality along with the appeal of elite stores has rendered Akmerkez an exemplary shopping center.

Outstanding service quality in a shopping center with an award-winning design...

Akmerkez has been awarded by various reputable platforms in the international arena since it was opened. One of these awards received by Akmerkez was the "Interior Design 5-Star" award granted at the Europe & Africa Property Awards 2010, organized by the International Property Awards for the successful interior restorations. The concept of the project was created by the world-famous and award-winning "Concept-i Corporate" design company.

Akmerkez provides its visitors with a wide range of services by combining residency and office opportunities with a shopping center. With its central location, structural and design quality, giant complex covering a 180.000 m² triangular area, Akmerkez has been enriching our urban lives since its establishment day. Through its automated building services, air-conditioning equipment, music broadcast, state-of-the-art security systems, and its housekeeping, security, maintenance and management workforce of about 250 employees Akmerkez Shopping Center provides its guests with a modern, peaceful, comfortable, and clean environment

While being a pioneer in its industry by receiving both Europe's Best Shopping Center and The World's Best Shopping Center titles, Akmerkez sets out as an example to other shopping centers through its modern design and outstanding service quality.

A wellness center far beyond a shopping center...

Akmerkez regularly conducts customer research in order to continuously update its store diversity; and hence has attained a 100 percent rate of store rental for many years. Moreover, the Shopping Center provides visitors with elite brands, both local and international, between the 10:00 – 22:00 hours under the same roof every day. The creation of a living area beyond the shopping center thanks to the cultural and artistic activities organized in Akmerkez. Moreover, the social responsibility events organized in light of its principle to invest in the future has made Akmerkez a significant brand that invests in society.

Akmerkez has reached its goal to "become the best shopping center of the world" through its innovative approach and continues to lead by monitoring sectoral needs and international developments very closely. Akmerkez has adopted the principle to extend its outstanding performance and success story in the industry well into the future.

Milestones of Akmerkez

Every step we take is a success story...

1990

Our journey starts

The laying of the foundation for the Akmerkez project, which would embellish the social life of the city, was started in Etiler, one of the popular districts in Istanbul. Istanbulites watched the structural development with curiosity.

1993

Istanbulites meet their new wellness center

Akmerkez Shopping Center opened its doors to guests showing of a giant facility with never-before-seen modern architecture built over a total of 180 thousand square meters area. Akmerkez collects elite brands under one roof and has since that day created a regular visitor base.

1995

Second anniversary gift: "Europe's Best Shopping Center" Award

Thanks to its guest satisfaction priority approach, state-of-the-art design, and meticulous service quality, Akmerkez reached its goal to be "the world's best shopping center" in only its second year. Akmerkez was named "The Best Suburban Shopping Center in Europe" by the International Council of Shopping Centers (ICSC). This award has a special place in the award-rich history of Akmerkez as it was the first in a series of acknowledgements.

1996

The pride of being the World's Best Shopping Center

The high quality of standards at Akmerkez was recognized by the International Council of Shopping Centers (ICSC) and it was named "The World's Best Shopping Center". The same year, ICSC awarded Akmerkez with the "ICSC International Design and Development" award, the largest award of the industry. Akmerkez is the first shopping center to have received both awards. Although Akmerkez was only in its third year, it indeed proved its leadership in the industry.

1998

Our brand leadership crowned with the TCSCR/AMPD Honorary Award

The Honorary Award Akmerkez received in the TCSCR / AMPD Awards was recognized by the Trade Council of Shopping Centers & Retailers (AMPD).

1999

We added new successes to our history every year

The Jean Louis Solal Marketing Award is among the most significant European awards and is presented to world-prominent retail institutions evaluated by the ICSC. Professionalism and successful marketing projects in the advertisement of Akmerkez won the Jean Louis Solal Marketing Award and showed that it had created an exemplary profile worldwide.

2001

Two awards from ICSC in one year

Only two years later, Akmerkez won the Jean Louis Solal Marketing Award for its exterior window displays. As a result, Akmerkez proved that creativity does not only present itself in service diversity but also in meticulous design. In 2001, Akmerkez also received the Maxi Award from the ICSC.

2003

Celebrated our tenth anniversary

Akmerkez Shopping Center announced its leadership in the industry worldwide through the awards it has gathered, each more prominent than the other, and shared this success with Istanbulites on its tenth anniversary with luminary celebrations on its exterior facade.

2004

Awarded for outstanding quality by the Consumers Magazine

Akmerkez was presented with the Consumers Quality Award by the Consumers Magazine at the Consumers Summit on March 15, 2004, which also happened to be the World Consumer Rights Day. This award was presented by the Consumers Magazine, stating that competition and high-quality service can only increase via conscious consuming, and this award is a symbol of the high-quality service it offers and meticulous approach Akmerkez has towards to its guests.

2005

We have gone to public

Akmerkez has gone to public and started trading on the Istanbul Stock Exchange (ISE) on April 15, 2005.

2006

Our folding success is once again awarded by ICSC

By winning the Jean Louis Solal Marketing Award and the Maxi Award once more after receiving it in 2001, Akmerkez showed that it could continue to achieve in a sustainable way.

2008

Celebrated our fifteenth anniversary with steps towards renovation

On its fifteenth anniversary, Akmerkez decided to be fully renewed. The project, in which all the necessities of the modern age were combined with a creative design, was designed with a focus on technology and aesthetics.

2010

Awarded the "Real Estate Oscar" for our renovation project

Designing a totally new living space for its guests thanks to the renovation works started in 2008, Akmerkez was deemed worthy of "Interior Design 5 Star" award in the Europe & Africa Real Estate Awards 2010 organized within the scope of International Real Estate Awards considered to be a "Real Estate Oscar" due to its indoor space modifications realized within this scope.

2011

Our "FashionOnAir" Project brought another award to our shopping center

After opening its doors to the young designers who will give direction to the future of fashion in 2010, thanks to its "FashionOnAir" Project, Akmerkez was awarded in 2011 with "Silver Awards" in the Public Relations Category of the "ICSC Solal Marketing Awards 2011" which is the most prestigious marketing awards program of the world and received applications from 177 projects in 22 countries.

2012

11 awards in just one year

In 2012, Akmerkez was awarded with IPRA Golden Awards, one of the most established and prestigious marketing and communication awards of the world, Hermes Awards, ICSC Solal Marketing Awards, Stevie International Business Awards and MarCom Awards, totaling 11 awards, for four different projects developed by it.

2013

15 prestigious awards

Akmerkez was awarded with 15 prizes from Hermes Creative Awards, AVA Digital Awards, Platinum PR Awards, Stevie Awards and Marcom Awards for 6 different projects in 2013.

2014

City's dynamism is reborn with Akmerkez in Etiler

Akmerkez continued to be a focus point of the city's dynamism, a part of the social life in İstanbul with its brand new spaces which evoke a distinct atmosphere on the Nispetiye Street, with the movie theatres renewed with touch of the world's famed designer, Aziz Saryer and his team, with the world brands joined its body, and with its events which add value to the city.

Stores opened at Akmerkez in 2014

With its location at the center of the city, with ease of access and with care given to the layout of stores, Akmerkez added important local and international brands, such as Oysho, Serafina, Brasserie Cognac, Armani Jeans, to its body in 2014.

2015

Breathing in Akmerkez within the city

In 2015 Akmerkez continued to realize its renovations with 13 prestigious prizes, the brands such as Hugo Boss, Edwards, Sirmasion, Carter's, Oska, Fenix, Alexandre Home included in its structure both from the world and Turkey, the "Young Lions Zone" providing the youngsters with a free working area, its open air spaces such as "Food Court Terrace" and the "Triangle Terrace" promising a totally different world within the city.

2016

Akmerkez as the center of change

Akmerkez has received 18 international awards in total on various fields such as Marketing Communication and Public Relations with its YLZ, Triangle "Üçgen" Terrace projects and the sponsorship of GQ MOTY. It continued to act as a leader in terms of keeping up with contemporary trends and invest in the future in 2016 by hosting important investments. Akmerkez continued to offer the new generation shopping experience available in Turkey to its guests in the best manner.

2017

Akmerkez alters habits in 2017

Akmerkez received 14 prestigious international awards in 2017. Achieving an occupancy rate as high as 95% in terms of store leases, Akmerkez succeeded in varying its brand mix with several leading national and international brands including D&R, DoRe Music, Hemington, Knitss, Bluemint, Midpoint, Pandora, Porland, Samsonite and Tumi. Akmerkez remained as the center of social life in Istanbul in 2017 as it continued to undertake brand new projects for the first time in Turkey in addition to acting as the host of a number of events which have become already traditional.

2018

Continues to add value to the lives of its guests

In 2018, Akmerkez received totally 9 international awards including Hermes Creative Awards, ICSC and The Stevie Awards. Having added several national and international brands to its brand mix. Also, it made a ground-breaking innovation in the industry by means of a store where instagram interactions were used instead of money for the first time in the world and Turkey.

2019

Akmerkez as one of the main venues of social life

Akmerkez received 8 outstanding awards in the international arena with its "Givin Store" project. The usage area and season of Üçgen Teras, which offers a spacious area in the middle of the city, have also been expanded. Offered to the use of guests in both summer and winter; Yoga Festival, Open Air Cinema and Meetings with Stars concerts flocked with visitors. Üçgen Teras has been covered in the scope of New Year's Concerts in winter and hosted thousands of guests. At the same time, Akmerkez has added 14 new brands in various categories from sports to cosmetics, from coffee to food and drink.

Sectoral Activities in 2019

2019 Shopping Mall Index conducted by Association of Shopping Centers & Investors and Akademetre Research & Strategic Planning reveals that the turnover index increased by 15,9 percent in 2019 when compared to 2018, reaching 299 points. The turnover index also increased by 17,2 percent in December 2019 when compared to December of the previous year, reaching 375 points.

The productivity per leasable space (m2) in shopping malls was actualized as TL 1.187 in 2019. This ratio implies an increase of 16 percent in productivity per m2 when compared to 2018. Productivity in 2019 was TL 1.436 in İstanbul with an increase of 18 percent and TL 1.021 in Anatolia with an increase of 15 percent compared to previous year.

Turnovers per leasable space (m2) in shopping malls were recorded as TL 1.428 in December 2019. Productivity was TL 1.829 in İstanbul and TL 1.160 in Anatolia.

The category where the highest increase of the shopping mall index was observed was the shoes with 27,5% increase. An increase of 23,1 percent in the technology category turnovers, an increase of 22,5 percent in the hypermarket category turnovers, an increase of 19,3 percent in the clothing category turnovers, an increase of 11,1 percent in the food category turnovers and an increase of 9,6 percent in the other area¹ category turnovers were observed in the Shopping Centers in December 2019 when compared with the month of the previous year.

The footfall index was 104 points in December 2019, which marks a decrease of 1 percent when compared to the previous year.

¹ The other areas category consists of such stores as construction market, furniture, home textile, souvenir, toy, cinema, personal care and cosmetics, jewelry, hobby, pet shop, tailor and shoe repair services, exchange office, dry cleaning, pharmacy, etc.

Message from the Board of Directors

Dear Stakeholders,

2019 was marked with challenges arising from economic turmoil and political ambiguities not only in our country but also in the world at large. The decline in global industrial production volumes and investments and the rising tension in trade wars underpinned the global risks. The tendency of the US Government to impose additional taxes on several products imported from China signal that the loss of momentum in global trade will keep pace for a while in near future. Besides, the final days of the year witnessed the exacerbation of the recent crisis between the USA and Iran. Although the tension between Washington and Tehran seems unlikely to lead to an actual warfare, a long-term conflict could have negative consequences for global economy. Indeed, the expansion of US embargo on Iran in 2020 could herald several negative developments in its own right.

The European Central Bank takes note of the fact that the growth trend in the Euro Zone is impaired on account of the increasing threat of protectionism in global trade, volatility in financial markets and frailty of developing markets. The uncertainty around Brexit also kept pace as the EU officials drew attention to lack of conditions for a meaningful negotiation with the UK while the new Prime Minister Boris Johnson underlined his determination to conclude Brexit during the campaign period.

The atmosphere of ambiguity and uncertainty in near and distant geography finds its reflection on domestic economy, as well. This makes experience critical in business world. Indeed, the road to competition advantage requires preparedness for 'crises' nowadays. Developments in global economy, precautions signalling protectionism, trade wars, situation in Syria-Iran-Iraq, Peace Fountain Operation and its reflections have rather affected the business world. Still, Turkish business world managed to overcome those impacts with minimum damage thanks to its immunity against crises in addition to measurements adopted to protect domestic economy. This double control mechanism has helped to create more predictability in the business world.

The fact that the World Bank announced its global growth forecast as 2.6 percent in June 2019 fuelled a positive atmosphere in terms of the markets while confirmation of the global growth forecast for 2020 as 2.7 percent verified the anticipations of the business world. The World Bank also revised its 2019 growth forecast for Turkey from -1 percent to 0 percent. Although GDP resumed growth trend by 0.9 percent in the third quarter of 2019, this means that Turkish economy will neither shrink nor grow. Especially the fluctuation in exchange rates creates a direct impact on consumption trends.

Given the fact that corporations increasingly tend to consider their investment decisions and potential risk factors more vigorously and carefully at such a period of time, the importance of operational excellence and efficiency of investments is more appreciated than ever. Notwithstanding the challenging market conditions, Akmerkez was able to make considerable progress in terms of profitability and operational excellence by guaranteeing its robust financial structure through an effective approach to risk management. Its sustainable growth strategy proved to have a constant effect on its financial performance. Notwithstanding the challenging conditions at the domestic and global markets and the developments at the retail industry, Akmerkez GYO managed to preserve its profitability. The occupancy rate turned out to be above 96 percent in terms of store leases at the end of the year.

Also, Akmerkez was honoured with 8 international awards for its innovative projects in retail industry. Üçgen Teras, on the other hand, helped to position Akmerkez at the centre of the vivacious urban life as it remained open both in summer and winter.

We have left behind a challenging but equally successful year. As ever, we are looking ahead with confidence and perseverance in 2020. We are grateful to our employees and stakeholders for their trust in our power and believe that our business partnership will guarantee new achievements in the upcoming period.

Sincerely yours,

BOARD OF DIRECTORS

Message from the General Manager

Dear Stakeholders,

2019 turned out to be a year in which global economic growth was rather low and anticipations for global recession increased due to the impact of the economic slowdown in China which resulted from the on-going trade conflicts between the USA and China, protectionist trends in global scale and longevity of Brexit process. Meanwhile, Turkey left behind a year marked with recovery of stability in exchange rates, decline in inflation and interest rates, transition from current deficit to current surplus and a new balance in economy following the increases in exchange and interest rates in 2018.

Turkish economy started 2019 amidst fluctuations. The economic actors tried to make progress in an environment marked with exchange rate movements and the resulting high inflation. Most of the businesses acted cautiously as they had loans to repay in foreign currency at the face of such fluctuations in exchange rates. Unfortunately, there was a serious increase in the number of companies which had to take action for composition. The volatility in global economy and political developments in the countries surrounding Turkey had a direct impact on domestic economy as well. The retail industry was also affected by fluctuation in exchange rates as it had consequences for purchasing power of consumers.

The fragility in consumer trust and problems with inflation were among the factors that restricted growth in Turkish retail industry in previous years. Nevertheless, consumers confirmed their trust in economy and prevented economic recession by continuing to make shopping. Indeed, Turkish retail industry increased its turnover to TRY 137.5 billion by 15.3 percent in 2018 while it grew to TRY 150.4 billion by 9.4 percent in 2019 notwithstanding the global indicators.

As Turkish economy is expected to grow even further in 2020, it is anticipated that retail and therefore shopping mall industry will have a significant role in this growth. Indeed, there are other data which confirm this positive outlook. For instance, 2019 November results of AVM Retail Turnover Index created by Association of Shopping Centers and Investors (AYD) and Akademetre Research prove that the industry has already begun to make positive progress. The industry grew by 20.1 percent in November when compared with the same period of the previous year. This long-term increase is quite promising for the industry.

Akmerkez, on the other hand, managed to improve its financial and strategic power by maintaining its profitability notwithstanding the economic and industrial challenges in 2019. It continued to diversify its brand mix in an environment where global and domestic retail brands had to revise their growth targets downward and several brands suspended their investment while others had to conclude their operations in our country. In that respect, we enriched the shopping experience offered to our customers by adding Mars Athletic Club, Decathlon, Adidas, Joker Baby, Beymen Club, Mango and various other domestic and global brands. We also increased the food and beverage options provided to our guests thanks to new F&B outlets including Divan, Vakkorama Café, MOC and Uptown.

In our contemporary world where global resources are depleted rapidly, making climate change one of the top concerns of all countries, we cannot continue our operations by focusing on profit and growth alone. We have many responsibilities to take in that respect. We made our best to fulfil a number of tasks ranging from effective use of resources to sustainability of business processes. We have been supporting sustainable agriculture for 3 years with a view to contributing to sustainability of natural habitats and introducing the concepts of urban agriculture, conscious nutrition, ethical and local food production to more people in our sphere of influence. After launching "Agriculture on Terrace" which is the first project to implement sustainable and local agriculture practices on the roof of a shopping mall in Turkey in 2018, we continued by founding partnerships with various stakeholders from food industry in 2019. Our recent cooperation with Department of Gastronomy at Özyeğin University enabled us to expand the project to new horizons.

We received 8 international awards for our "Givin Store" project which turned an online donation platform into a real store inside a shopping mall in order to enable it to gain a regular source of income for the first time in the world. Also, we welcomed thousands of guests to Üçgen Teras for various concerts performed in summer and winter. Hence, we were able to expand the purpose and term of use of our outdoor spaces.

As Akmerkez family, we look forward to 2020 with positive aspirations after completing a satisfactory year with high rates of lease and occupancy as well as variety of events. We will continue to diversify our brand mix in order to maintain our high rates of occupancy and variety of options offered to our guests in 2020.

We owe much to our shareholders and all other stakeholders including specifically our employees who take pains to create added value for our success. I would like to avail myself of this opportunity to express our sincere gratitude to them for their efforts.

Sincerely yours,

Murat KAYMAN
Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş.
General Manager

Management of the Shopping Center

Akmerkez continues to be a popular meeting point

While enriching the shopping experience of its guests by varying its brand mix with several upscale brands from different sectors, Akmerkez also managed to expand its customer base by adding more affordable brands to its portfolio. It reinforced its position as the center of social life in Istanbul by launching innovative projects for the first time in Turkey in 2019.

As the forerunner of ground-breaking innovations, Akmerkez received 8 international awards including Marcom, Stevie and ICSC Solal thanks to the “Givin Store” project which turned an online donation platform into a real store inside a shopping mall in order to enable it to gain a regular source of income for the first time in the world in 2019.

Also, Akmerkez continued to implement “Agriculture on Terrace” project which was meant to undertake sustainable and local agriculture on the roof a shopping mall for the first time in Turkey by founding partnerships with various stakeholders from food industry in 2019.

Üçgen Teras welcomed cinephiles from Istanbul to the “Open Air Cinema” which was organized for the fifth time on July and August 2019.

Akmerkez diversified and extended the purpose and term of use of Üçgen Teras in 2019. As a venue which remained open in both summer and winter, Üçgen Teras attracted visitors with several distinctive events including Yoga Fest, Open Air Cinema, Meetings with Stars and Akmerkez Üçgen Teras New Year Concerts.

Adding dynamism to social life in the city, Akmerkez Üçgen Teras is the acclaimed venue for not only cultural events and health practices but also music and sports.

Academy Awards Live at Akmerkez

As an organization popular with lovers of fashion in addition to cinema, the 91st Academy Awards Ceremony was on air at Akmerkez CinemaPink on the night of February 25 as in the previous year. Famous actors, artists, musicians and influencers joined the special night, “Oscar with Pajamas”, and spent an enjoyable nights with music performances and special offers. The ceremony which was also broadcast live on Akmerkez instagram account became very popular.

Game of Thrones final season at Akmerkez movie theatres

The final episodes of Game of Thrones were displayed in Akmerkez movie theatres simultaneously with the US by means of a special organization undertaken for the first time in Turkey. Celebrities and journalists were among hundreds of spectators who chose to watch the episodes at Akmerkez.

Üçgen Teras gains popularity in urban life

Üçgen Teras proved its distinguished position as a venue breathing freshness to the city as it hosted two prominent concert organizations of the year which were Grup Gündoğarken’s Meetings with Stars at Üçgen Teras and New Year Concerts.

i. Yoga Fest

Akmerkez celebrated the International World Yoga Day at Üçgen Teras by organizing a “Yoga Fest” in cooperation with Yoga Foundation on June 21. The festival schedule included interesting lectures, workshops and outdoor yoga classes with coaches. Okay Temiz and Seda Bağcan entertained thousands of yoga lovers with their music performance during the event.

ii. Open Air Cinema becomes a summer classic

Having endowed its guests with the joy of open air cinema at Üçgen Teras since 2015, Akmerkez continued to display movies at summer nights in 2019. The most popular movies of 2018 and 2019 were displayed once every week in July and August. Several movies including Champion, Shape of Water, Wonder Park, Green Book, Dumbo and Captain Marvel made long summer nights more enjoyable for spectators of all ages.

iii. Grup Gündoğarken’s Meetings with Stars at Üçgen Teras

Akmerkez Üçgen Teras coloured long summer nights of Istanbul with music performances. Grup Gündoğarken’s Meetings with Stars at Üçgen Teras, the special summer programme of Akmerkez, welcomed Emre Altuğ, Eda Baba, Mirkelam, and Fatma Turgut. Thousands of spectators enjoyed themselves with music performances which were made even more attractive with sincere stories told by Burhan Şeşen and Gökhan Şeşen, members of the music band.

iv. New Year Concerts at Üçgen Teras

After a series of shopping events, alternative tastes and festivals, Akmerkez heightened the joy of upcoming new year by organizing Üçgen Teras New Year Concerts with the participation of famous Turkish singers. On December 26-28, 2019, Karsu, Yeni Türkü, Ayşegül Aldinç and Deniz Sipahi took the stage in Üçgen Teras which was covered and warmed for creating an enjoyable atmosphere. Thousands of spectators attended the concerts.

Agriculture on Terrace Project Forms New Business Partnerships

Supporting sustainable agriculture and providing guidance to guests for raising their own plants for 3 years with a view to contributing to sustainability of natural habitats and introducing the concepts of urban agriculture, conscious nutrition, ethical and local food production to more people in our sphere of influence, Akmerkez expanded the project to new horizons with several events and workshops which welcomed several business partners from food industry throughout the spring and summer months.

Welcoming prominent journalists and influencers on gastronomy to a dinner prepared by Midpoint chefs with fresh fruits and vegetables picked from the garden, Akmerkez guaranteed involvement of its tenants in the project in addition to introducing vital concepts to a wide range of audience. Free garden tours and trips were organized for introducing the terrace garden to groups of all ages.

Also, undergraduate students of Department of Gastronomy at Özyeğin University attended a three days’ training at school under the project entitled as ‘Future Chefs Meet Urban Agriculture through modelling of Akmerkez Agriculture on Terrace!’ during which they benefited from technical and theoretical know-how of Akmerkez regarding creation of an urban garden in the middle of the city.

Cooking workshop for St. Valentine's Day

Famous Italian chef and TV presenter Danilo Zanna shared his recipes for tasty cakes with the guests of Akmerkez prior to 14 February St. Valentine's Day. The famous chef also organized a competition to choose the couple who made the best cake by using his recipe. The event which was held on February 12, Tuesday proved to be truly enjoyable.

St. Valentine's Day with Porland and Arçelik

During this special event, influencers and famous couples cooked pizzas with love at a kitchen equipped with Arçelik products and tasted them at a St. Valentine's table embellished with Porland products. Also, they learned tips for preparing elegant tables from İzem Armağan, food stylist.

Givin Yard Sale Launched on 8 March Women's Day with the participation of celebrities

Akmerkez joined forces with Givin mobile application which turns all purchases into donations and organized a special shopping day to sell the personal effects and brands of celebrities including actress Aslı Enver, model and TV presenter Tülin Şahin, singer and author Nil Karaibrahimgil and chef and TV presenter Refika Birgül on 8 March International Women's Day. The income generated through the sale which was available to everyone in Turkey will be used for providing education to disadvantaged young women by means of Turkish Educational Foundation (TEV). This event also marked the day of opening of Givin Store at Akmerkez. Undertaken by Givin social initiative, Givin Store is the first donation store to be opened in a shopping mall in Turkey.

Kids Zone

Akmerkez welcomed its small visitors to an attractive entertainment, game and rest zone on April 6, Saturday. The game zone is home to several activities which are meant to provide edutainment to children. Kids Zone offers a new space of life to children.

Mother & Child Meeting Centre

At the Mother Events Centre which is established in the former YLZ zone, Akmerkez offers a distinctive entertainment, relaxation and socialization area where both parents and children may spend enjoyable time in addition to attending special mother & child events on 7 days of the week throughout the year.

Metropolitan Operas Live at Akmerkez in 2019-2020 Season

Akmerkez continued to display live performances of Metropolitan Opera, known for staging highly recognized productions with the most famous artists in the world for 130 years. Fans of opera had the opportunity to watch the most well-known works of the world famous composers from Mozart to Puccini simultaneously with the rest of the world in CinemaPink for the 5th season beginning from September.

Boutique Tastes from Akmerkez

Dedicated to offering a joyful shopping experience with several gift alternatives at countless stands on special days, Akmerkez also organized traditional "Days of Boutique Tastes" twice in 2019. Akmerkez Days of Boutique Tastes offered an enjoyable shopping experience with full of healthy food alternatives.

1.2. Organization, Capital and Shareholding Structures of the Company and Changes to Them During the Accounting Period:

The rate of publicly held shares of stock pertaining to Akmerkez GYO A.Ş. is 50,82% as of 31.12.2019.

All shares representing the capital are listed in the İstanbul Stock Exchange (BIST).

The registered capital ceiling of Akmerkez GYO A.Ş. is TL 75.000.000,00 and the paid-in capital is TL 37.264.000,00. The paid-in capital of the company is divided into 3.726.400.000 shares at par value of 1 kurush each.

1.2.1. Shareholding Structure

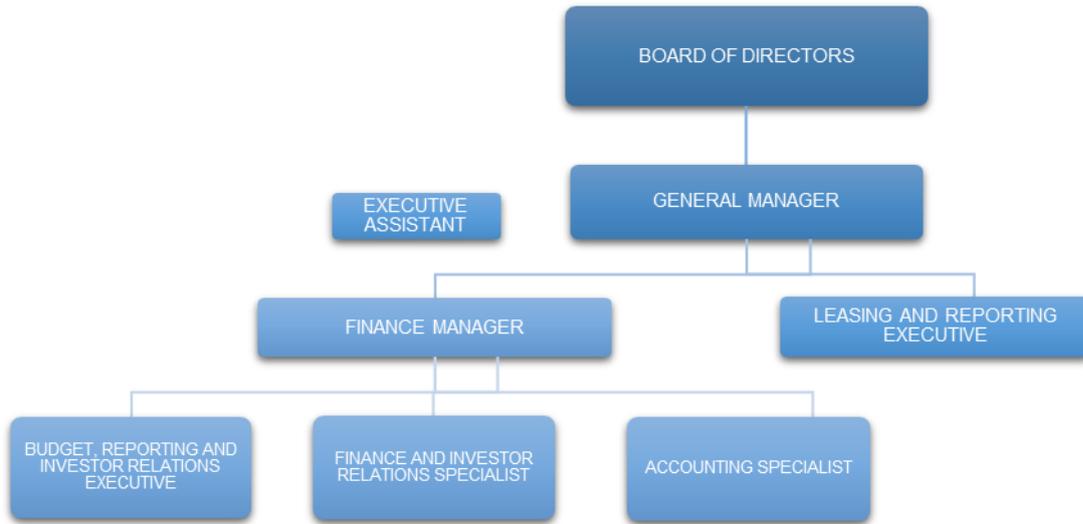
List of the shareholders who own 5% and more of the capital of the Company as of 31.12.2019:

Tradename/Name-Surname of the Shareholder	Nominal Value (TL)	Share in the Capital (%)	Rate of Voting Right (%)
KLEPIERRE S.A.	11.747.397,12	31,52	31,52
AKKÖK HOLDİNG A.Ş.	4.890.900,00	13,13	13,13
TEKFEN HOLDİNG A.Ş.	4.019.839,04	10,79	10,79
CORIO NEDERLAND KANTOREN B.V.	2.932.840,00	7,87	7,87
HOOG CATHARIJNE B.V.	2.794.800,00	7,50	7,50
DAVİT BRAUNŞTAYN	2.601.380,82	6,98	6,98
Other	8.276.843,02	22,21	22,21
TOTAL	37.264.000,00	100,00	100,00

1.2.2. Information about the Shares Representing the Capital:

Share Group	Registered/Bearer Share	Total Nominal Value (TL)	Ratio to Total Capital (%)	Exchange Traded or Not
A	Registered	4.075.750,00	10,93	Not Traded
B	Registered	2.841.380,00	7,63	Not Traded
C	Registered	2.398.870,00	6,44	Not Traded
D	Bearer	27.948.000,00	75,00	67,76% Traded
Total		37.264.000,00	100,00	50,82% Traded

1.2.3. Organization Chart:



No change occurred in the shareholding structure, capital stock and organizational structure of the Company within the period.

1.3. Remarks on the Privileged Shares and Voting Rights of the Shares:

The Group (A), (B), (C) and (D) shares of the Company have privilege to nominate candidates to the board of directors. 4 members of the board of directors of the Company are elected by the general meeting among the candidates nominated by majority of the owners of the Group (A) registered shares, 3 members among the candidates nominated by majority of the owners of the Group (B) registered shares, 2 members among the candidates nominated by majority of the owners of the Group (C) registered shares and 1 member among the candidates nominated by majority of the owners of the Group (D) bearer shares offered to public, who attended the General Meeting.

If, however, the owners of the Group (D) bearer shares offered to public, who attended the general meeting cannot nominate a candidate and/or agree on a candidate by majority during the general meeting, the Board of Directors of the Company is formed by 9 (nine) members elected by the General Meeting among the candidates 4 of whom were nominated by the majority of the owners of the Group (A) registered shares, 3 by the majority of the owners of the Group (B) registered shares, and 2 by the majority of the Group (C) registered shares.

Apart from the privilege of nominating candidates to the board of directors as described above, there isn't any other privilege.

Each shareholder is entitled to cast one vote per share.

1.4. Information about Board of Directors, Senior Managers and Number of Employees:

1.4.1. Board of Directors:

Chairman	:	RAIF ALİ DİNÇKÖK
Vice Chairman	:	MURAT GİĞİN
Member	:	SİNAN KEMAL UZAN
Member	:	DAVİT BRAUNŞTAYN
Member	:	ALİZE DİNÇKÖK
Member	:	AHMET CEMAL DÖRDÜNCÜ
Member	:	BENAT ORTEGA
Member	:	AYCAN AVCI
Member	:	ATİLLA ALTINORDU
Member	:	F. DİLEK BİL

The Members of the Board of Directors that were elected at the ordinary general meeting held on 29.03.2019 for an office term of three years are RAİF ALİ DİNÇKÖK, AHMET CEMAL DÖRDÜNCÜ and ALİZE DİNÇKÖK who were proposed by majority of the Class (A) registered shares; MURAT GİĞİN and SİNAN KEMAL UZAN who were proposed by majority of the Class (B) registered shares; DAVİT BRAUNŞTAYN who was proposed by majority of the Class (C) registered shares; AYCAN AVCI, FATMA DİLEK BİL and ATİLLA ALTINORDU who were nominated and proposed to be elected based on the joint proposal of the shareholders of the Classes (A), (B), (C) and (D) within the framework of the principles regarding the independency of the Board members as provided for in the Corporate Governance Principles of the Capital Market Board and BENAT ORTEGA who was nominated by majority of the Class (D) bearer shares subject to public offering and participating in the general assembly meeting.

Of the Members of the Board of Directors F. DİLEK BİL, ATİLLA ALTINORDU and AYCAN AVCI, are independent directors, who have been elected pursuant to the provisions of the ‘Corporate Governance Communiqué’ (II-7.1) of the Capital Market Board.

All members of the board of directors are eligible according to the requirements set forth in the Communiqué on the Real Estate Investment Partnerships (III-48.1) of the Capital Market Board. Apart from BENAT ORTEGA, a national of France, all members of the board of directors are citizens of Turkey.

The Members of the Board of Directors that were worked until the annual meeting held on 29.03.2019 are mentioned below. The mentioned Members of the Board of Directors were elected again at the Ordinary General Assembly Meeting held on 29.03.2019 for an office term of three years except for Lina FİLİBA.

Name-Surname	Title	The First Election Date to Board	Ending Date
Raif Ali DİNÇKÖK	Chairman of the Board	03.05.2011	29.03.2022
Murat GİĞİN	Deputy Chairman of the Board	01.12.2014	29.03.2022
Sinan Kemal UZAN	Member of the Board	31.03.2015	29.03.2022
Davit BRAUNŞTAYN	Member of the Board	26.07.2004	29.03.2022
Alize DİNÇKÖK	Member of the Board	03.05.2011	29.03.2022
Ahmet Cemal DÖRDÜNCÜ	Member of the Board	30.03.2016	29.03.2022
Benat ORTEGA	Member of the Board	27.04.2017	29.03.2022
F. Dilek BİL	Independent Member of the Board	06.05.2016	29.03.2022
Atilla ALTINORDU	Independent Member of the Board	30.03.2016	29.03.2022
Lina FİLİBA	Independent Member of the Board	30.03.2016	29.03.2019

There is not any restriction regarding undertaking of duties by the members of the Board of Directors outside the Company and there is not any definite rule in this respect. Duties of the members of the board of directors outside the Company are informed to investors in the Company General Information Form, which is published on the Public Disclosure Platform (KAP), and on the corporate Internet site of the Company.

Three independent members were nominated as candidate to the Corporate Governance Committee and the report dated 27.02.2019 indicating that the candidates had the qualifications regarding independence was submitted to the Board of Directors on 27.02.2019. The Company's independent Board members have submitted their declaration to the effect that they are independent to the Corporate Governance Committee of the Company in writing. No situation which put an end to the independency of the independent members occurred in 2019.

Independent board members' term of office is maximum three years and they may be nominated and elected again provided that the restrictions arising from capital market legislations shall remain applicable.

The Company shall be managed and represented and committed towards third persons by the Board of Directors consisting of the members to be elected by the general assembly from among the members meeting the requirements of the Turkish Commercial Code and the capital market legislation for a period of maximum 3 (three) years within the framework of the provisions of the Turkish Commercial Code and the Capital Market Legislation. The Board of Directors shall elect one chairman and one vice-chairman to chair the meeting in the absence of the chairman from among its members at its first convention.

The Board of Directors of the Company shall consist of 10 (ten) members elected by the general meeting among the nominees 4 of whom are nominated by majority of holders of Group (A) registered shares, 3 by majority of holders of Group (B) registered shares, 2 by majority of holders of Group (C) registered shares and 1 by majority of holders of Group (D) bearer shares offered to public, who are present at the general meeting.

In the event that the holders of the Group (D) bearer shares offered to public, who are present at the general meeting, do not and/or cannot nominate a candidate by majority, the Board of Directors shall be formed by 9 (nine) members elected by the General Meeting from among the nominees 4 of whom are nominated by majority of the holders of Group (A) registered shares, 3 by majority of the holders of Group (B) registered shares and 2 by majority of the holders of Group (C) registered shares, who are present at the general meeting.

Adequate number of independent directors, not to be less than 2, shall be elected by the general meeting in accordance with the corporate governance principles concerning the independency of members of board of directors as set out in the Corporate Governance Communiqué of the Capital Market Board.

1.4.1.1. Members of Board of Directors and Their External Duties:

Full Name	Gender	Position	Occupation	Positions Undertaken in the Company for the Last 5 Years	Duties Undertaken Outside of the Company Currently	Rate of Share Held in the Company (%)	Participated Committees and Tasks Undertaken
Raif Ali Dinçkök	Male	Chairman	Industrialist	Chairman	Chairman of Akkök Holding A.Ş./ Chairman, Vice Chairman or Member of Board of Directors at Aksa Akriilik, Akış GYO, Ak-kim, Ak Havacılık, Karlıtepe Gayrimenkul Geliştirme and various Group Companies of Akkök.		
Murat Gigin	Male	Vice Chairman	Engineer	Vice Chairman	Chairman of Tekfen Holding A.Ş. / Chairman and Executive Director of group companies of Viem Ticari ve Sanayi Yatırımları Ltd. Şti. / Vice Chairman of ANG Yatırım Holding A.Ş. / Member of Board of Trustees of TEMA Foundation / Director of KMD (Category Retail Association), Alanar Meyve ve Gıda Üretim Paz. San.Tic.A.Ş. ve Alara Fidan Üretim ve Pazarlama San. ve Tic.A.Ş, EDRA (European DIY - Retail Association) and GHIN (Global Home Improvement Network)		
Sinan Kemal Uzan	Male	Director	Manager	Director	Director of Tekfen Holding A.Ş. / Founder of Ankaa LLC / Chairman of Tekfen Venture Management LLC		Member of Early Risk Detection Committee
Davit Braunştayn	Male	Director	Industrial Engineer	Director	CEO of Lignadekor Üretim ve Pazarlama A.Ş. / Director of Üçgen Bakım ve Yönetim Hizmetleri A.Ş. and Akmerkez Lokanta Gıda Sanayi ve Ticaret A.Ş.	6,98	
Alize Dinçkök	Female	Director	Manager	Director	Board Member and Member of Executive Board in Akkök Holding A.Ş./ Chairman, Vice Chairman or Member of Aksa Akriilik, Akış GYO, Akmerkez Lokantacılık, Üçgen Bakım, Ak-Pa Tekstil, Akyaşam, Akasya Çocuk Dünyası, Ak Havacılık, Aktek, Ak-kim, Gizem Frit, Dinkal and various Group Companies of Akkök.		Member of Early Risk Detection Committee
Ahmet Cemal Dördüncü	Male	Director	Manager	Director	Board Member and Chairman of Executive Board in Akkök Holding A.Ş./ Chairman, Vice Chairman or Member of Akış GYO, Aksa Akriilik, Akenerji, Ak-kim, Gizem Frit, Akcez, Aktek, Akasya Çocuk Dünyası and various Group Companies of Akkök / Chairman of United Nations Global Compact Turkey/ Board Member in International Paper Co.		
Benat Ortega	Male	Director	Manager	Director	Chief Operating Officer of Klepierre S.A. France		
Aycan Avcı	Male	Independent Director	Manager	Independent Director	Partner of Aya Danışmanlık Hizmetleri A.Ş., Board Member of Erak Giyim Sanayi ve Ticaret A.Ş., Tatko Otomobil Lastik Makine Ticareti ve İnşaat T.A.Ş., Tatko Lastik Sanayi ve Ticaret A.Ş., Vivense Teknoloji Hizmetleri ve Ticaret A.Ş., Fu Gayrimenkul Yatırım Danışmanlık A.Ş., Waternet Su Hizmetleri A.Ş., Tapucom Teknoloji Pazarlama ve Ticaret A.Ş., Apsiyon Bilişim Sistemleri Sanayi ve Ticaret A.Ş., Bimser Çözüm Yazılım Ticaret A.Ş., Grup Girişim İnternet Hizmetleri Tanıtım Pazarlama ve Ticaret A.Ş., Alsa Danışmanlık A.Ş., GBS Çözüm Yazılım Ticaret A.Ş. and Yüzyıl Lastik Sanayi ve Ticaret A.Ş./ Independent Board Member of Bosch Fren Sistemleri San. Tic. A. Ş.		Chairman of Corporate Governance Committee / Member of Audit Committee / Member of Early Risk Detection Committee
Atilla Altınordu	Male	Independent Director	Engineer	Independent Director	-		Chairman of Audit Committee / Member of Corporate Governance Committee
Fatma Dilek Bil	Female	Independent Director	Manager	Independent Director	Board Member of World Wildlife Fund (WWF)/ Founding Partner of Kangaroo İletişim Danışmanlık ve Ticaret A.Ş./ Member of Global Contact -Turkey Member of High Advisory Council of Türkiye Turkish Women Entrepreneurship Association (KAGİDER) / Chairwoman of Wine Lovers Association / Member of Strategic Advisory Group of 'International Council on Women's Business Leadership-Washington DC/ President of Accademia Italiana della Cucina-Turkey / Sustainability Consultant of TGSD / Member of EURATEX (European Apparel & Textile Confederation) Circular Economy Working Group / Founding Partner of Financial Literacy and Inclusion Association of Turkey(FODER).		Chairwoman of Early Risk Detection Committee / Member of Audit Committee / Member of Corporate Governance Committee

1.4.1.2. Statements of Independent Directors

REPUBLIC OF TURKEY
56th Notary Public of Ankara
Journal Entry Date: 25th February 2019
Journal Entry No.: 03064

DECLARATION OF INDEPENDENCE

I hereby declare that I am a candidate to perform duty as "Independent Member" in the Board of Directors of AKMERKEZ GAYRIMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ (the "**Company**") in accordance with the relevant legislation, Articles of Association and the criteria included in the Corporate Governance Principles as provided for in the Corporate Governance Communiqué no. (II-17.1) issued by the Capital Market Board.

I hereby represent that:

(a) There isn't any employment relationship between the partners controlling the company or the management of the company or the legal entities owned by such partners and I myself, my spouse or my relatives by blood or marriage which may lead to the assumption of important tasks and responsibilities during the last five (5) years and I don't have jointly or lonely more than 5% of the capital or voting rights or privileged shares in, or I did not conduct any commercial relation with, such companies during the last five years;

(b) I haven't been a shareholder (with a share of 5% and over), an employee or Board member in a managerial position which may lead to the assumption of important tasks or responsibilities during the periods of purchasing or selling any service in the companies to which the company sells products or from which the company purchases products in considerable quantities within the framework of agreements executed for performing such functions as the auditing of the company (including tax auditing, legal auditing and internal auditing) during the last five (5) years;

(c) I have the necessary professional education, knowledge and experience required to fulfill the tasks which I am going to assume to perform as an independent Board member;

(ç) I haven't worked or will not work on full-time basis as a member in any public institution or organizations except the business of an academician in any university, provided that the same complies with the relevant legislation;

(d) I am a resident in Turkey according to the Income Tax Law no. 193 dated 31/12/1960;

(e) I have strong ethical standards, professional reputation and experience enabling me to make positive contributions to the activities of the Company, to maintain my impartiality in the conflicts between the Company and the shareholders and to make decision freely taking into consideration the rights of stakeholders;

(f) I will allocate sufficient time required for tracking the conduction of the activities of the Company and for the fully fulfillment of the tasks I am going to assume to perform;

(g) I did not perform duty on the Board of the Company more than six years during the last ten years;

(ğ) I haven't performed any duty as independent Board member in more than three companies in the companies controlling the Company or the board of directors or the companies owned by such companies and more than five companies whose shares are traded in the stock exchange;

(i) I have not been registered and announced on behalf of the legal entity selected as the Board of Directors.

Independent Board Member Candidate's:

Name – Surname : ATILLA ALTINORDU
TR Identity Number :
(signature)

REPUBLIC OF TURKEY

15th Notary Public of Besiktas
Journal Entry Date: 14th February 2019
Journal Entry No.: 01824

DECLARATION OF INDEPENDENCE

I hereby declare that I am a candidate to perform duty as "Independent Member" in the Board of Directors of AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ (the "**Company**") in accordance with the relevant legislation, Articles of Association and the criteria included in the Corporate Governance Principles as provided for in the Corporate Governance Communiqué no. (II-17.1) issued by the Capital Market Board.

I hereby represent that:

- (a) There isn't any employment relationship between the partners controlling the company or the management of the company or the legal entities owned by such partners and I myself, my spouse or my relatives by blood or marriage which may lead to the assumption of important tasks and responsibilities during the last five (5) years and I don't have jointly or lonely more than 5% of the capital or voting rights or privileged shares in, or I did not conduct any commercial relation with, such companies during the last five years;
- (b) I haven't been a shareholder (with a share of 5% and over), an employee or Board member in a managerial position which may lead to the assumption of important tasks or responsibilities during the periods of purchasing or selling any service in the companies to which the company sells products or from which the company purchases products in considerable quantities within the framework of agreements executed for performing such functions as the auditing of the company (including tax auditing, legal auditing and internal auditing) during the last five (5) years;
- (c) I have the necessary professional education, knowledge and experience required to fulfill the tasks which I am going to assume to perform as an independent Board member;
- (ç) I haven't worked or will not work on full-time basis as a member in any public institution or organizations except the business of an academician in any university, provided that the same complies with the relevant legislation;
- (d) I am a resident in Turkey according to the Income Tax Law no. 193 dated 31/12/1960;
- (e) I have strong ethical standards, professional reputation and experience enabling me to make positive contributions to the activities of the Company, to maintain my impartiality in the conflicts between the Company and the shareholders and to make decision freely taking into consideration the rights of stakeholders;
- (f) I will allocate sufficient time required for tracking the conduction of the activities of the Company and for the fully fulfillment of the tasks I am going to assume to perform;
- (g) I did not perform duty on the Board of the Company more than six years during the last ten years;
- (ğ) I haven't performed any duty as independent Board member in more than three companies in the companies controlling the Company or the board of directors or the companies owned by such companies and more than five companies whose shares are traded in the stock exchange;
- (i) I have not been registered and announced on behalf of the legal entity selected as the Board of Directors.

Independent Board Member Candidate's:

Name – Surname : AYCAN AVCI
TR Identity Number :
(signature)

DECLARATION OF INDEPENDENCE

I hereby declare that I am a candidate to perform duty as "Independent Member" in the Board of Directors of AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ (the "**Company**") in accordance with the relevant legislation, Articles of Association and the criteria included in the Corporate Governance Principles as provided for in the Corporate Governance Communiqué no. (II-17.1) issued by the Capital Market Board.

I hereby represent that:

- (a) There isn't any employment relationship between the partners controlling the company or the management of the company or the legal entities owned by such partners and I myself, my spouse or my relatives by blood or marriage which may lead to the assumption of important tasks and responsibilities during the last five (5) years and I don't have jointly or lonely more than 5% of the capital or voting rights or privileged shares in, or I did not conduct any commercial relation with, such companies during the last five years;
- (b) I haven't been a shareholder (with a share of 5% and over), an employee or Board member in a managerial position which may lead to the assumption of important tasks or responsibilities during the periods of purchasing or selling any service in the companies to which the company sells products or from which the company purchases products in considerable quantities within the framework of agreements executed for performing such functions as the auditing of the company (including tax auditing, legal auditing and internal auditing) during the last five (5) years;
- (c) I have the necessary professional education, knowledge and experience required to fulfill the tasks which I am going to assume to perform as an independent Board member;
- (ç) I haven't worked or will not work on full-time basis as a member in any public institution or organizations except the business of an academician in any university, provided that the same complies with the relevant legislation;
- (d) I am a resident in Turkey according to the Income Tax Law no. 193 dated 31/12/1960;
- (e) I have strong ethical standards, professional reputation and experience enabling me to make positive contributions to the activities of the Company, to maintain my impartiality in the conflicts between the Company and the shareholders and to make decision freely taking into consideration the rights of stakeholders;
- (f) I will allocate sufficient time required for tracking the conduction of the activities of the Company and for the fully fulfillment of the tasks I am going to assume to perform;
- (g) I did not perform duty on the Board of the Company more than six years during the last ten years;
- (ğ) I haven't performed any duty as independent Board member in more than three companies in the companies controlling the Company or the board of directors or the companies owned by such companies and more than five companies whose shares are traded in the stock exchange;
- (i) I have not been registered and announced on behalf of the legal entity selected as the Board of Directors.

Independent Board Member Candidate's:

Name – Surname : FATMA DİLEK BİL
TR Identity Number :
(signature)

1.4.1.3. Curriculum Vitae of the Members of the Board of Directors and the General Manager

Raif Ali DİNÇKÖK **Chairman**

Mr. Raif Ali Dinçk k was born in 1971 in Istanbul. After receiving his bachelor's degree from the Department of Business Management in Boston University in 1993, he began his professional career at different group companies of Akk k Holding. He worked at the Purchasing Department in Ak-Al Tekstil San. A.Ő. from 1994 to 2000 and acted as the Coordinator of Akenerji Elektrik  retim A.Ő. between 2000 and 2003. Raif Ali Dinçk k functioned as the Director and Vice Chairman of Executive Board of Akk k Holding A.Ő. before he was assigned as the Chairman of Akk k Holding. In addition to his positions as the Chairman of Aksa Akriklik, Ak-Kim and AkiŐ GYO since 1st of January 2019, Raif Ali Dinçk k acts as the Director of several other group companies of Akk k Holding.

Murat GİGİN **Vice Chairman**

Murat Gigin was born in İstanbul in 1952. Having received his B.Sc. degree from the Construction and Building Engineering Department in University of Bradford in 1974, he completed his M.Sc. degree studies at the Department of Mechanical Engineering in University of London in 1975. He was conferred the diploma of Ocean Engineer by University College London in 1976.

Gigin started his career at Tekfen İnŐaat as civil engineer at the construction sites in Kuwait in 1977 where he worked until turning back to the head office in Istanbul in 1983. He assumed the position of coordinator in the Business Development Division in addition to several international projects until 1986, and as coordinator at various international projects. Following his promotion to the position of Assistant General Manager of Tekfen İnŐaat in 1986, Gigin acted as the General Manager of Tekfen İnŐaat during 1988-1998 and took office as a member of the Board of Directors at the companies of Tekfen Contracting Group until 2000. After acting as a member of the Board of Directors at Tekfen Holding between 1998 and 2015, Murat Gigin was elected as the Chairman of Board of Directors at Tekfen Holding on May 7, 2015.

Murat Gigin has been the Founding Partner of, and also acted as the Chairman and Executive Director of group companies of Viem Ticari ve Sanayi Yatırımları Ltd. Őti. (Tekzen Ticaret ve Yatırım A.Ő., Agromak Makine İmalat Sanayi ve Ticaret A.Ő., Maksimum Lojistik Hizmetleri ve Ticaret A.Ő., Viem Voila İletiŐim Yayıncılık Reklam Turizm Hizmetleri Yatırım Ticaret A.Ő., Ekozey Ekolojik ve Organik Tarım Gıda Hayvancılık ve Turizm TaŐımacılık İthalat İhracat İnŐaat Sanayi Ticaret A.Ő., İmbroz Tarım Hayvancılık Gıda Sanayi Turizm ve Ticaret Ltd. Őti., Galipoli Gıda  r nleri Sanayi ve Ticaret Ltd. Őti., ENAT End striyel AŐaŐ Tarımı Sanayi ve Ticaret A.Ő., ZEN Enerji A.Ő.) since 1998.

Gigin is currently Vice Chairman of ANG Yatırım Holding A.Ő. at the same time.

Gigin, who took office at various non-governmental organizations in the past, acted as Chairman of the International Pipeline and Offshore Contractors Association (IPLOCA) during 1995-1996, and is currently a member of the Board of Trustees of TEMA Foundation and a member of the Board of Directors of KMD (Category Retail Association), EDRA (European DIY-Retail Association) and GHIN (Global Home Improvement Network).

Davit BRAUNŞTAYN
Director

Born in İstanbul in 1964, Davit Braunştayn graduated from the Industrial Engineering Department of the Boğaziçi University and received MBA degree in finance from Columbia University. Having started his career as analyst at the Investment Banking department of Lazard Frenes&Co. in the United States, Mr. Braunştayn took another position in Lignadekor Üretim ve Pazarlama A.Ş. where he is currently the general manager. Mr. Braunştayn speaks English, French and German.

Mr. Davit Braunştayn is a member of the board of directors of Üçgen Bakım ve Yönetim Hizmetleri A.Ş. and Akmerkez Lokanta Gıda Sanayi ve Ticaret A.Ş.

Alize DİNÇKÖK
Director

Born 1983 in İstanbul, Alize Dinçkök received her bachelor's degree from the Business Administration Department of Sawyer School of Management of Suffolk University in 2004. She completed General Management program at Harvard Business School successfully in 2015. She completed the Innovative Thinking program at MIT Sloan School of Management in 2018. She started her career at Ak-Al Tekstil Sanayi A.Ş. as the Strategic Planning Specialist in 2005. In 2006, she joined the newly established Akiş Gayrimenkul Yatırım A.Ş. and worked there as the Project Coordinator, the Sales and Marketing Manager and the Assistant General Manager in charge of Sales and Marketing, respectively. Currently acting as a member of the Board of Directors and Executive Board of Akkök Holding A.Ş., Alize Dinçkök is also the Chairwoman of Akmerkez Lokantacılık, Ak-Pa Tekstil and Üçgen Bakım and member of board of directors of Akiş GYO. Also, she assumes several positions at the board of directors of other companies of Akkök Group. Ms. Alize Dinçkök is also in charge of Akkök Group Marketing Platform, which was established in 2015.

Ahmet Cemal DÖRDÜNCÜ
Director

Born in 1953 in Istanbul, Ahmet Cemal Dördüncü received his bachelor's degree from the Business Administration Department of Çukurova University and pursued post-graduate studies at Mannheim and Hannover Universities. Having started his business career in Claas OHG in Germany, Dördüncü worked in Mercedes Benz A.Ş. in Turkey from 1984 till 1987. In 1987, Ahmet C. Dördüncü joined Sabancı Group where he assumed several positions at Kordsa A.Ş. until 1998. In 1998, he served as Managing Director/ President in DUSA South America and then DUSA North America of the Group. Following his role as Strategic Planning and Business Development Group President of Sabancı Holding in 2004, he acted as the CEO of Sabancı Holding from 2005 till 2010. Ahmet C. Dördüncü is the CEO of Akkök Holding since January 2013. In addition to his roles in the board of directors of Akkök Holding and several other group companies of Akkök Holding, Dördüncü acts as the Chairman of Akenerji, Akcez and Gizem Frit and the Vice Chairman of Akiş GYO and Ak-Kim. Dördüncü is also acts as the Chairman of the United Nations Global Compact Turkey and among the directors of International Paper Co Companies.

Dördüncü is fluent in English, German and Portuguese.

Sinan Kemal UZAN
Director

Sinan Kemal Uzan was born in New York in 1986. After receiving his Bachelor's degree from the International Business Administration program in Pepperdine University (USA) in 2008, he participated in the program of Family Undertakings Management in the Northwestern University Kellogg School of Management (Illinois) in 2012. He acted as the Vice Chairman of StarClub, a company that is involved in the fields of music production and internet strategies in Los Angeles, California, and as the Azerbaijan Project Coordinator for Tekfen İnşaat ve Tesisat A.Ş. respectively during his business career. Sinan Kemal Uzan was elected as a member of the Board of Directors at Tekfen Holding in 2014.

Mr. Sinan Kemal Uzan currently acts as the Chairman of Tekfen Venture Management, LLC, a portfolio management company dealing with venture funds in New York and he is also the founder of Ankaa LLC (California), a company investing in internet technologies.

Benat ORTEGA
Director

Benat Ortega acted as the Deputy Chief Operating Officer as from November 2, 2012 before he was assigned as the Chief Operating Officer of Klepierre S.A.

After he began his career as a Credit Specialist at the Royal Bank of Scotland, he joined the investment and asset management team of Offices Section at Unibail-Rodamco in 2003, where he acted as a specialist. He assumed the management of the team in 2010 and became in charge of value creation strategy through purchases, asset management, development and disposals.

He holds a Master of Engineering degree from Ecole Centrale Paris.

Atilla ALTINORDU
Director (Independent)

Born in Ankara in 1949, Atilla Altınordu graduated from the Department of Petroleum Engineering, the Middle East Technical University (ODTÜ), and received an M.Sc. degree from ODTÜ and Imperial College for Science and Technology, London in addition to an MBA degree from Hacettepe University.

After graduation, he worked at international projects of public enterprises such as Türkiye Petrolleri A.O. and Botaş, and assumed various managerial positions (e.g. manager, coordinator, assistant general manager, general manager, member of board of directors) in private construction and energy sectors after 1980. He worked as a part-time instructor at the Middle East Technical University between 1987 and 2009. He is married with one child and fluent in English.

Aycan AVCI
Director (Independent)

Aycan Avcı was born in 1970 and graduated from Georgetown University Department of International Economics in 1992. Mr. Avcı started his professional career in 1993 at Koç Group and held various positions in Istanbul and Moscow. Between 1996 and 1998, Mr. Avcı served as the chief representative of CIS at Interbank. In 2000, he received his MBA (Finance and Economics) from Columbia Business School. Mr. Avcı worked as a consultant at McKinsey & Company between 2000-2002 and at Reform Corporate Consultancy between 2002-2004 and as a manager at PCG Consultancy between January 2005 and September 2005. In October 2005, he turned his family-owned company Aya Consulting into a financial consultancy-oriented consulting company and continues currently in Aya Consulting on financial consultancy services. In addition, he has been a member of the Board of Directors of Vivense Pazarlama

since 2012, Tatko TAŞ. since 2014, Tapu.com since 2015, Apsiyon.com since 2016, Tatko Lastik, FU Gayrimenkul and Waternet since 2017, Erak Giyim and Bimser Cözüm since 2018, and Yüzyıl Lastik Sanayi ve Ticaret A.Ş. since 2019. He has also been an independent member of the Board of Directors of Bosh Fren Sistemleri since 2019.

F. Dilek BİL
Director (Independent)

Having graduated from Northport High School in the USA, Dilek Bil received her BBA degree in International Finance and International Marketing from University of North Texas. In 12 years of 37 years of corporate and entrepreneurship, she worked in banking on loans and marketing in American Express Bank, Koç- Amerikan Bank, BNP-AK-Dresdner and Societe Generale. In 1994, Mrs. Bil founded Kangaroo Communications and Consulting Company where she provided services on strategic brand communication and creative advertising solutions to several national and international brands until 2013. She acts as an advisor on sustainable development since 2014. As the founder of "Purpose-Sustainable Ideas" platform, she devises solutions to provide valuable insight to the business world for that purpose. She also acts as Sustainability Consultant of TGSD (Turkish Clothing Manufacturers' Association) and as a member of EURATEX (European Apparel & Textile Confederation) Circular Economy Working Group to spread circular economy.

Dilek Bil is the laureate of "2017 Women of the Decade in Media and Social Change" awarded by the Women Economic Forum. A member of the Strategic Advisory Group for "International Council on Women's Business Leadership-Washington DC", she also acted as the President of KAGİDER where she currently assumes the position of Member of High Advisory Council. She is the founding partner and former Vice President of FODER (Turkish Financial Literacy and Inclusion Association) and a member of the Board of Trustees of WWF Turkey. In addition to acting as an advisor to the 35th President of Galatasaray Sports Club, she also acted as a member of the Executive Board of DEİK Turkish-British Business Association. She anchored TV show "Sürsün Bu Dünya!"® on CNBC-e in order to contribute to making sustainability a principal part of corporate management in Turkey.

Dilek Bil is married to Faruk Bil and mother of Ömer Fuad Bil.

Murat KAYMAN
General Manager

Born in Germany in 1974, Murat Kayman achieved MBA degree from Zicklin School of Business of New York Baruch College. He worked at STFA, Ekinciler Holding, Federation of International Trade Association, Blade Fencing Inc., ECE Germany, ECE Turkey, AVM MFI Partners and Akbatı Shopping Mall owned by Akiş GYO A.Ş.

Married with two children, Murat Kayman speaks English and German.

1.4.1.4. Committees under the Board of Directors

1.4.1.4.1. Working Principles of Committees Including the Members, Meeting Frequency and Activities:

The Board of Directors has formed an Audit Committee, Corporate Governance Committee and Early Risk Detection Committee by reviewing the structure and activities of the existing committees in accordance with the provisions of the Corporate Governance Communiqué of the Capital Market Board. The duties and responsibilities of the Nomination Committee and Remuneration Committee stipulated in the Corporate Governance Communiqué are performed and fulfilled by the Corporate Governance Committee. All of the committees fulfill their duties effectively.

Audit Committee

Name Surname	Title	Position
Atilla ALTINORDU	President	Independent Director
F. Dilek BİL	Member	Independent Director
Aycan AVCI	Member	Independent Director

Early Risk Identification Committee

Name Surname	Title	Position
F. Dilek BİL	President	Independent Director
Aycan AVCI	Member	Independent Director
Alize DİNÇKÖK	Member	Director
Sinan Kemal UZAN	Member	Director

Corporate Governance Committee

Name Surname	Title	Position
Aycan AVCI	President	Independent Director
F. Dilek BİL	Member	Independent Director
Atilla ALTINORDU	Member	Independent Director
Ayşegül CANBAZ	Member	Finance Manager
Hilal KAYALAR	Member	Budget, Reporting and Investor Relations Executive

Aycan AVCI has been elected as the Chairman of the Corporate Governance Committee, as a member of the Audit Committee and the Early Detection of Risk Committee as of 26.04.2019. Davit BRAUNŞTAYN has served as a member of the Corporate Governance Committee until 29.03.2019. Atilla ALTINORDU has served as the Head of Corporate Governance Committee until 29.03.2019 and he has been a member of the Corporate Governance Committee since 26.04.2019.

Duties, working principles and members of the committees have been determined by the board of directors and disclosed to the public on the Public Disclosure Platform and the corporate Internet site of the Company.

All members of the Audit Committee are the independent directors assigned in the Board of Directors.

Chairman of the Corporate Governance Committee Aycan Avcı, members Fatma Dilek Bil and Atilla Altınordu are independent directors. Hilal Kayalar, another member of the Corporate Governance Committee, is the Investor Relations Department Manager holding Capital Market Activities Level 3 (License No: 211131) and Corporate Governance Rating (License No: 701470) licenses. She has been assigned to the committee pursuant to article 11.2 of the Corporate Governance Communiqué. Ayşegül Canbaz, another member, is also the Finance Manager of the Company.

As for the Early Risk Detection Committee, Chairwoman Fatma Dilek Bil and member Aycan Avcı are independent directors while other members are non-executive directors.

The General Manager does not assume duty in any committee.

Although the management makes efforts in order not to assign a director in more than one committee, some of the members undertake positions in two or more committees owing to their knowledge and experience on the relevant fields.

Every kind of resource and support required for carrying out of duties of the committees is provided by the board of directors. The committees are able to invite any manager to their meetings for opinion exchange to the extent necessary.

The committees benefit from the opinions of independent specialists where they deem necessary regarding their activities. The cost of any such consultancy services is covered by the Company. In this case, however, the information about the person/firm from whom/which the service is received and the information about whether that person/firm has any relationship with the company should be provided in the annual report.

The committees document and keep a record of all the works they carried out. The committees meet with the frequency as deemed necessary for efficiency of the works and as set in the working principles. They submit the reports containing the information about their works and the outcomes of their meetings to the board of directors.

Corporate Governance Committee determines whether the corporate governance principles are complied with by the company or not and, if not complied with, the reasons thereof and any conflict of interest arising from failure to comply with these principles in full and makes recommendations for improvement of the corporate governance practices to the board of directors and supervises the works of the investor relations department.

The corporate governance committee also fulfills the duties and responsibilities of the Nomination Committee and the Remuneration Committee, which are provided in the Corporate Governance Communiqué.

In that respect, the Corporate Governance Committee held 7 (seven) meetings in 2019 and the outcomes of the meeting were submitted to the board of directors by means of a report.

Early Risk Detection Committee is responsible for determining the risks that may endanger existence, development and continuation of the company early, taking necessary measures for the relevant risks and managing the risks according to which it reviews the risk management systems at least once a year. The committee assesses the current situation, points of dangers, if any, and remedies by means of a report to be submitted to the board of directors every two months.

In that respect, the Early Risk Detection Committee held 6 (six) meetings once every two months in 2019 and issued 6 (six) reports.

Audit Committee supervises the accounting system of the company, the disclosure of the financial data to the public, the independent audit, and the operation and efficiency of the internal control and internal audit systems of the company. Audit Committee is also in charge of selection of the independent audit firm, preparation of independent audit contracts and commencement of the independent audit process, and performance of the audit tasks by the independent audit firm.

Audit Committee shall determine the independent audit firm to be contracted by the Company as well the services to be procured from the relevant firm and present the same to the Board of Directors to be escalated to the general assembly for approval.

Audit Committee shall be responsible for setting the methods and criteria to be applicable for examining and resolving the complaints filed to the company regarding its accounting and internal control system as well as independent audit processes and evaluating the reports made by the employees regarding the accounting and independent audit practices at the Company in a strictly confidential manner.

Audit Committee informs the Board of Directors in writing of its assessments regarding the accuracy and correctness of the annual and interim financial statements to be disclosed to the public in terms of their compliance with the accounting principles of the Company by preparing a report containing its own assessments along with those of the relevant managers and independent auditors of the Company.

Activities by the Audit Committee, results of meetings and written reports submitted to the board of directors within the accounting period:

Audit Committee performed its functions indicated in the Corporate Governance Communiqué in 2019.

Audit Committee held 8 (eight) meetings in 2019 and presented the resolutions to the Board of Directors by means of a report indicating meeting results in detail. The Committee made a suggestion to procure independent audit services from Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and internal audit services from Ginini Danışmanlık Hizmetleri A.Ş. in 2019, noted that the annual and interim financial statements and footnotes to be disclosed to the public were compatible with the relevant regulations and principles and evaluated and monitored the actions suggested on the basis of the findings of the internal audit.

1.4.1.4.2. Evaluation of the Board of Directors regarding the Activities Conducted by the Committees:

In 2019, all of the Committees fulfilled the tasks and obligations required under the Corporate Governance Principles and their respective regulations and conducted their activities effectively.

In 2019, pursuant to the annual meeting plans that are deemed necessary, indicated in the relevant Regulations and duly created for the effectiveness of the activities;

- Audit Committee convened 8 (eight) times,
- Early Risk Detection Committee convened 6 (six) times, and
- Corporate Governance Committee convened 7 (seven) times,

In that respect, the Corporate Governance Committee presented 7 (seven) reports to the Board of Directors while the Early Risk Detection Committee and Audit Committee submitted 6 (six) and 8 (eight) reports respectively each.

The “Audit Committee” which is responsible for taking all necessary measures in order to ensure performance of any and all internal and independent audits adequately and transparently in addition to implementation of the internal control system effectively informed the Board of Directors of its suggestions for the relevant matters including opinions and suggestions about internal audit and internal control system.

The “Corporate Governance Committee” which is supposed to monitor the company in terms of compliance with the Corporate Governance Principles, undertake improvement activities and make suggestions to the Board of Directors ascertained whether or not the Company implemented the Corporate Governance Principles, made suggestions to improve the

Corporate Governance principles to the Board of Directors and supervised the activities of the Investor Relations Division. The activities related to the grading of the compliance of the Corporate Governance Committee and Investor Relations Division with Corporate Governance Principles were reviewed by Saha Kurumsal Yönetim ve Derecelendirme Hizmetleri A.Ş. (“Saha”) as a result of which our first Rating for Compliance with Corporate Governance Principles was announced in 2016 (9,22) while the periodical revision rating for 2017 was (9,37). In 2018, this rating (9,37) was confirmed again. In 2019 our rating was announced as (9,43). The rating report and periodical revision report were disclosed to the investors by means of the Special Condition Disclosure on 06.12.2016, 06.12.2017,06.12.2018 and 06.12.2019 respectively.

The “Early Risk Detection Committee” took necessary steps to ensure early detection of the risks that may endanger the existence, development and continuity of the Company, to take the necessary measures regarding the risks so detected and to manage such risks in addition to reviewing the risk management systems of the Company in line with the Corporate Governance Principles.

1.4.1.5. Meetings Held by the Board of Directors and Attendance of Directors:

The Board of Directors convenes as frequently as it is required to fulfill its duties efficiently in compliance with the relevant working principles. The Board of Directors four (4) times with the average participation rate of 90% in 2019. Throughout the year, 26 board resolution were adopted in total. The resolutions were made as per article 390.4 of Turkish Commercial Code. All of the Board resolutions requiring were passed unanimously in 2019. In other words, none of the directors raised an objection to the resolutions passed in 2019.

1.4.1.6. Distribution of Tasks Among Directors, Duties and Powers of Directors, Limitations of Powers Granted to Directors and Senior Managers, Term of Offices (Start Date and End Date), Collective Bargaining Practices, Benefits Provided to Employees:

The Chairman and Vice Chairman were elected from among directors and the tasks were distributed accordingly.

The resolution on internal directive adopted by the board of directors on 06.06.2017 is announced in Turkish Trade Registry Gazette on issue number 9346 of 13.06.2017, and the resolution on distribution of tasks on 17.05.2019 is announced in Turkish Trade Registry Gazette on issue number 9841 of 31.05.2019

The directors and senior managers of the company are endowed with the powers indicated in Capital Market Act, Turkish Commercial Code, Articles of Association of the company, and several applicable legislations. The duties and powers of the General Manager and Finance Manager of the Company are provided in the Internal Directive of the company.

Term of office designated for the directors is indicated in section “1.4.1 Board of Directors” herein.

The Company does not pursue collective bargaining processes in that it pays wages to its employees in line with the applicable labour contracts. The benefits provided to the directors and senior managers are explained in section “B. Financial Benefits Provided to Directors and Senior Managers” herein.

1.4.2. Information about the Senior Manager and His External Positions:

MURAT KAYMAN is the General Manager of the Company. Murat Kayman is a non-executive director of Üçgen Bakım ve Yönetim Hizmetleri A.Ş. in addition to being the General Manager of Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş.

1.4.3. Headcount:

The company has seven employees, including the general manager, as of the end of 2019.

1.5. Information about the Transactions Carried Out by Directors with the Company on behalf of Themselves or Third Parties Pursuant to the Permission of the General Assembly and Activities subject to the Rule of Non-Competition, if any:

The Directors did not carry out any transaction with the Company on behalf of themselves or third parties in 2019. The tasks assumed by the Directors outside the Company based on the permission of the General Assembly are indicated in section "1.4. Information about Board of Directors, Senior Managers and Number of Employees".

B. FINANCIAL BENEFITS PROVIDED TO DIRECTORS AND SENIOR MANAGERS:

Below are the details about the wages and all other benefits provided to the directors and managers with executive responsibilities.

a) Total amount of the financial benefits such as attendance fee, remuneration, premium, bonus, dividend etc.:

Directors received financial benefit of monthly net TL-5.200,00 per person until the end of March and monthly TL-6.240,00 per person thereafter as decided at general assembly meeting on 29.03.2019, making gross TL-939.080,52 in total while the senior manager was paid gross TL-826.425,96 in total during 2019. Remunerations and salaries paid and all other benefits provided to the members of the directors and the senior manager were disclosed collectively to the public through the footnotes to the financial statements in the annual report.

Below is the breakdown of the gross benefits provided to the directors in 2019:

Director	Amount (TL)
Raif Ali Dinçök	94.212,39
Murat Gigin	94.212,39
Sinan Kemal Uzan	94.212,39
Davit Braunştayn	94.212,39
Alize Dinçök	94.212,39
Ahmet Cemal Dördüncü	94.212,39
Benat Ortega	94.212,39
Lina Filiba	18.551,00
Atilla Altınordu	94.212,39
F. Dilek Bil	94.212,39
Aycan Avci	72.618,01
Total	939.080,52

b) Information about total amount of given allowances, travel, accommodation and representation expenses and cash and non-cash facilities, insurances and similar securities:

The general manager is the only senior manager of the Company. The General Manager was provided with a healthcare insurance cover of TL-24.000,00.

C. RESEARCH AND DEVELOPMENT ACTIVITIES OF THE COMPANY:

The Company does not carry out any R&D activity.

Ç. CORPORATE ACTIVITIES AND IMPORTANT DEVELOPMENTS REGARDING THE ACTIVITIES:

a) Information about the investments made by the company during the respective accounting period:

The current real estate of the company held for investment purposes increased in the relevant accounting period. The increase was attributable to the expenses incurred by Üçgen Bakım ve Yönetim Hizmetleri A.Ş. for management services which were posted to the Company in pro rata basis for investment purposes and the Company's own fixed assets expenses.

b) Information about the internal control system and internal audit activities of the Company along with the opinion of the board of directors:

The Board of Directors reviews the efficiency of the risk management and internal control systems at least once a year.

The Board of Directors establishes the internal control systems to include the risk management and information systems and processes which can minimize the impacts of the risks which may affect the stakeholders of the Company, primarily the shareholders, by taking into account the views of the relevant committees of the board of directors.

The existing internal control system intended for various purposes including increasing efficiency and productivity in corporate activities, ensuring reliability of financial reporting and compliance with the laws and regulations was audited by Ginini Danışmanlık Hizmetleri A.Ş. based on the annual internal audit plan created and the professional services agreement and the results of the audit were reported to the Audit Committee.

c) Information about direct or indirect affiliates of the Company as well as share rates:

The Company does not have any subsidiary or affiliate.

d) Information about treasury shares acquired by the Company:

The Company did not acquire its treasury shares.

e) Remarks about the private audit and public audit conducted during the accounting period:

Any private or public audit was not conducted during the accounting period of 2019.

f) Information about litigations filed against the Company, which may affect the financial standing and activities of the company, and their potential results:

There is no litigation initiated filed the Company which may affect the financial standing and activities of the Company. However, the litigations filed against the Company are summarized in the appendix to this Annual Report (Annex:1).

g) Remarks about any administrative or judicial sanctions imposed on the company and directors owing to actions in breach of regulatory provisions:

There is no administrative or judicial sanction imposed on the directors owing to actions in breach of regulatory provisions.

The information about the litigation filed by one of the shareholders of the Company against a number of the directors is provided in the appendix to this Annual Report (Annex:1).

h) Information and evaluations about whether the targets established in the previous periods have been achieved or not, whether resolutions of the general meeting have been fulfilled or not, and if the targets have not been achieved or the resolutions have not been fulfilled, reasons thereof:

The Company achieved its financial targets for the previous period. The resolutions of the general assembly meeting were duly fulfilled.

i) Information about the extraordinary general meeting, if applicable, including the date of the meeting, the resolution passed in the meeting, and transactions executed in this regard:

No extraordinary general assembly meeting was held during 2019.

j) Information about any donations and aids made and expenses incurred in relation with social responsibility projects carried out by the Company during the year:

The company did not make any donation and aid in 2019 and there isn't any expense incurred within the scope of the social responsibility projects within the relevant year.

k) Information about regulatory modifications which might have a significant impact on the corporate activities:

No regulatory modifications has been made which might have a significant impact on the corporate activities.

D. FINANCIAL STANDING:

a) Analysis and evaluation of the managing body regarding the financial standing and the results of the activities; degree of realization of the planned activities; and position of the company against the established strategic goals:

The Company realized the planned activities and the established strategic goals in 2019.

b) Information about sales, productivity, income generating capacity, profitability, and liability/shareholders' equity ratio of the Company in comparison with previous years, and about other matters which may give an idea about the results of the activities of the company, and prospects for the future:

The company increased its occupancy rates which enabled it to maintain net sales in 2019.

Primary financial indicators:

Balance-Sheet Items (Million TL)	31.12.2019	31.12.2018
Current assets	65,68	73,79
Fixed assets	192,82	191,74
Total assets	258,50	265,54
Short term liabilities	7,23	5,08
Long term liabilities	1,95	1,35
Shareholders' equity	249,32	259,11
Total Liabilities and Shareholders' equity	258,50	265,54

Income Statement Items (Million TL)	2019	2018
Net sales	117,66	116,63
Cost of sales (-)	36,92	33,91
Gross profit	80,74	82,72
Operating profit	73,42	79,94
Net Profit for the Year	81,56	88,65

Financial Indicators (Million TL)	2019	2018
Gross Profit Margin	68,62%	70,93%
Net Profit Margin	69,32%	76,01%
Debt-Equity Ratio	3,68%	2,48%
Total Debts/Total Assets	3,55%	2,42%

Total amount of the minimum rental payments to be obtained in the future within the framework of the lease agreements executed in connection with the income generating capacity of the Company and the amount thereof for each period are specified hereinbelow (TL):

	31.12.2019	31.12.2018
Less than 1 Year	117.962.635	103.872.934
Between 1 and 5 Years	420.560.350	387.391.497
Over 5 years	214.394.251	260.494.191
Total	752.917.236	751.758.622

Akmerkez intends to continue to conduct its activities within the framework of the capital market legislation and the other legal legislation by maintaining its profitability without sacrificing quality in 2020.

c) Considerations and evaluations of the board of directors as to whether the company has lost its capital or has gone into debt, and actions considered to be taken to improve the financial construction of the company:

The company has not lost its capital or any situation of debt-choked is not in question.

d) Information about the dividend distribution policy, and if dividend will not be distributed, its reason and proposal as to how the retained profit will be used:

Our Company's updated Profit Distribution Policy was adopted by the majority of votes at the Ordinary General Assembly for the year 2018 held on 29.03.2019.

Dividend distribution policy of the company is as follows:

The Dividend Distribution Policy of AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ seeks that the shareholders earn regular income from the shares. For the purpose to attain the goals set out in the mission and vision of the Company, our DIVIDEND DISTRIBUTION POLICY has been established by the provisions of Turkish Commercial Code, Capital Markets Board (CMB) Communiqué on Corporate Governance, Profit Share Communiqué numbered II-19.1 and other related capital markets legislations, tax legislations and other relevant legislations within the framework of article 30, titled 'DIVIDEND DISTRIBUTION', of the Articles of Association of the Company which is paraphrased below.

1. Article 30 "DIVIDEND DISTRIBUTION" of the Articles of Association of the Company reads as follows:

"The company shall observe the principles in Turkish Commercial Code and capital market regulations with respect to distribution of profits.

Net profit is that amount remaining after the deduction of any and all amounts such as the general expenses of the Company and miscellaneous depreciation values, provisions and all taxes and other financial obligations which should be paid out or set aside by the company from the total revenues determined at the end of the accounting period. After the losses of the previous year are deducted from the net profit to be determined pursuant to the foregoing article:

General Legal Reserve Fund

a. 5% of the remaining amount will be set aside as legal reserve fund until it amounts to 20% of the paid-in capital pursuant to article 519 of the Turkish Commercial Code.

First Dividend

b. The first dividend shall be set aside from the assessment to be calculated by adding the donations made within the relevant accounting year to the remaining sum to be determined by the general assembly in line with the dividend policy of the company provided that it shall not remain below the ratio and amount specified by the Capital Market Board.

c. General assembly may resolve to set aside up to 5% of the remaining sum to be distributed to directors.

Second Dividend

d. After deducting the amounts mentioned in subparagraphs a, b, and c from net profit, at least 80% of the remainder shall be distributed as second dividend,

e. In case there is still a remainder after deducting the amounts mentioned in subparagraphs a, b, c, and d from net profit, the general assembly shall be authorized to distribute this portion in part or in whole by adding in second dividend, to leave in the balance sheet as end-of-period profit, to add in legal or optional reserves or to set aside as extraordinary reserves.

f. The amounts obtained pursuant to article 519, paragraph 2 of the Turkish Commercial Code will be added to the general legal reserve fund.

g. Unless the statutory reserves and dividends determined for shareholders under the articles of association are set aside, it shall not be possible to make a resolution to set aside any further statutory reserves, transfer profits to the upcoming year and to distribute profit shares to directors and employees and profit shares may not be distributed to such person without paying the duly determined profit share.

The Company may distribute advance for profit share to the shareholders pursuant to the provisions of the capital market legislations.”

2. There is no privilege applicable for dividends pursuant to the Articles of Association.
3. The dividend set aside for distribution to the shareholders shall be distributed equally to all of the existing shares as of the distribution date in pro rata basis without having regard to the issue and acquisition dates of the relevant shares.
4. Dividend distribution may be fulfilled in cash or bonus shares or else partially in cash and partially in bonus shares.
5. Dividend distribution date shall be determined by the General Assembly based on the proposal of the Board of Directors provided that it shall not contradict with the capital market regulations and the dividend distribution processes shall be initiated as of the end of the accounting period when the general assembly meeting is held at the latest.
6. In the event that the general assembly makes a resolution for dividend distribution, it shall be possible to require distribution of dividends within a certain date range or until as late as the end of the year in that the general assembly shall authorize the board of directors to ascertain the dividend distribution date. In that respect, the date of cash distribution of dividends shall be ascertained through a board resolution to be adopted minimum fifteen days in advance and the investors shall be duly informed of the dividend distribution date by means of a special condition disclosure to be published on the Public Disclosure Platform.
7. Dividends might be distributed in instalments of equal or varying sums so long as such distribution is resolved in the relevant general assembly meeting. The number of instalments shall be determined by the general assembly or the board of directors if explicitly authorized by the general assembly.
8. According to the Articles of Association, the board of directors may distribute advance for dividends to the shareholder in line with the capital market regulations provided that the board of directors should be authorized to make such distribution by the general assembly and comply with the relevant capital market regulations.
 - a. It shall be possible to distribute dividend advance in cash based on the profit indicated in the interim financial statements. Dividend advance for a certain interim period shall not be distributed in instalments.
 - b. If the board of directors is empowered to distribute dividend advance by the general assembly, the board of directors shall adopt a resolution as to whether or not to distribute dividend advance and disclose this resolution to the public based on the Board regulations regarding disclosure of special conditions to the public as of the date of public disclosure of interim financial statements at the latest.
 - c. Dividend advance shall be distributed equally to all of the existing shares as of the distribution date in pro rata basis without having regard to the issue and acquisition dates of the relevant shares. Dividend advance may not be distributed to anyone other than the shareholders. Dividend advance shall be paid without regard to the privileges of the privileged shares.
9. If the dividend distribution policy is intended to be amended, the board resolution adopted for the amendment and the justification thereof shall be disclosed to the public pursuant to the Board regulations regarding disclosure of special conditions to the public.

E. RISKS AND EVALUATION OF THE BOARD OF DIRECTORS:

a) Information regarding the risk management policy, if any, to be applied against the anticipated risks:

The Board of Directors reviews the efficiency of the risk management and internal control systems at least once a year.

The corporate risk inventory of the Company is one of the most important monitoring tools used by Akmerkez GYO in its risk management works. The risk inventory covers operational, financial, reputational and strategic risks of the Company, and the risks with high and very high risk score are monitored at the Board of Directors level, and detailed action plans are drawn up and a risk owner is appointed to each risk. The risk owner is responsible for management of the respective risk in accordance with the established action plan. Hence, the risk management philosophy has become a constant issue in the routine business agendas of the executives of Akmerkez GYO. Updated in line with the sectorial and corporate developments, this philosophy has become an integral part of the practices of the Company.

The existing internal control system intended for various purposes including increasing efficiency and productivity in corporate activities, ensuring reliability of financial reporting and compliance with the laws and regulations was audited by Ginini Danışmanlık Hizmetleri A.Ş. based on the annual internal audit plan created and the professional services agreement and the results of the audit were reported to the Audit Committee.

b) Information about the activities and reports of the Early Risk Detection and Management Committee, if any:

The Early Risk Detection Committee is responsible for conducting studies in order to early detect the risks which may endanger the existence, development and continuity of the Company, to take the necessary measures regarding the risks so detected and to manage such risks and this Committee reviews the risk management systems at least once a year. The Committee evaluates the situation and point out the dangers, if any, and indicates the remedies in this respect in the report to be submitted to the board of directors every two months.

In that respect, the Early Risk Detection Committee held 6 (six) meetings once every two months and issued 6 (six) reports in 2019.

c) Prospective risks involving sales, productivity, income generating capacity, profitability, debt - equity ratio and similar issues:

The increase in exchange rates resulting in the increase in producer and consumer prices result in a rise of production costs accompanied with a drop in consumption which might have an effect on retailers with negative impacts on the payment power of tenants along with consistency in payments. This, in turn, might constitute a financial risk for the Company. In addition, new shopping mall investments in the vicinity, which have started and/or is expected to start operation, may lead to risks in terms of market share.

No risk is expected regarding the debt-equity ratio of the Company for the above mentioned risks.

F. OTHER MATTERS:

There is not any significant event which have occurred, except for the mentioned decision, following expiration of the activity year and which might affect the rights of the shareholders and creditors of the Company and/or other related persons.

a) Independent Auditor:

Pursuant to the Turkish Commercial Code and Communiqué on the Independent Audit Standards in the Capital Market as amended through the Communiqué Series X no. 28 of the Capital Market Board and as per the resolution of the board of directors on the subject matter, it was resolved by majority of votes at the annual general meeting held on 29.03.2019 that Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi, which was recommended by the Committee in charge of audit, be elected as the independent audit firm for audit of financial statements and reports of the Company in the 2019 in order to cover the accounting period of 2019.

b) Summary of the Valuation Report Issued on the Assets in the Portfolio:

Below is the summary of the real estate valuation carried out by Ter Ra Gayrimenkul Değerleme Danışmanlık A.Ş.:

Estimated market value as of 20.12.2019 (18% VAT excluded) : TL-1.494.204.000.

c) Current Status, Completion Rate and Duration of the Projects, Realization Potential of the Predictions, Problems, etc.:

The Company did not undertake any project in 2019.

d) Detailed Information about Leases of Portfolio Assets:

The portfolio of the Company is comprised of Akmerkez shopping mall, trade center and residence complex. The complex has a total of 600 independent units, 473 of which are owned by Akmerkez GYO comprised of 445 units in the shopping mall and 27 units in the residential section in addition to 1 office.

e) Comparative Financial Statements:

Please see the appendix (Annex:2).

f) Information About the Control of Portfolio Limitations which is Set Out In Article 38.2 of the Communiqué on the Principles Applicable to Real Estate Investment Partnerships:

Information about the control of portfolio limitations set out in article 38.2 of the Communiqué on the Principles for Real Estate Investment Partnerships is provided in the footnotes to the financial statement (Annex:2-footnote 24).

g) Information about the Sector of the Enterprise along with its Position in the Sector:

Information about the sector of the enterprise is active along with its position in the sector is provided in sections "Sectoral Activities in 2019" and "Akmerkez in Brief" of the annual report.

h) Developments in the Investments, Incentives and their Beneficial Outcomes, if applicable:

The Company does not have any investment other than the existing real estates in Akmerkez Commercial Center.

i) Financial Sources of the Company, and Nature and amount of any Capital Market Instruments Issued by the Company, if any:

Financial sources of the Company consist of rental income. The Company has not issued any securities.

j) Amendments to the Articles of Association Introduced and Reasons Thereof:

The Company did not amend its Articles of Association within the relevant year.

k) Corporate Governance Principles Compliance Report:

Statement of Compliance with Corporate Governance Principles

In this current era marked with global competition and change, Akmerkez aims to attain the fair company level by keeping pace with the change through the corporate governance practices besides its financial successes. Accordingly, the Company is dedicated to create sustainable value for its stakeholders as part of its primary goals. Akmerkez maintains its privileged status a respectable, innovative, hardworking, creative and cooperative enterprise thanks to the long-standing Corporate Governance Principles which make it possible to form a good standing and reliable stance toward its clients, employees and the society as well as its shareholders and society at large.

The purpose of these principles is to strengthen the trust of all beneficiaries in the Company. In line with this goal, Akmerkez has declared that it will observe the Corporate Governance Principles and introduce the regulations required by these principles in accordance with the current practices.

Pursuant to the Corporate Governance Communiqué no. II-17.1 adopted through the Capital Market Resolution no. 2/49 of 10.01.2019, the Corporate Governance Compliance Reports shall be disclosed in the Public Disclosure Platform in line with the drafts of Corporate Governance Compliance Report (URF) and Corporate Governance Information Form (KYBF). The reports are available at the "Corporate Governance" and "Corporate Governance Principles Compliance Reports" tabs on <https://www.kap.org.tr/tr/sirket-bilgileri/ozet/1399-akmerkez-gayrimenkul-yatirim-ortakligi-a-s>.

The Company complies with all of the mandatory corporate governance principles provided in the Corporate Governance Communiqué (II-17.1) of the Capital Market Board.

Below is the principle from which Akmerkez is exempt as per article 6 of the Corporate Governance Communiqué (II-17.1) of the Capital Market Board:

Paragraph one of the aforesaid article reads as follows: 'The criteria stated under the principle numbered (4.3.4.) regarding the number of independent board member shall not be applied for the third group corporations and the joint ventures, except for the banks, formed of two real persons or legal entities who, do not have a relationship on capital, management or auditing relation with respect to 51% of the capital of each other as minimum, independent from each other and sharing the management control of the partnership equally with an agreement requiring positive votes of both parties for significant decisions with regard to the corporations provided that any application made in relation thereto should be accepted by the Board Independent members in number of two shall be sufficient in these corporations.' Based on the relevant provision, Akmerkez, which is in the Third Group, has determined the number of the independent board members as three.

Reasons for non-implementation of the principles provided in the Corporate Governance Communiqué (II-17.1) of the Capital Market Board, whose implementation is not compulsory, are presented below on the basis of principle:

Regarding the Principle No. 1.5.2 of the Corporate Governance Communiqué: Maximum care is given to letting use of the minority rights. The minority rights have not been granted by the articles of association to those who own less than one twentieth of the capital.

Regarding the Principle No. 2.1.4 of the Corporate Governance Communiqué: The fundamental information and reports available in the corporate website are also provided in English.

Regarding the Principle No. 3.1.3 of the Corporate Governance Communiqué: The corporate website contains some of the policies and procedures related to the rights of the beneficiaries.

Regarding the Principle No. 3.3.5 of the Corporate Governance Communiqué: Decisions taken in connection with the employees or developments concerning the employees are communicated to the employees. No representative has been appointed due to small number of the employees.

Regarding the Principle No. 4.4.2 of the Corporate Governance Communiqué: The information and documents related to the meeting agenda of the board of directors are made available to the examination of the members of the board of directors within an adequate time before the meeting by ensuring equal information flow.

Regarding the Principle No. 4.4.7 of the Corporate Governance Communiqué: Member of the Board of Directors spares adequate time for the business of the Company. If Member of the Board of Directors is a manager or member of board of directors in any other company, this does not lead to a conflict of interest and interfere with the duty of the member in the company. For this reason, undertaking of other duty or duties by the Members of the Board of Directors outside the Company has not been bound with certain rules or has not been limited. Any duties undertaken by the Members of the Board of Directors outside the company are stated in the "General Information Form of the Company" which is disclosed to the public through the KAP [Public Disclosure Platform]. In addition, if election of members of the board of directors is in the agenda of the general meeting, in respect of the persons whose candidacy to a seat in the board of directors, information about their curriculum vitae, duties carried out by them during the last ten years and reasons for resignation, nature and degree of importance of their relations with the company and the parties related with the company, whether they have the qualification for independency or not, and similar matters which may affect the activities of the company if they are elected as members of the board of directors is provided in the KAP and the "General Meeting Information Document" published on the Internet site of the company. Duties undertaken by the members of the board of directors outside the Company, and the reasons thereof, are informed to the shareholders during the general meeting where their elections are discussed under the item of the agenda concerning the election by making segregation between the duties within and outside of the group.

Regarding the Principle No. 4.5.5 of the Corporate Governance Communiqué: The management makes efforts in order not to assign a director in more than one committee. Nevertheless, some of the members undertake positions in two or more committees owing to their knowledge and experience on the relevant fields.

There is not any conflict of interest arising from the above stated principles set out in the Corporate Governance Communiqué (II-17.1) of the Capital Market Board, whose implementation is not compulsory. Necessary activities are performed for ensuring compliance with the Corporate Governance Principles based on the developments in the legislations and practices.

I) Investor Relations Department

Investor Relations Department reports to the General Manager:

Murat Kayman

+90 (212) 282 01 70 / 235

murat@akmerkez.com.tr

Staff of Investor Relations Department:

Hilal Kayalar

Budget, Reporting and
Investor Relations Manager

+90 (212) 282 01 70 / 222

hilal@akmerkez.com.tr

Gizem Çimen

Finance and Investor
Relations Specialist

+90 (212) 282 01 70 / 239

gizemc@akmerkez.com.tr

Fax: +90 (212) 282 01 15

E-mail: yatirimciiliskileri@akmerkez.com.tr

The Department Manager, Hilal Kayalar, holds another member of the Corporate Governance Committee, is the Investor Relations Department Manager holding Capital Market Activities Level 3 (License No: 211131) and Corporate Governance Rating (License No: 701470) licenses.

m) Investor Relations Activity Report

07.01.2020

To the Board of Directors of Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş.,

Our activity report, which has been prepared pursuant to Article 11 of the Corporate Governance Communiqué (II-17.1) promulgated by the Capital Market Board, is submitted to your information and will be contained in the annual activity report 2018 of the Board of Directors.

Sincerely yours,

Hilal Kayalar

Budget, Reporting and Investor
Relations Manager

Member of Corporate Governance
Committee

Gizem Çimen

Finance and Investor
Relations Specialist

Akmerkez Investor Relations is primarily responsible for ensuring compliance with statutory regulations and transparent, accountable, fair and responsible management approach model toward shareholders. In order to attain this goal, it uses and manages the investor relations tool for the purpose of providing comprehensive, complete and accurate information about the progress of the shares of Akmerkez to the stakeholders.

The basic working principles adopted by the Investor Relations unit include accessibility, quick response to shareholders, transparent, consistent and timely informing and ensuring the up-to-dateness of the Company's website. Care is given to making sure that the staff of the department is formed by competent persons who know the legislation well, have the licenses required by the Capital Market Board, know the Company and the sector dynamics well and is

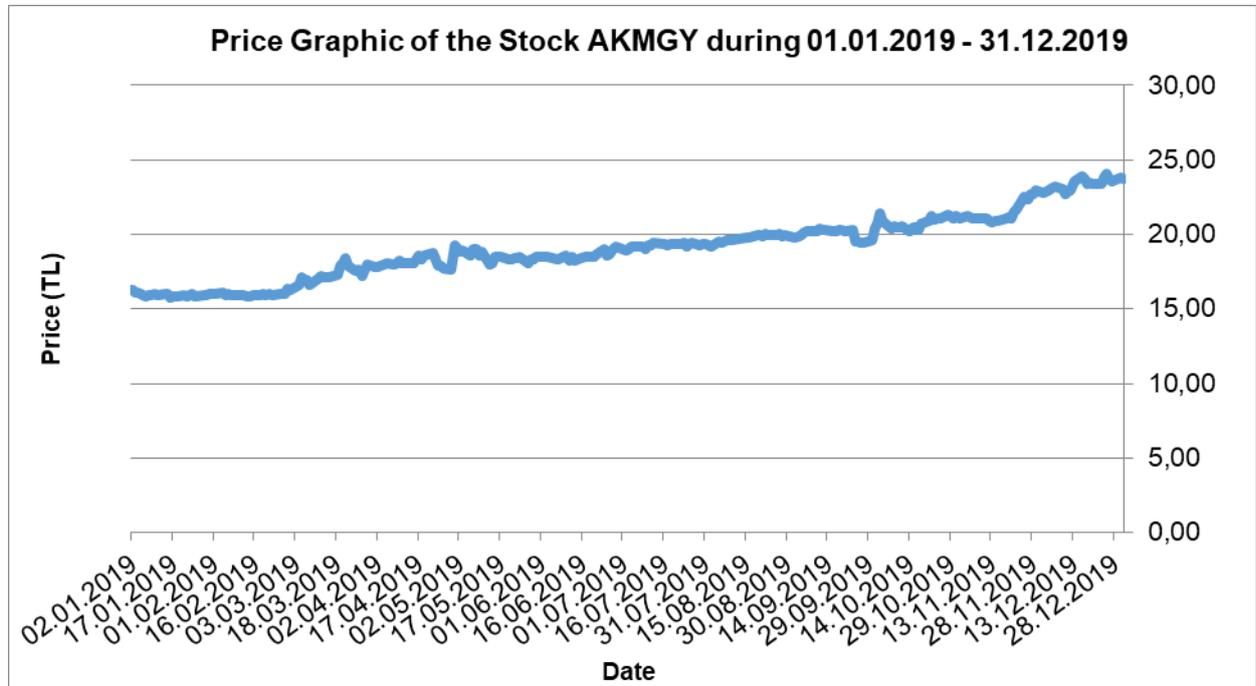
able to communicate this. In this context, the Investor Relations Department targets to create a difference by knowing the company correctly and analyzing it well, knowing the strategies of the company well and communicating these strategies with efficient methods.

Significant Developments in 2019

1) Stock Performance

Shares of the Company are traded in the following indexes of the stock market of Borsa İstanbul (BİST), and the share performance is shown in the following chart.

- BIST Main
- BIST All
- BIST Financial
- BIST Corporate Governance
- BIST Dividend
- BIST All 100
- BIST Real Estate Investment Partnerships



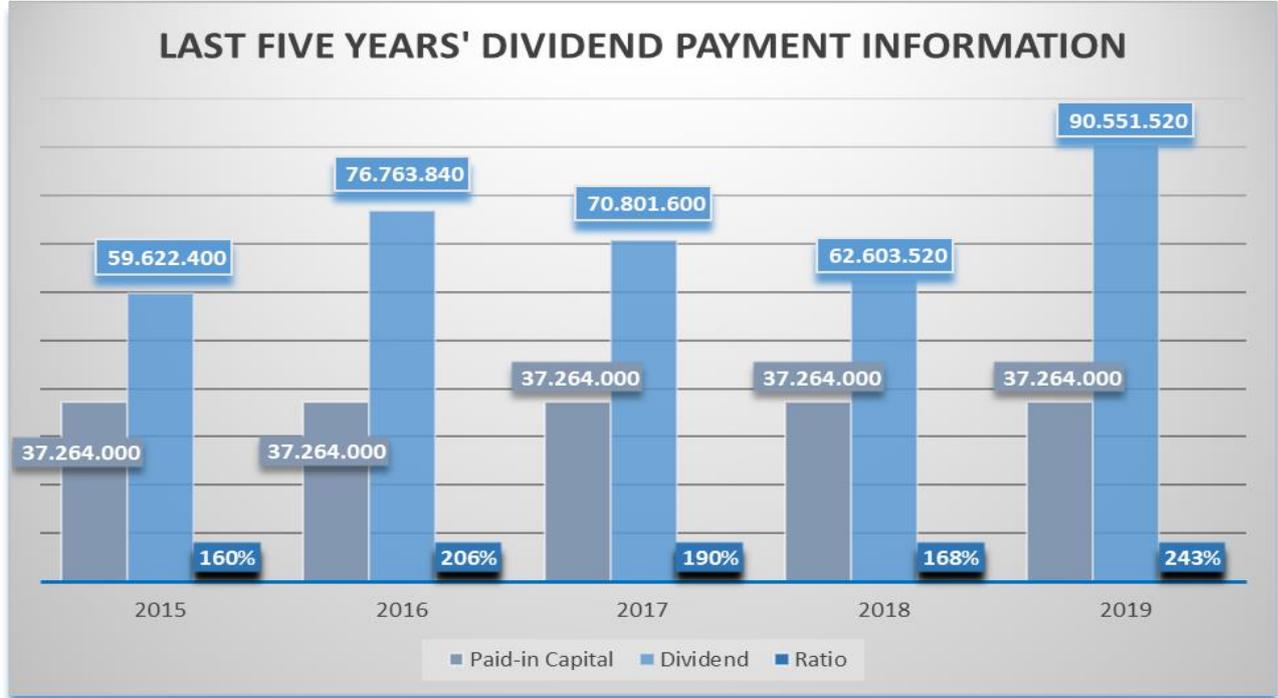
Stocks of the Company have been traded in the Istanbul Stock Exchange and Borsa İstanbul since 2005. Below is a summary of the performance of the stocks in the exchange during the last five (5) years:

Stock Data	2015	2016	2017	2018	2019
Lowest Price (TL)	15,49	15,61	20,12	16,00	15,75
Highest Price (TL)	20,50	20,60	24,78	21,06	24,10
Year-End Closing Price (TL)	16,60	20,60	20,46	16,37	23,68
Issued Capital (TL 1.000)	37.264	37.264	37.264	37.264	37.264
Market Value (TL 1.000)	618.582	767.638	762.421	610.012	882.412

2) Dividend

Distribution of the dividends pertaining to the activity period of 2018 and from the retained earnings and extraordinary reserves was approved by the annual general meeting held on March 29, 2019. The relevant dividends were distributed to the shareholders of the Company in cash on April 24, 2019, September 24, 2019 and October 23, 2019

Gross amounts of the dividends distributed during the last five (5) years and their ratios to paid-in capital are provided below:



3) Other activities in the year

Other activities carried out by the Investor Relations unit during the year are summarized as follows:

- Thirty six (36) special condition disclosures through the Public Disclosure Platform,
- Responding to the query of one (1) domestic investor by e-mail,
- Responding to the queries of investors on the phone.

Contact Details of the Investor Relations Department

Phone: +90 212 282 01 70

Fax : +90 212 282 01 15

Investor Relations e-mail address: yatirimciiliskileri@akmerkez.com.tr

Address: Kültür Mah. Nispetiye Cad. Akmerkez No: 56/1 Beşiktaş/İstanbul

n) Mandatory Information to be Provided to Shareholders Regarding Related Party Transactions and their Account Balances:

Details of the related party transactions executed by the Company in 2019 are provided below.

As of December 31, 2019, there is no amount payable by the related parties. Whereas the amounts due to the related parties are as follows:

Due to the related parties	December 31, 2019
Üçgen Bakım ve Yönetim Hizmetleri A.Ş.	528.564
Akkök Holding A.Ş.	29.393
Aktek Bilgi İşlem Tekn.San.Tic. A.Ş.	778
	558.735

Purchases from and sales to the related parties during the year ending on December 31, 2019 are as follows:

Sales to the related parties:	December 31, 2019
Üçgen Bakım ve Yönetim Hizmetleri A.Ş.	16.141.492
Akmerkez Lokantacılık Gıda San. Tic. A.Ş.	2.835.419
Tekfen Turizm İşletmeleri A.Ş.	898.506
Akip Gıda San. Tic. A.Ş.	221.545
	20.096.962

Purchases from the related parties:	December 31, 2019
Üçgen Bakım ve Yön.Hizm.A.Ş.	27.201.250
Akkök Holding A.Ş.	395.186
Dinkal Sigorta Acenteliği A.Ş. (*)	149.833
Aktek Bilgi İşlem Tekn.San.Tic. A.Ş.	10.815
Akhan Bakım Yönetim Servis Hizmet Güvenlik Tic. A.Ş.	1.437
	27.758.521

(*)This refers to purchases made from several insurance companies through brokerage of Dinkal Sigorta Acenteliği A.Ş.

Purchases and sales consist of rent income, purchase and sales of services. TL-27.201.250 of group purchases are comprised of expenses for management and other services provided by Üçgen Bakım ve Yönetim Hizmetleri A.Ş.'den ("Üçgen") whereas TL-557.271 refers to other expenditures provided by the other related parties. The Company procures common areas services like car park, valet and apart hotel rent incomes from the related party Üçgen. In addition, cinema and office floor rent incomes are procured from Üçgen to whom the Company charged TL-16.141.492 in total regarding the rent revenue and the revenue collected on behalf of the Company during twelve months period in 2019.

Senior managers including chairman and members of board of directors were paid totally TL-1.789.506 in the form of wages and similar benefits during the accounting period from January 1 till December 31, 2019.

o) Information about Important Litigations Filed against the Company and Potential Results:

A number of litigations were filed in 2014, 2015 and 2016 for nullification of some resolutions passed by the general assembly meetings held in 2013, 2014 and 2015 in addition to some other litigations filed against some of the directors in 2014 and 2015, which are still pending before courts.

Some of the litigations filed against the company are currently pending. Information about these litigations is provided in the chart enclosed herewith (Annex 1).

p) Information about Conflicts of Interest between the Company and External Companies Providing Services on Investment Consultancy, Rating and the like and Measures Taken for Preventing Conflict of Interest:

The Company does not have any conflict of interest about the rating services nor with the supplier of rating services. The Company did not receive any service for investment consultancy etc. in 2019.

r) Information about Reciprocal Affiliates Involving a Direct Capital Subscription of More than 5%:

The Company does not have any reciprocal affiliation relationship with other companies.

s) Information about the Benefits and Professional Training Provided to Employees and Other Corporate Social Responsibility Activities Conducted for Dealing with Social and Environmental Impacts:

Employees are provided with the suitable training for performance of their professional duties. The company supports corporate social responsibility projects which are deemed to be necessary.

t) Assessment as to Achievement of Operational and Financial Performance Objectives and Justifications for Failure to Achieve, if applicable:

The board of directors is convinced that the company achieved the operational and financial performance targets in 2019.

u) Specifically Important Incidents Occurring After the Closing of the Activity Year:

The company was not subject to any significant incident after the conclusion of the finance year.

Annex 1: Litigations

LITIGATIONS FILED AGAINST AKMERKEZ GYO A.Ş.

No.	Court	Case No	Plaintiff	Respondent	Claim	Current Status
1	İSTANBUL CIVIL COURT OF PEACE NO. 2	2009/742 New Case No: 2011/124	BERKAY İNCE / İNTERVO DIŞ TİCARET VE MÜMESSİLLİK LTD. ŞTİ. (B3 Tower Office Floor 1)	1- AKMERKEZ GYO A.Ş. 2- ÜÇGEN BAKIM	ACTION FOR DAMAGES Claim: TL-100.000	The lawsuit was denied on procedural grounds in favor of the company. The lawsuit was appealed by the Plaintiff and the file is pending before the Supreme Court of Appeals.
2	İSTANBUL CONSUMER COURT NO. 1	2007/753 New Case No: 2018/515	MEHMET BOZKURT	AKMERKEZ GYO A.Ş.	ACTION FOR DAMAGES Claim: TL-41.000 (Theft in Parking Lot)	The lawsuit was denied in favor of the company. The lawsuit was appealed by the Plaintiff upon which the Supreme Court reversed the judgment of the local court. The order for partial acceptance of the case against the company was reversed by the Supreme Court of Appeals, this time for the benefit of the Company. The file was sent to the expert after the decision of the Supreme Court of Appeals; A statement was submitted to the expert report. The hearing date to be held on 17/03/2020 is expected.
3	İSTANBUL COMMERCIAL COURT OF FIRST INSTANCE NO. 6	2014/1077	ÖMER DİNÇKÖK	AKMERKEZ GYO A.Ş.	ACTION FOR CANCELLATION OF THE RESOLUTIONS PASSED IN THE AGENDA ITEMS NO 2, 5, 7, 10, 11 AT THE ORDINARY GENERAL ASSEMBLY MEETING HELD FOR THE YEAR 2013	The action was concluded in favor of the Company. Following the appeal of the plaintiff, the order was ratified for the benefit of the Company by the Supreme Court of Appeals. Thereupon, the plaintiff took action asking for correction of the decision which is currently under review.
4	İSTANBUL COMMERCIAL COURT OF FIRST INSTANCE NO. 18	2015/665	ÖMER DİNÇKÖK	AKMERKEZ GYO A.Ş.	ACTION FOR CANCELLATION OF THE RESOLUTIONS PASSED IN THE AGENDA ITEMS NO 2,3,4,9 AT THE ORDINARY GENERAL ASSEMBLY MEETING HELD FOR THE YEAR 2014	The case has been rejected in the first instance court. The plaintiff appealed to the court and the file is currently under appellate review.
5	İSTANBUL COMMERCIAL COURT OF FIRST INSTANCE NO. 3	2015/673	ÖMER DİNÇKÖK	AKMERKEZ GYO A.Ş.	ACTION FOR APPOINTMENT OF A SPECIAL AUDITOR	The litigation was concluded positively for the company while the Supreme Court of Appeals denied the appeal filed by the claimant. The Supreme Court of Appeals also denied the claimant's request for correction of decision as a result of which the court order for denial of the litigation for the benefit of the company became final.
6	İSTANBUL CONSUMER COURT NO. 8	2015/1946	ULVIYE ARKUN	1- AKMERKEZ GYO A.Ş. 2- S.O.S INTERNATIONAL AMBULANS SERVİSİ	ACTION FOR DAMAGES Total Claim: TL-6.000	The court made a judgment for partial acceptance and partial denial of the case and ordered for payment of TL-3.000 to the plaintiff. The justified decision was duly notified. The file is currently under appellate review.
7	İSTANBUL COMMERCIAL COURT OF FIRST INSTANCE NO. 7	2016/720	ÖMER DİNÇKÖK	AKMERKEZ GYO A.Ş.	ACTION FOR CANCELLATION OF THE RESOLUTIONS PASSED IN THE AGENDA ITEMS NO 5 AND 11 AT THE ORDINARY GENERAL ASSEMBLY MEETING HELD FOR THE YEAR 2015	The action was concluded in favor of the Company. The plaintiff appealed against the order before the higher court. The file is currently under appellate review.
8	İSTANBUL CIVIL COURT OF PEACE NO. 17	2019/831	AXA SİGORTA A.Ş	AKMERKEZ GYO A.Ş.	CANCELLATION OF THE OBJECTION CASE Total Claim: 37.690,85-TL	Axa Insurance set the execution proceedings with recourse against Akmerkez GYO; An objection was made by Akmerkez GYO. The hearing date is expected on 03/03/2020.
9	İSTANBUL COMMERCIAL COURT OF FIRST INSTANCE NO. 4	2016/725(Case Closed)	ÖMER DİNÇKÖK	AKMERKEZ GYO A.Ş.	ACTION FOR APPOINTMENT OF A SPECIAL AUDITOR	The litigation was concluded positively for the company while both the appellate and appeal requests filed by the claimant were denied conclusively.

LITIGATIONS INVOLVING DIRECTORS OF AKMERKEZ GYO A.Ş.

No.	Court	Case No	Plaintiff	Respondent	Claim	Current Status
1	İSTANBUL COMMERCIAL COURT OF FIRST INSTANCE NO. 18	2014/1080	ÖMER DİNÇKÖK	RAİF ALİ DİNÇKÖK, ALİZE DİNÇKÖK, MEHMET ALİ BERKMAN	ACTION FOR DAMAGES (ARISING FROM RESPONSIBILITY OF COMPANY MANAGERS)	The court accepted the litigation partially and denied the extra demands of the claimant and the combined action (case no. 2015/591 E. at Istanbul Commercial Court of First Instance no. 8) provided that appellate action could be taken. Accordingly, the litigation is under appellate review for the time being.
2	İSTANBUL COMMERCIAL COURT OF FIRST INSTANCE NO. 8	2015/951	ÖMER DİNÇKÖK	RAİF ALİ DİNÇKÖK, ALİZE DİNÇKÖK, MEHMET ALİ BERKMAN, MURAT GİĞİN	ACTION FOR DAMAGES (ARISING FROM RESPONSIBILITY OF COMPANY MANAGERS)	Combined with the case no 2014/1080, The Local Court decided to dismiss the case in favor of the defendants (BoD members). The case is under appeal investigation.

**AKMERKEZ GAYRİMENKUL YATIRIM
ORTAKLIĞI A.Ş.**

**CONVENIENCE TRANSLATION OF THE FINANCIAL
STATEMENTS FOR THE PERIOD 1 JANUARY -
31 DECEMBER 2019
TOGETHER WITH AUDITOR'S REPORT**

(ORIGINALLY ISSUED IN TURKISH)



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

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Akmerkez Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

A) Report on the Audit of the Financial Statements

1) Opinion

We have audited the financial statements of Akmerkez Gayrimenkul Yatırım Ortaklığı Anonim Şirketi ("Company") which comprise the statement of financial position as at December 31, 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with the Turkish Financial Reporting Standards (TFRS).

2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the *Code of Ethics for Independent Auditors* (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>Impairment review of investment properties and significant information disclosed</p>	
<p>As explained in notes 2 and 6, investment properties are stated at cost less their depreciation and impairment loss, if any. As of December 31, 2019, the carrying amount of the investment properties is TRY 183,070,169. As disclosed in note 6, fair value of the investment property has been valued at TRY 1,494,204,000 by independent appraisal firm, and discount ratio has been disclosed as 17%.</p> <p>Due to the magnitude of the stated amounts above compared to total of balance sheet, we have considered the accounting of investment properties as a key audit matter.</p>	<p>Our audit procedures regarding to disclosed values of investment properties in the financial statement consist of testing of additions to carried cost amounts and testing of the depreciation charge. In this context, we also evaluated estimated useful life and depreciation method, and impairment evaluation regarding to investment properties was performed within the scope of fair value procedures, explained below.</p> <p>We assessed the qualifications, competencies and independence of the professional appraisers engaged by the management.</p> <p>In our audit, we assessed whether the valuation methods as applied by appraisers are acceptable for valuation of the underlying investment property. We reconciled the appraised value for independent sections in the valuation report with disclosed amount in note 6. In addition, we reconciled standing data included in the valuation report such as rental income, duration of lease contracts, occupancy rates and administration expenses to source documents.</p> <p>Among the other audit procedures we verified the assumptions used by the external appraisers in their valuations (including the discount rate, the market rent and the expected occupancy rates) against external data. For this assessment we involved internal valuation experts as part of our audit procedures.</p> <p>Due to the high level of judgment by the appraisers in the valuation of investment property and the existence of alternative assumptions and valuation methods, we assessed if the result of the external valuation is within an acceptable range.</p> <p>We also examined the suitability of the information in the financial statements and explanatory note, given the importance of this information for users of the financial statements.</p>

Accounting for rent incentives	
<p>As of December 31, 2019, income accruals regarding to rent-fee period incentives in other current assets amounting to TRY 2,769,513 and in other non-current assets amounting to TRY 2,487,540 have been reflected in the financial statements of the Company. Details of the stated amounts have been disclosed in note 10.</p> <p>In addition, the Company has accounted for costs incurred in order to rent stores as short and long term prepaid expenses amounting to TRY 9,768,244 in the prepaid expenses accounts included in current and non-current assets.</p> <p>Due to the magnitude of the stated amounts above compared to total of balance sheet, we have considered the accounting of rent incentives as a key audit matter.</p>	<p>The Company recognizes all incentives for the agreement of a new or renewed operating lease as an integral part of the net consideration agreed for the use of the leased asset. Incentives are recognized as a reduction of rental income over the lease term, on a straight-line basis.</p> <p>Within the scope of our audit procedures performed regarding to the subject stated above, we focused on the following;</p> <ul style="list-style-type: none"> - Review of rent contracts - Evaluation of processes followed by the Company regarding to rent incentives. - Testing straight-line basis calculation applied for rent incentives - Controlling invoiced rental income and other inputs used in the calculations related to rent incentives.

4) Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

5) Auditor's Responsibilities for the Audit of the Financial Statements

In an independent audit, our responsibilities as the auditors are:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with InAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Report on Other Legal and Regulatory Requirements

- 1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on February 27, 2020.
- 2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January – 31 December 2019 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.
- 3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Seda Akkuş Tecer.

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



Seda Akkuş Tecer, SMMM
Partner

27 February 2020
Istanbul, Turkey

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AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**CONVENIENCE TRANSLATION OF STATEMENTS OF FINANCIAL POSITION
(BALANCE SHEET) AT 31 DECEMBER 2019 AND 31 DECEMBER 2018**

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

	Notes	Audited 31 December 2019	Audited 31 December 2018
ASSETS			
Current assets		65,682,589	73,794,035
Cash and cash equivalents	4	51,120,730	41,333,713
Trade receivables			
<i>Receivables from third parties</i>	5	6,029,121	7,314,103
Other receivables			
<i>Other receivables from third parties</i>	5	825,525	405,972
Prepaid expenses	10	4,054,248	2,879,420
Prepaid taxes and funds		883,452	545,796
Other current assets	10	2,769,513	21,315,031
Non-current assets		192,819,035	191,744,404
Investment property	6	183,070,169	188,292,189
Tangible assets	7	452,572	688,448
Intangible assets		105,009	3,150
Prepaid expenses	10	6,703,542	561,082
Other non-current assets	10	2,487,743	2,199,535
Total assets		258,501,624	265,538,439

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

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**CONVENIENCE TRANSLATION OF STATEMENTS OF FINANCIAL POSITION
(BALANCE SHEET) AT 31 DECEMBER 2019 AND 31 DECEMBER 2018**

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

	Notes	Audited 31 December 2019	Audited 31 December 2018
LIABILITIES			
Current liabilities		7,226,140	5,081,825
Trade payables			
<i>Due to related parties</i>	5, 20	558,735	884,544
<i>Due to third parties</i>	5	264,662	475,247
Other payables			
<i>Due to third parties</i>	5	2,367,027	2,171,187
Deferred income (<i>Excluding liabilities from customer contracts</i>)	10	3,237,628	816,313
Provisions			
<i>Other provisions</i>	8	144,000	144,000
<i>Provisions for unused vacations</i>	9	295,539	226,547
Other current liabilities	10	358,549	363,987
Non-current liabilities		1,950,826	1,351,538
Other payables			
<i>Other payables to third parties</i>	5	603,619	665,281
Long term provisions			
<i>Provisions for employment termination benefits</i>	9	1,347,207	686,257
Equity		249,324,658	259,105,076
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>		(556,410)	230,617
Restricted reserves		87,986,155	79,117,323
Retained earnings	11	15,327,521	26,098,217
Net income for the period		81,558,129	88,649,656
Total liabilities and equity		258,501,624	265,538,439

Financial statements for the year ended 31 December 2019 have been approved by the Board of Directors on 27 February 2020. These financial statements shall be approved by the General Assembly.

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

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**CONVENIENCE TRANSLATION OF STATEMENTS OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED
31 DECEMBER 2019 AND 31 DECEMBER 2018**

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

	Notes	Audited 1 January- 31 December 2019	Audited 1 January- 31 December 2018
PROFIT AND LOSSES			
Revenue	12	117,658,596	116,629,010
Cost of sales (-)	12	(36,921,617)	(33,908,975)
Gross profit	12	80,736,979	82,720,035
General administrative expenses (-)	13	(6,513,580)	(6,435,981)
Other operating income	15	4,608,868	4,854,847
Other operating expenses (-)	15	(5,417,193)	(1,201,980)
Operating profit		73,415,074	79,936,921
Financial income	16	10,288,724	11,816,614
Financial expenses (-)	17	(2,145,669)	(3,103,879)
Profit before tax from continuing operations		81,558,129	88,649,656
Tax income/(expenses) from continuing operations		-	-
Profit for the period from continuing operations	19	81,558,129	88,649,656
Earnings per share			
Earning per share from continuing operations	19	2.19	2.38
Earning per share from discontinuing operations		-	-
Diluted earnings per share			
Diluted earnings per share from continuing operations	19	2.19	2.38
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	(787,027)	66,234
Total comprehensive income		80,771,102	88,715,890

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

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**CONVENIENCE TRANSLATION OF THE STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2019 AND 31 DECEMBER 2018**

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

			Other comprehensive income/expense not to be reclassified to profit or loss	Actuarial gain / (loss) arising from employee benefits	Restricted reserves	Accumulated profit		
	Notes	Share capital	Adjustment to share capital			Retained earnings	Net profit for the period	Equity
1 January 2018		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)	-
Dividends		-	-	-	-	(62,603,520)	-	(62,603,520)
Total comprehensive income		-	-	66,234	-	-	88,649,656	88,715,890
31 December 2018 (Audited)	11	37,264,000	27,745,263	230,617	79,117,323	26,098,217	88,649,656	259,105,076
1 January 2019	11	37,264,000	27,745,263	230,617	79,117,323	26,098,217	88,649,656	259,105,076
Transfers		-	-	-	8,868,832	79,780,824	(88,649,656)	-
Dividends		-	-	-	-	(90,551,520)	-	(90,551,520)
Total comprehensive income		-	-	(787,027)	-	-	81,558,129	80,771,102
31 December 2019 (Audited)	11	37,264,000	27,745,263	(556,410)	87,986,155	15,327,521	81,558,129	249,324,658

(*) The Company decided to pay dividend amounting to TRY 90,551,520 in accordance with the decision taken in the Ordinary General Meeting dated March 29, 2019 and the total amount of dividend has been paid to shareholders as at April 24, 2019 and September 24, 2019 and October 23, 2019 amounting to TRY 40,245,120 and TRY 31,674,400 and TRY 18,632,000, respectively.

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

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**CONVENIENCE TRANSLATION OF THE STATEMENTS OF
CASH FLOWS FOR THE YEARS ENDED
31 DECEMBER 2019 AND 31 DECEMBER 2018**

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

	Notes	Audited 1 January - 31 December 2019	Audited 1 January - 31 December 2018
CASH FLOWS FROM OPERATING ACTIVITIES		98,069,655	78,544,142
Profit for the year	19	81,558,129	88,649,656
Adjustments to profit / (loss) for the year		4,608,369	(2,932,427)
Adjustments for depreciation and amortization expenses	14	8,805,728	7,492,160
Adjustments for impairment loss	5, 6	737,287	14,436,934
Adjustments for provisions		665,762	(709,348)
Adjustments for interest (income)/ expenses		(5,674,573)	(6,950,319)
Other adjustments for non-cash items		118,165	(17,201,854)
Adjustments for losses (gains) resulting from the disposal of fixed assets	15	(44,000)	-
Change in working capital		12,267,455	(6,612,388)
Adjustments for decrease (increase) in trade receivables			
<i>Decrease (increase) in trade receivables from third parties</i>		547,695	(3,891,426)
(Increase) decrease in other assets related to operations		10,064,649	(2,737,638)
Adjustments regarding (decrease) increase in trade payables			
<i>Increase (decrease) in trade payable from related parties</i>		(325,809)	676,612
<i>Increase (decrease) in trade payable from third parties</i>		(210,585)	(1,277,283)
Increase (decrease) in other liabilities related to operations		2,191,505	617,347
Cash provided from operations		98,433,953	79,104,841
Employment termination benefit payments	9	(364,298)	(356,924)
Other cash inflows (outflows)		-	(203,775)
CASH FLOWS FROM INVESTING ACTIVITIES		2,281,720	4,586,296
Interest received		5,687,411	6,956,529
Cash inflows from the purchase of tangible and intangible assets		215,399	-
Cash outflows from the purchase of tangible and intangible assets		(105,893)	-
Additions to investment property	6	(3,515,197)	(2,370,233)
CASH FLOWS USED IN FINANCING ACTIVITIES		(90,551,520)	(62,603,520)
Dividends paid		(90,551,520)	(62,603,520)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		9,799,855	20,526,918
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		41,313,519	20,786,601
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	51,113,374	41,313,519

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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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:

Kültür Mah. Nispetiye Cad. Akmerkez No: 56/1 Beşiktaş/İstanbul.

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

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

The Company’s shares have been quoted on the Istanbul Stock Exchange (“ISE”) since 15 April 2005 and 50.82% of these shares are publicly quoted shares as of 31 December 2019.

The shareholding structure as of 31 December 2019 and 31 December 2018 is as follows:

Shareholders	31 December 2019	31 December 2018
Akkök Holding A.Ş.	13.13%	13.13%
Tekfen Holding A.Ş.	10.79%	10.79%
Public offering (*)	50.82%	50.82%
Other (**)	25.26%	25.26%
Total	100%	100%

(*) 31.52% of public offering shares belong to Klepierre S.A. as of 31 December 2019 (31 December 2018: 31.52%).

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

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

	31 December 2019	31 December 2018
Administrative	7	7

**CONVENIENCE TRANSLATION OF THE NOTES TO THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

(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 December 2019 in accordance with the going concern principle.

**CONVENIENCE TRANSLATION OF THE NOTES TO THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

2.2 Changes in Accounting Policies

2.2.1 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as at December 31, 2019 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, 2019. 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, 2019 are as follows:

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.

Lessees have recognition exemptions to applying this standard in case of short-term leases (i.e., leases with a lease term of 12 months or less) and leases of 'low-value' assets (e.g., personal computers, office equipment, etc.). At the commencement date of a lease, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date (i.e., the lease liability), at the same date recognises an asset representing the right to use the underlying asset (i.e., the right-of-use asset) and depreciates it during the lease term. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee’s incremental borrowing rate. Lessees are required to recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately.

Lessees are required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). Under these circumstances, the lessee recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. The amendments did not have a significant impact on the financial position or performance of the Company.

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

TFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in “TAS 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.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019. The interpretation is 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 January 2019, POA issued Annual Improvements to TFRS Standards 2015–2017 Cycle, amending the following standards:

- TFRS 3 Business Combinations and TFRS 11 Joint Arrangements — The amendments to TFRS 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 TFRS 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.
- TAS 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.
- TAS 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. The amendments did not have a significant impact on the financial position or performance of the Company.

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

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

In January 2019, the POA published Amendments to TAS 19 “Plan Amendment, Curtailment or Settlement” 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. These amendments are applied for annual periods beginning on or after 1 January 2019.

The amendments did not have a significant impact on the financial position or performance of the Company.

Prepayment Features with Negative Compensation (Amendments to TFRS 9)

The POA issued minor amendments to TFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying TFRS 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.

These amendments are applied for annual periods beginning on or after 1 January 2019. The amendments are not applicable for the Company and did 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 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 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.

TFRS 17 - The new Standard for insurance contracts

The POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The standard is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

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

Definition of a Business (Amendments to TFRS 3)

In May 2019, the PAO issued amendments to the definition of a business in TFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

- clarify the minimum requirements for a business;
- remove the assessment of whether market participants are capable of replacing any missing elements;
- add guidance to help entities assess whether an acquired process is substantive;
- narrow the definitions of a business and of outputs; and
- introduce an optional fair value concentration test.

The amendments to TFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted.

The amendments to IFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted. The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

Definition of Materiality (Amendments to TAS 1 and TAS 8)

In June 2019, the POA issued amendments to TAS 1 Presentation of Financial Statements and TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of ‘material’ across the standards and to clarify certain aspects of the definition. The new definition states that, ‘Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendment is effective for annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted. Overall, the Company expects no significant impact on its balance sheet and equity.

Amendments to TFRS 9, TAS 39 and TFRS 7- Interest Rate Benchmark Reform

The amendments issued to TFRS 9 and TAS 39 which are effective for periods beginning on or after January 1, 2020 provide certain reliefs for 4 fundamental matters in connection with interest rate benchmark reform. These reliefs are related to hedge accounting as follows:

- Highly probable requirement
- Prospective assessments
- Retrospective assessments
- Separately identifiable risk components

Reliefs used as a result of amendments in TFRS 9 and TAS 39 is aimed to be disclosed in financial statements based on the amendments made in TFRS 7.

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

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)

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

On January 23, 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements. The amendments issued to IAS 1 which are effective for periods beginning on or after 1 January 2022, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted.

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

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 recognised in the current period; the effect of changes in accounting estimates affecting current and future periods is recognised in the current and future periods. For the period 1 January - 31 December 2019 there has been no change in the accounting estimates.

2.4 Summary of Significant Accounting Policies

The significant accounting policies followed in the preparation of the financial statements are summarized below:

Financial assets

Classification

The Company classifies its financial assets in three categories of financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit of loss. The classification of financial assets is determined considering the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The appropriate classification of financial assets is determined at the time of the purchase.

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

2.4 Summary of Significant Accounting Policies (Continued)

Financial assets (Continued)

Recognition and Measurement

“Financial assets measured at amortized cost”, are non-derivative assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Company’s financial assets measured at amortized cost comprise “cash and cash equivalents”, “trade receivables” and “other receivables”. Financial assets carried at amortized cost are measured at their fair value at initial recognition and by effective interest rate method at subsequent measurements. Gains and losses on valuation of non-derivative financial assets measured at amortized cost are accounted for under the statement of income.

“Financial assets measured at fair value through other comprehensive income”, are non-derivative assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Gains or losses on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses until the financial asset is derecognized or reclassified. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified to retained earnings. The Company may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss, to present subsequent changes in fair value in other comprehensive income. In such cases, dividends from those investments are accounted for under statement of income.

“Financial assets measured at fair value through profit or loss”, are assets that are not measured at amortized cost or at fair value through other comprehensive income. Gains and losses on valuation of these financial assets are accounted for under the statement of income.

Derecognition

The Company derecognized a financial asset when the contractual rights to the cash flows from the asset expired, or it transferred the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset were transferred. Any interest in such transferred financial assets that was created or retained by the Company was recognized as a separate asset or liability.

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

2.4 Summary of Significant Accounting Policies (Continued)

Financial assets (Continued)

Impairment

Impairment of the financial and contractual assets measured by using “Expected credit loss model” (ECL). The impairment model applies for amortized financial and contractual assets. Provision for loss measured as below;

- 12- Month ECL: results from default events that are possible within 12 months after reporting date.
- Lifetime ECL: results from all possible default events over the expected life of financial instrument. Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since 12 month ECL measurement if it has not.

The Company may determine that the credit risk of a financial asset has not increased significantly if the asset has low credit risk at the reporting date. However lifetime ECL measurement (simplified approach) always apply for trade receivables and contract assets without a significant financing.

Trade receivable

Trade receivables are carried at amortized rate method, less the unearned financial income. Short duration receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

The Company has preferred to apply “simplified approach” for the recognition of impairment losses on trade receivables, carried at amortised cost and that do not comprise of any significant finance component (those with maturity less than 12 months). In accordance with the simplified approach, the Company measures the loss allowances regarding its trade receivables at an amount equal to “lifetime expected credit losses” except incurred credit losses in which trade receivables are already impaired for a specific reason.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other operating income.

Unearned finance income/expense due to commercial transactions are accounted for under “Other Operating Income/Expenses” in the statement of income or loss.

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

2.4 Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank deposits and highly liquid investments, whose maturity at the time of purchase is less than three months and conversion risk on value at the date of sale is immaterial.

Related parties

A party is related to an entity if the party is a legal body or a real person which directly or indirectly controls, is controlled by, or is under common control with the entity, has an interest in the entity that gives it significant influence over the entity, and if the party is a subsidiary, an affiliate or a joint venture in which the entity is a venture. Furthermore, members of the key management personnel of the entity, close members of the family of any individual referred to above, and parties representing post-employment benefit plan for the benefit of employees of the entity are also defined as related parties.

Trade payables

Trade payables consist of payables to suppliers for purchases of goods and services. Trade payables and other financial liabilities are accounted for at amortized cost. Short term payables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant.

Financial liabilities and borrowing costs

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method in financial statements. Starting from 1 January 2009 requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset, removing the option of immediately expensing borrowing costs.

Current and deferred income taxes

The Corporate Tax Law No: 5520 was amended on June 21, 2006 with the Law announced in the Official Journal No 26205. The majority of the clauses of Law No 5520 are effective as of 1 January 2006. The corporation tax rate is 20% after January 1, 2006 in Turkey. Corporation tax is payable at a rate of 20% (will be applied as 22% for 2019, 2019 and 2020 tax periods) on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, and investment allowance, etc) and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, except from these corporations’ dividends subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

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

2.4 Summary of Significant Accounting Policies (Continued)

Current and deferred income taxes (Continued)

The Company is exempt from corporate income tax in accordance with paragraph 4-d 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".

Deferred income taxes are provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. Currently enacted tax rates are used to determine deferred income tax at the balance sheet date. As the Company is exempt from corporate income taxes based on the current tax legislation, no deferred income tax asset or liability has been calculated on temporary taxable and deductible differences in these financial statements.

Employment termination benefits

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on May 23, 2002, there are certain transitional provisions relating to length of service prior to retirement.

The amount payable consists of one month's salary limited to a maximum of TRY 6,379.86 as of 31 December 2019 (31 December 2018: TRY 5,434.42).

Provision which is allocated by using the defined benefit obligation's current value is calculated by using estimated liability method. All actuarial profits and losses are recognised in the comprehensive statement of income.

The employment termination benefit obligation as explained above is considered as a defined benefit plan under TFRS. TFRS requires actuarial valuation methods to be developed to estimate the enterprise's obligation for such benefits. The liability for this unfunded plan recognized in the balance sheet is the full present value of the defined benefit obligation at the end of the reporting period, calculated using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows from the retirement of its employees using the long term TRY interest rates.

The principal actuarial assumption is that the maximum liability will increase in line with inflation. Thus the effective discount rate applied represents the expected real interest rate after adjusting for the effects of future inflation. As the maximum liability amount is revised semi-annually by the authorities, the maximum amount of TRY 6,379.86 (TRY in full) which is effective from 31 December 2019 has been taken into consideration when calculating the liability (31 December 2018: TRY 5,434.42).

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

2.4 Summary of Significant Accounting Policies (Continued)

Provisions, contingent assets and liabilities

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are not recognized for future operating losses.

Contingent assets or contingent obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are not included in financial statements and are treated as contingent assets or liabilities.

Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied or utilised by the Company in the normal course of business, is classified as investment property.

Investment properties are stated at cost less their accumulated depreciation and impairment loss, if any. Investment properties are restated for the effects of inflation using the measuring unit current as at 31 December 2004. Additions made subsequent to 1 January 2005 are stated at their nominal values. The financial expenses related to the loans used for acquisition of investment properties and incurred during the progress of the said investment properties are restated and included in the cost. Investment properties are depreciated over their inflation-adjusted values and the nominal values of additions made subsequent to 1 January 2005. The useful life of investment properties is estimated to be 50 years.

Part of the Company's investment property is used for administrative purposes; however, as the ratio is considered immaterial (i.e., with a gross value less than 1% of total gross value), they are not classified separately, but rather stated within the investment properties account.

Impairment of assets

The Company reviews all assets including tangible assets at each balance sheet date in order to see if there is a sign of impairment on the stated asset. If there is such a sign, carrying amount of the stated asset is projected. Impairment exists if the carrying value of an asset or a cash generating unit including the asset is greater than its net realizable value. Net recoverable value is the higher of the net sales value or value in use. Value in use is the present value of cash flows generated from the use of the asset and the disposal of the asset after its useful life. Impairment losses are recorded in comprehensive income statement. Impairment loss for an asset is reversed, if an increase in recoverable amount is related to a subsequent event following the booking of impairment by not exceeding the amount reserved for impairment.

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

2.4. Summary of significant accounting policies (Continued)

Revenue recognition

Revenue is recognised when the amount of revenue can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Company. Revenue is presented net of value added and sales taxes. The following criteria are necessary for the recognition of revenue:

Rent income from investment properties

Rent income from investment properties is recognised on an accrual basis. Revenue is realized when economic benefits arising from the transaction have passed, and when the amount of such income can be reliably measured. Rent discounts and similar promotions granted to existing tenants from time to time are netted of from rent revenues as they are not rent incentives for acquisition of new contracts.

The minimum amount of the total rent payments to be received in the future periods based on the existing contracts are summarised below (TRY); (*)

	31 December 2019	31 December 2018
Less than a year	117,962,635	103,872,934
Between 1-5 years	420,560,350	387,391,497
More than 5 years	214,394,251	260,494,191
	752,917,236	751,758,622

Interest income and expense

Interest income and expense is accounted for using the effective interest rate method. Interest income comprises mostly interest income from time deposits and reverse repo transactions.

Interest expenses incurred from borrowings are calculated using the effective interest rate method.

Paid-in capital

Ordinary shares are classified as equity. Proceeds from issuing new equity instruments are recorded net of transaction costs.

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

2.4. Summary of significant accounting policies (Continued)

Earnings per share

Earnings per share are determined by dividing net comprehensive income by the weighted average number of shares that have been outstanding during the period concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of their shares (“Bonus Shares”) to existing shareholders funded from retained earnings or other reserves. For the purpose of earnings per share computations, such Bonus Share issuances are regarded as issued shares for all periods presented and accordingly the weighted average number of shares used in earnings per share computations in prior periods is adjusted retroactively for the effects of these shares, issued without receiving cash or another consideration from shareholders.

Reporting of cash flows

Cash flows statement includes cash and cash equivalents, cash with original maturity periods of less than three months and bank deposits.

Subsequent events

Subsequent events cover any events which arise between the reporting date and the balance sheet date, even if they occurred after any declaration of the net profit for the period or specific financial information publicly disclosed. The Company adjusts or provides disclosure in its financial statements if such subsequent events arise that require an adjustment or disclosure to the financial statements.

2.5 Significant Accounting Estimates and Assumptions

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

NOTE 3 – SEGMENT REPORTING

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

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**CONVENIENCE TRANSLATION OF THE NOTES TO THE
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NOTE 4 - CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents as of 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019	31 December 2018
Cash	6,002	14,077
Reverse Repo Transactions	31,218,430	-
Banks		
- TRY time deposits	15,549,791	30,642,373
- Foreign currency denominated time deposits	4,214,073	10,603,628
- TRY demand deposits	123,813	1,782
- Foreign currency denominated demand deposits	8,621	71,853
	51,120,730	41,333,713

As of 31 December 2019, the interest rate on TRY deposit accounts at banks is 11.25%, the accrued interest of TRY deposit accounts is TRY 4,791. The interest rate of foreign currency denominated time deposits at banks is between 0.10% and 1.75%, the accrued interest of foreign currency denominated time deposits is TRY 85. (As of 31 December 2018, the interest rate on TRY deposit accounts at banks is between 23% and 23.25%, interest rate on foreign currency denominated deposit accounts at banks is between 1.60% and 4%, and the accrued interests are TRY 19,373 and TRY 821 respectively). The maturity of time deposits is less than one month (31 December 2018: less than one month).

As of 31 December 2019, the interest rate on TRY reverse repo transaction accounts at bank is 9%, the accrued interest of TRY reverse repo transaction accounts is TRY 740. The interest rate of foreign currency reverse repo transaction at banks is 2.25% the accrued interest is TRY 1,740. (31 December 2018: None)

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

	31 December 2019	31 December 2018
Cash and cash equivalents	51,120,730	41,333,713
Less: accrued interest	(7,356)	(20,194)
	51,113,374	41,313,519

NOTE 5 - TRADE AND OTHER RECEIVABLES AND PAYABLES

Short-term trade receivables	31 December 2019	31 December 2018
Trade receivables	6,370,088	10,941,161
Post-dated cheques receivable	1,627,954	560,000
	7,998,042	11,501,161
Less: Provision for doubtful receivables	(1,968,921)	(4,187,058)
	6,029,121	7,314,103

The movement of provisions for doubtful receivables is as follows:

	2019	2018
1 January	4,187,058	4,355,283
Provisions made during the period	737,287	-
Doubtful receivables reversal	(2,955,424)	(168,225)
31 December	1,968,921	4,187,058

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**CONVENIENCE TRANSLATION OF THE NOTES TO THE
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NOTE 5 - TRADE AND OTHER RECEIVABLES AND PAYABLES (Continued)

Short-term trade payables	31 December 2019	31 December 2018
Due to related parties (Note 20)	558,735	884,544
Trade payables to third parties	264,662	475,247
	823,397	1,359,791

As of 31 December 2019, the Company has other receivables amounting to TRY 825,525 (31 December 2018: 405,972).

Short-term other payables	31 December 2019	31 December 2018
Taxes payables and other taxes	2,345,551	2,148,306
Other	21,476	22,881
	2,367,027	2,171,187

Long-term other payables	31 December 2019	31 December 2018
Deposits and guarantees received	603,619	665,281
	603,619	665,281

NOTE 6 - INVESTMENT PROPERTY

Movements of investment properties for the years ending on 31 December 2019 and 31 December 2018 are as follows:

	1 January 2019	Additions	Disposals	Transfers	31 December 2019
Cost					
Buildings	276,355,777	1,111,743	(4,167,591)	2,497,741	275,797,670
Construction in progress (*)	94,287	2,403,454	-	(2,497,741)	-
	276,450,064	3,515,197	(4,167,591)	-	275,797,670
Accumulated Depreciation					
Buildings	(84,097,269)	(8,565,818)	640,914	-	(92,022,173)
Provision for impairment of buildings (-)	(4,060,606)	-	3,355,278	-	(705,328)
	188,292,189	(5,050,621)	(171,399)	-	183,070,169

(*) The transfers amounting to TRY 2,497,741 of the amounting to TRY 2,359,595 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.

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**CONVENIENCE TRANSLATION OF THE NOTES TO THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

NOTE 6 - INVESTMENT PROPERTY (Continued)

	1 January 2018	Additions	Disposals	Transfers	31 December 2018
Cost					
Buildings	274,079,832	1,720,387	(638,161)	1,193,719	276,355,777
Construction in progress (*)	-	1,288,006	-	(1,193,719)	94,287
	274,079,832	3,008,393	(638,161)	-	276,450,064
Accumulated depreciation					
Buildings	(76,847,482)	(7,326,898)	77,111	-	(84,097,269)
Provision for impairment of buildings (-) (**)	-	(4,060,606)	-	-	(4,060,606)
Net Book Value	197,232,350	(8,379,111)	(561,050)	-	188,292,189

(*) The transfers amounting to TRY 1.193.719 of 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 27 December 2019 amount to TRY 1,494,204,000 (As of 31 December 2018, the fair value of the Company’s investment property based on the valuation report of Eva Gayrimenkul Değerleme ve Danışmanlık A.Ş, amount to TRY 1,009,247,000), According to report dated 27 December 2019, the discount rate is 17% (31 December 2018: 21%).

The methods used to determine the fair values of investment properties and the significant unobservable assumptions are as follows:

	Discount rate	Annual rent growth rate	Capitalization rate
27 December 2019	17%	average 12.50%	6.6%
31 December 2018	21%	average 11.85%	7.5%

The Company's sensitivity analysis of unobservable inputs used in the measurement of fair values of investment properties is as follows:

		If increase	If decrease	
31 December 2019	Sensitivity analysis	Profit / (loss) effect on fair value (TRY)	Profit / (loss) effect on fair value (TRY)	
	Discount rate	3%	(237,852,000)	307,914,000
	Rent growth rate	1%	96,696,000	(90,018,000)
	Capitalization rate	1%	(96,891,000)	131,127,000

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTE 6 - INVESTMENT PROPERTY (Continued)

31 December 2018	Sensitivity analysis	If increase		If decrease	
		Profit / (loss) effect on fair value (TRY)	Profit / (loss) effect on fair value (TRY)	Profit / (loss) effect on fair value (TRY)	Profit / (loss) effect on fair value (TRY)
Discount rate	3%	(163,741,437)		208,793,891	
Rent growth rate	1%	33,303,500		(31,924,317)	
Capitalization rate	1%	(56,853,896)		74,347,403	

Insurance coverage on assets as of 31 December 2019 and 31 December 2018 is as follows;

31 December 2019: USD 156,341,963

31 December 2018: USD 152,813,445

NOTE 7 - TANGIBLE ASSETS

The movement schedule of tangible assets as of 31 December 2019 and 31 December 2018 are as follows:

	1 January 2019	Additions	31 December 2019
Plants, machinery and equipment	99,702	-	99,702
Furniture and fixture	8,716,872	-	8,716,872
Accumulated depreciation	(8,128,126)	(235,876)	(8,364,002)
Net book value	688,448	(235,876)	452,572

	1 January 2018	Additions	31 December 2018
Plants, machinery and equipment	99,702	-	99,702
Furniture and fixture	8,716,872	-	8,716,872
Accumulated depreciation	(7,888,904)	(239,222)	(8,128,126)
Net book value	927,670	(239,222)	688,448

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**CONVENIENCE TRANSLATION OF THE NOTES TO THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

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 and letters	Currency of denomination	Original Amount	31 December 2019
Letters of guarantees received	TRY	12,780,685	12,780,685
Letters of guarantees received	USD	1,116,305	6,631,074
Guarantee notes received	USD	765,252	4,545,750
Letters of guarantees received	EUR	151,866	1,010,000
Guarantee cheques received	TRY	761,300	761,300
Guarantee notes received	TRY	67,188	67,188
			25,795,997

Guarantee notes and letters	Currency of denomination	Original Amount	31 December 2018
Surety received	USD	6,000,000	31,565,400
Letters of guarantees received	USD	2,787,424	14,664,358
Guarantee notes received	USD	828,091	4,356,502
Letters of guarantees received	EUR	151,866	915,448
Guarantee cheques received	TRY	71,000	71,000
Letters of guarantees received	TRY	4,198,208	4,198,208
			55,770,916

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

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

	31 December 2019	31 December 2018
CPM's given by the company (Collaterals, Pledges, Mortgages)		
A. CPM's given for companies own legal personality	-	1,729
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

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**CONVENIENCE TRANSLATION OF THE NOTES TO THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

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

Other provisions	31 December 2019	31 December 2018
Provision for lawsuits	144.000	144,000
	144.000	144,000

Provision for lawsuits

The provision for the lawsuits against the company as of 31 December 2019 is TRY 144,000 (31 December 2018: TRY 144,000), The movements of provision for lawsuits are as follows:

	2019	2018
1 January	144,000	1,322,074
Payments made during the period (-)		(372,000)
Reversals	-	(806,074)
31 December	144,000	144,000

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 application for rectification by the plaintiff party against this Supreme Court's decision was also rejected by the Supreme Court. The court's decision regarding the rejection of the case in favor of the Company has been finalized.

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 is expected to be approved in favor of the Company as a result of the appeal examination.

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

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 Court of First Instance dismissed the case in favor of the Company. The appeal request made by the plaintiff party is expected to be approved in favor of the Company.

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. The first instance court decided to reject the case. The litigation was concluded positively for the company while both the appellate and appeal requests filed by the claimant were denied conclusively.

Including the cases detailed above, there are 16 lawsuits and 23 executive proceedings that the Company is currently a party of them.

NOTE 9 - EMPLOYEE BENEFITS

As of 31 December 2019 and 31 December 2018, provisions for employee benefits are as follows:

Short term provisions	31 December 2019	31 December 2018
Allowances for unused-vacations	295,539	226,547
	295,539	226,547

The provision for unused vacation amounts to TRY 147,334 which consists of the unused vacation provisions of the Company's personnel and TRY 140,594 is the portion of the Company's share of unused vacation allowance related to the personnel of Üçgen Bakım ve Yönetim Hizmetleri A.Ş., while TRY 7,611 is the portion of the Company's share of unused vacation allowance related to the personnel of ISS Tesis Yönetim Hizmetleri A.Ş.

Long-term provisions	31 December 2019	31 December 2018
Allowance for Retirement Pay	1,347,207	686,257
	1,347,207	686,257

As of 31 December 2019, the amount payable consists of one month's salary limited to a maximum of TRY 6,379,86 for each year of service (31 December 2018: TRY 5,434,42).

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 actuary gain and losses are recognized in comprehensive income statement. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	1 January - 31 December 2019	1 January - 31 December 2018
Discount rate (%)	3.19	6.86
Turnover rate to estimate the probability of retirement (%)	90.24	94.09

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NOTE 9 - EMPLOYEE BENEFITS (Continued)

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

	2019	2018
1 January	686,257	884,830
Cost of service	154,841	80,882
Cost of interest	83,380	143,703
Actuarial (gain)/ losses	787,027	(66,234)
Payments made during the period (-)	(364,298)	(356,924)
31 December	1,347,207	686,257

Provision for employment termination benefits amounting to TRY 109,986 comprise of the Company's personnel termination benefits provisions and TRY 1,137,577 comprise of the Company's share in Üçgen Bakım ve Yönetim Hizmetleri A.Ş.'s personnel termination benefits provisions, while TRY 99,644 is the portion of the Company's share of employment termination benefit related to the personnel of ISS Tesis Yönetim Hizmetleri A.Ş.

NOTE 10 - OTHER ASSETS AND LIABILITIES

The details of other assets and other liabilities as of 31 December 2019 and 31 December 2018 are as follows:

Prepaid expenses - short term	31 December 2019	31 December 2018
Prepaid expenses (*)	4,038,923	2,863,993
Advances given	15,325	15,427
	4,054,248	2,879,420

(*) Amount to TRY 3,064,702 consists of part of costs related to short term in order to rent the store. These amounts have been amortized in the contract period of the store (Note 15). Amount to TRY 854,182 is prepaid management service expenses to Üçgen Bakım ve Yönetim Hizmetleri A.Ş., TRY 112,605 consists of insurance expenses and TRY 7,434 is for other expenses.

Prepaid expenses - long term	31 December 2019	31 December 2018
Prepaid expenses (*)	6,703,542	561,082
	6,703,542	561,082

(*) Long term prepaid expenses consists of costs more than one year in order to rent the store. These amounts have been amortized in the contract period of the store (Note 15).

Other current assets	31 December 2019	31 December 2018
Income accruals for store rent (*)	2,769,513	2,901,881
Rent compensation income accrual	-	18,413,150
	2,769,513	21,315,031

(*) Consists of short term period of income accruals for store rents.

Other non-current assets:	31 December 2019	31 December 2018
Income accruals for store rent (*)	2,487,540	2,199,332
Deposits given	203	203
	2,487,743	2,199,535

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

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NOTE 10 - OTHER ASSETS AND LIABILITIES (Continued)

Deferred income	31 December 2019	31 December 2018
Advances received	2,945,965	404,744
Deferred income	291,663	411,569
	3,237,628	816,313

Other current liabilities	31 December 2019	31 December 2018
Expense accruals	358,549	363,987
	358,549	363,987

NOTE 11 – EQUITY

At 31 December 2019 and 31 December 2018 the issued and fully paid-in share capital held is as follows:

Shareholders	31 December 2019		31 December 2018	
	Share (%)	Amount	Share (%)	Amount
Akkök Holding A.Ş.	13,13	4,890,900	13.13	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 (*)	25,26	9,414,363	25.26	9,414,363
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 TRY 75,000,000. In order to extend validity of upper limit of the Company’s authorized capital, amendmend regarding to the Articles of Association of the Company has been approved by a large majority at the Ordinary General Assembly for year 2016 held on 27 April 2018 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 after the registration on 4 May 2018, the amendmend has been issued in the Trade Registry Gazette numbered 9323 and dated 10 May 2018.

The Company’s issued and fully paid share capital amounting to TRY 37,264,000 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 December 2019 and 31 December 2018.

**CONVENIENCE TRANSLATION OF THE NOTES TO THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

NOTE 11 – EQUITY (Continued)

The Company's (A), (B), (C) and (D) class shares have privileges to nominate members to the Board of Directors. Four members elected with the majority votes of Class A shares; three members elected with the majority votes of Class B shares; two members elected with the majority votes of Class C shares and one member elected with the majority votes of Class D shares which represent the publicly offered shares and subject to participation to the General Assembly.

There are 9 members of the Board of Directors who are assigned by the General Assembly as follows; four members elected with the majority votes of Class A shares; three members elected with the majority votes of Class B shares; two members elected with the majority votes of Class C shares and one member elected with the majority votes of Class D shares which represent the publicly offered shares and subject to participation to the General Assembly.

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.

Retained earnings consist of the following:

	31 December 2019	31 December 2018
Retained earnings	6,603,698	3,364,528
Extraordinary reserves	4,740,607	18,750,473
Inflation difference in extraordinary reserves	521,985	521,985
Inflation difference in legal reserves	3,461,231	3,461,231
	15,327,521	26,098,217

Profit distribution

"Dividend Guidelines" issued in accordance with Article 13 of the Capital Markets Board's Communiqué on Dividends was promulgated in the Official Gazette on 23 January 2014 and was put into effect as of 1 February 2014. The adjustments and disclosures included in the Communiqué on Dividends and the Dividend Guidelines are summarised below.

Dividends shall be distributed upon decision by the general assembly in line with the Dividend Distribution Policy to be set by the General Assembly. Companies shall determine the dividend distribution policy and whether or not to distribute dividends. Accordingly, dividend distribution is voluntary in principle. The Capital Markets Board shall be entitled to define various principles for dividend distribution depending on the qualities of the entities.

Dividend distribution policies of companies regulate the following items:

- whether or not to distribute dividends,
- dividend rates and account items to apply that rate,
- payment methods and dates,
- whether to distribute dividends in cash or in the form of free of charge shares (applicable to companies whose shares are listed in stock markets), and
- whether or not to distribute dividend advances.

The upper limit of the dividends to be distributed equals the distributable portion of the relevant profit distribution resources in legal records. As a rule, dividends are equally distributed to all shares available as of the distribution date. Acquisition and issuance dates of shares are not taken into account. Unless the reserves to be allocated in accordance with the Turkish Commercial Code and shareholders' dividends stipulated in the articles of association and dividend distribution policy are allocated, it shall not be possible to decide to set aside other reserves or carry forward the profit to the following year.

**CONVENIENCE TRANSLATION OF THE NOTES TO THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

NOTE 11 - EQUITY (Continued)

Provided that it is set out in the articles of association, dividends can be provided to privileged shareholders or dividend certificate owners, board members, employees and other non-shareholders. However, it is not possible to allocate dividends to dividend certificate owners, board members, employees and others before the dividends determined for shareholders are paid in cash. The communiqué rules that if the amount of dividend to be paid to the dividend certificate owners, board members, employees and others excluding the privileged shares is not specified in the articles of association, the maximum amount to be distributed to the foregoing is one fourth of the amount distributed to shareholders. In the event of distributing dividends to non-shareholders and of paying in instalments, the instalment sums should be paid in proportion to instalment sums of shareholders and the same principles apply.

The New Capital Markets Board Law and thus the new Communiqué allow the shareholders to make donations. However, it is required that the articles of association should contain a related provision: the amount of donations shall be determined by the General Assembly, however, CMB is entitled to introduce an upper limit.

Companies listed on the stock markets should disclose the following to the public:

- the Board of Directors' proposal on dividend distribution;
- the Board of Directors' decision on dividend distribution; and
- a dividend or dividend advance distribution chart, It is obligatory that a dividend distribution chart should be disclosed to the public on the date when the ordinary General Assembly agenda is announced at the latest.

NOTE 12 - OPERATING INCOME

Sales	1 January - 31 December 2019	1 January - 31 December 2018
Shops and warehouse rent income	105,421,878	104,098,643
Other income	6,503,878	7,303,804
Apart hotel rent income	5,732,840	5,226,563
	117,658,596	116,629,010
Cost of sales		
Cost of services	(28,355,799)	(26,582,077)
Depreciation expense	(8,565,818)	(7,326,898)
	(36,921,617)	(33,908,975)
Gross profit	80,736,979	82,720,035

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**CONVENIENCE TRANSLATION OF THE NOTES TO THE
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NOTE 13 – GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 December 2019	1 January - 31 December 2018
Personnel expenses	2,954,924	2,507,373
Legal expenses	1,451,723	2,170,457
Consultancy expenses	1,008,448	749,195
Depreciation and amortization expenses	239,910	242,371
Insurance, duties, taxes and levies expenses	195,718	266,712
Provision for vacation	69,072	67,628
Provision for employment termination benefits	21,357	11,807
Other	572,428	420,438
	6,513,580	6,435,981

NOTE 14 - EXPENSES BY NATURE

	1 January - 31 December 2019	1 January - 31 December 2018
Depreciation and amortization expenses		
Cost of sales	8,565,818	7,249,789
General administrative expenses	239,910	242,371
	8,805,728	7,492,160
Allocation of depreciation and amortisation charges		
Investment properties (Note 6)	8,565,818	7,249,789
Tangible assets (Note 7)	235,876	239,222
Intangible assets	4,034	3,149
	8,805,728	7,492,160

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**CONVENIENCE TRANSLATION OF THE NOTES TO THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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NOTE 15 – OTHER OPERATING INCOME/(EXPENSES)

	1 January - 31 December 2019	1 January - 31 December 2018
Other operating income		
Foreign exchange gain on trade receivables and payables	3,121,665	205,672
Rent indemnity income	481,926	3,246,941
VAT adjustment on non-worthy receivables	431,427	-
Income from guarantee reversal	139,020	-
Gain on sale of fixed asset	44,000	-
Reversals from provisions	56,064	1,195,831
Other	334,766	206,403
	4,608,868	4,854,847
Other operating expense		
Amortisation expenses (*)	(2,155,418)	(623,382)
Foreign exchange gain on trade receivables and payables	(1,717,801)	(442,819)
Provisions for doubtful receivables	(737,287)	-
VAT adjustment on fixed asset issuance	(634,802)	(100,989)-
Other	(171,885)	(34,790)
	(5,417,193)	(1,201,980)
Other operating income/ (expenses) - net	(808,325)	3,652,867

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

NOTE 16 - FINANCIAL INCOME

	1 January - 31 December 2019	1 January - 31 December 2018
Financial Income		
Interest income	5,674,573	6,950,319
Foreign exchange gains	4,614,151	4,866,295
	10,288,724	11,816,614

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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NOTE 17 - FINANCIAL EXPENSES

	1 January - 31 December 2019	1 January - 31 December 2018
Financial Expenses		
Foreign exchange expenses	2,035,278	2,959,407
Interest expenses related to employee benefits	83,380	143,703
Bank commissions	27,011	769
	2,145,669	3,103,879

NOTE 18 - 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 19 - 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 "bonus 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 December 2019	1 January - 31 December 2018
Weighted average number of shares as of the reporting date (per share of TRY 1 nominal value)	37,264,000	37,264,000
Net profit for the period	81,558,129	88,649,656
Earnings per share	2,19	2.38

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**CONVENIENCE TRANSLATION OF THE NOTES TO THE
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NOTE 20 - RELATED PARTY DISCLOSURES

As of 31 December 2019 and 31 December 2018 receivables from related parties and payables to related parties are as follows:

Receivables from related parties

As of 31 December 2019 and 31 December 2018 there is no receivables from related parties.

	31 December 2019	31 December 2018
Due to related parties		
Üçgen Bakım ve Yönetim Hizmetleri A.Ş.	528,564	785,384
Akkök Holding A.Ş.	29,393	98,612
Aktek Bilgi İşlem Tekn. San.Tic. A.Ş.	778	548
	558,735	884,544

As of 31 December 2019 and 31 December 2018, sales and purchases from related parties are as follows:

	31 December 2019	31 December 2018
Sales to related parties:		
Üçgen Bakım ve Yön.Hizm. A.Ş.	16,141,492	16,584,344
Akmerkez Lokantacılık Gıda San.Tic. A.Ş.	2,835,419	2,811,724
Tekfen Turizm İşl. A.Ş.	898,506	942,953
Akip Gıda San. Tic. A.Ş.	221,545	219,816
	20,096,962	20,558,837

	31 December 2019	31 December 2018
Purchases from related parties:		
Üçgen Bakım ve Yön. Hizm. A.Ş.	27,201,250	28,236,155
Akkök Holding A.Ş.	395,186	410,098
Dinkal Sigorta Acenteliği A.Ş. (*)	149,833	121,547
Aktek Bilgi İşlem Tekn.San.Tic. A.Ş.	10,815	13,046
Akhan Bakım Yön. Serv. Hizm. Güv. Tic. A.Ş.	1,437	-
	27,758,521	28,780,846

(*) This balance includes insurance payments through the agency of Dinkal Sigorta Acenteliği A.Ş.

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NOTE 20 - RELATED PARTY DISCLOSURES (Continued)

Purchases and sales consist of rent income and purchase and sales of services. The related party purchases amounting to TRY 27,201,250 comprise of management expenses and other expenses provided by Üçgen Bakım ve Yönetim Hizmetleri A.Ş. (“Üçgen”). The remaining balance amounting to TRY 557,271 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 16,141,492 regarding the revenue collected on behalf of the Company for the year of 2019 (1 January - 31 December 2018: TRY 16,584,344).

As of 1 January – 31 December 2019, remuneration provided to top executives management such as the General Manager and the members of Board of Directors is TRY 1,789,506 (1 January-31 December 2018: TRY 1,387,816).

NOTE 21 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS

The Company’s activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Company’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

Liquidity Risk

The ability to fund the Company’s financial and trade liabilities are managed by taking into account its expected undiscounted cash flows.

Liquidity risk is the inability of the Company to match the net funding requirements with sufficient liquidity. As of 31 December 2019 the Company’s current assets exceeded its current liabilities by TRY 58,456,449 (31 December 2018: TRY 68,712,210). The management does not anticipate any difficulty on the repayment of the short-term liabilities and continuity of the Company considering the cash that will be generated from rental operations and the ability to reach to the high quality borrowers.

The analysis of the Company’s financial liabilities with respect to their maturities as of 31 December 2019 is as follows:

Expected Maturities	Booked value	Cash outflows expected	Shorter than 3 months	3-12 months	1 -5 years	Longer than 5 years
Non-derivate financial liabilities						
Trade payables	823,397	823,397	823,397	-	-	-
Other payables and liabilities	2,970,646	2,970,646	2,367,027	-	603,619	-
	3,794,043	3,794,043	3,190,424	-	603,619	-

The analysis of the Company’s financial liabilities with respect to their maturities as of 31 December 2018 is as follows:

Expected Maturities	Booked value	Cash outflows expected	Shorter than 3 months	3-12 months	1 -5 years	Longer than 5 years
Non-derivate financial liabilities						
Trade payables	1,359,791	1,359,791	1,359,791	-	-	-
Other payables and liabilities	2,836,468	2,836,468	2,171,187	-	650,281	15,000
	4,196,259	4,196,259	3,530,978	-	650,281	15,000

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

Interest rate risk

The Company is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. These exposures are managed by offsetting interest rate sensitive assets and liabilities and using derivative instruments when considered necessary.

In this context, matching of not only maturities of receivables and payables but also contractual repricing dates are crucial. In order to keep the exposure of financial liabilities to interest rate changes at a minimum, “fixed interest/floating interest”, “short-term/long-term”, “TRY/foreign currency” balance should be structured consistent within and with assets in the balance sheet.

The interest position is set out in the table below:

	31 December 2019	31 December 2018
Financial instruments with fixed interest		
Time Deposits	50,982,294	41,246,001

As of 31 December 2019 and 31 December 2018, there are no financial instruments with variable interest.

Credit Risk

The Company is subject to credit risk arising from trade receivables related to credit sales and deposits at banks.

The Company management evaluates trade receivables taking into consideration the collaterals received, past experiences and current economic outlook and makes provisions for doubtful receivables when deemed necessary. The Company management does not foresee additional risk related to the Company’s trade receivables other than the related provisions made.

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

Credit risk disclosures

Credit and receivable risk of financial instruments as of 31 December 2019 is as follows:

31 December 2019	Receivables				Bank Deposits	Reverse repo transactions
	Trade receivables		Other receivables			
	Related party	Third party	Related party	Third party		
Maximum credit risk exposed as of the reporting date (A+B+C+D)	-	6,029,121	-	825,525	19,896,298	31,218,430
- Secured portion of the maximum credit risk by guarantees	-	4,070,708	-	825,525	-	-
A. Net book value of financial assets that are neither overdue nor impaired	-	2,566,202	-	-	19,896,298	31,218,430
B. Net book value of overdue assets that are not impaired	-	3,462,919	-	825,525	-	-
C. Net book values of impaired assets	-	-	-	-	-	-
- Overdue (gross book value)	-	1,968,921	-	-	-	-
- Impairment (-)	-	(1,968,921)	-	-	-	-
- Secured portion by guarantees, etc,	-	-	-	-	-	-
- Not overdue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured portion by guarantees, etc,	-	-	-	-	-	-
D. Off balance sheet items with credit risks	-	-	-	-	-	-

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

Credit risk disclosures

Credit and receivable risk of financial instruments as of 31 December 2018 is as follows:

31 December 2018	Receivables				Bank Deposits	Reverse repo transactions
	Trade receivables		Other receivables			
	Related party	Third party	Related party	Third party		
Maximum credit risk exposed as of the reporting date (A+B+C+D)	-	7,314,103	-	405,972	41,319,636	-
- Secured portion of the maximum credit risk by guarantees	-	3,065,069	-	398,212	-	-
A. Net book value of financial assets that are neither overdue nor impaired	-	641,932	-	-	41,319,636	-
B. Net book value of overdue assets that are not impaired	-	6,672,171	-	405,972	-	-
C. Net book values of impaired assets	-	-	-	-	-	-
- Overdue (gross book value)	-	4,187,058	-	-	-	-
- Impairment (-)	-	(4,187,058)	-	-	-	-
- Secured portion by guarantees, etc,	-	-	-	-	-	-
- Not overdue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured portion by guarantees, etc,	-	-	-	-	-	-
D. Off balance sheet items with credit risks	-	-	-	-	-	-

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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

As of 31 December 2019 and 31 December 2018, aging of financial assets that are past due but not impaired is as follows:

	31 December 2019	31 December 2018
0-1 months past due	2,170,520	3,267,863
1-3 months past due	1,020,839	2,195,517
3-12 months past due	271,560	1,208,791
	3,462,919	6,672,171

There is no significant change on financial risk policies and credit risk management of the Company, compared to prior periods.

Foreign Currency Risk

The Company's foreign currency balances arising from operating, investment, and financial activities are disclosed below as of the reporting date. The Company may be exposed to foreign currency risk due to foreign exchange differences at the time its foreign currency receivables and payables are converted to Turkish Lira. The foreign currency risk is monitored through continuous analysis of the foreign currency position and measured on the basis of sensitivity analyses.

	31 December 2019	31 December 2018
Assets	32,443,704	10,682,715
Liabilities	(565,018)	(650,281)
Net balance sheet position	31,878,686	10,032,434

As of 31 December 2019, fluctuation of USD had been 10% higher/lower ceteris paribus, pretax income after foreign exchange profit/loss resulting from foreign exchange net position for the period would have been TRY 2,928,802 higher/lower (31 December 2018: TRY 481,386 higher/lower).

As of 31 December 2019, fluctuation of EUR had been 10% higher/lower ceteris paribus, pretax income after foreign exchange profit/loss resulting from foreign exchange net position for the period would have been TRY 255,074 higher/lower, (31 December 2018: TRY 521,622 higher/lower).

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**CONVENIENCE TRANSLATION OF THE NOTES TO THE
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**NOTE 21 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS
(Continued)**

As of 31 December 2019, fluctuation of GBP had been 10% higher/lower ceteris paribus, pretax income after foreign exchange profit/loss resulting from foreign exchange net position for the period would have been TRY 132 higher/lower, (31 December 2018: None).

As of 31 December 2019 and 31 December 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 and liabilities are as follows:

31 December 2019	EUR	USD	GBP	TRY equivalent
Current assets				
Cash and cash equivalents	389,036	5,025,935	170	32,443,704
Total Assets	389,036	5,025,935	170	32,443,704
Non-current liabilities				
Other payables	(5,500)	(88,960)	-	(565,018)
Total liabilities	(5,500)	(88,960)	-	(565,018)
Net Foreign Currency Asset Position	383,536	4,936,975	170	31,878,686
31 December 2018	EUR	USD	GBP	TRY equivalent
Current assets				
Cash and cash equivalents	865,331	1,038,633	354	10,682,715
Total Assets	865,331	1,038,633	354	10,682,715
Non-current liabilities				
Other payables	-	(123,606)	-	(650,281)
Total liabilities	-	(123,606)	-	(650,281)
Net Foreign Currency Asset Position	865,331	915,027	354	10,032,434

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

Capital Risk Management

For proper management of capital risk, the Company aims;

- to maintain continuity of operations so as to provide earnings to partners and benefits to other shareholders, and
- to increase profitability through determining a service pricing policy that is commensurate with the level of risks inherent in the market.

The Company determines the amount of share capital in proportion to the risk level. The equity structure of the Company is arranged in accordance with the economic outlook and the risk attributes of assets.

The Company monitors capital management by using the debt/equity ratio. This ratio is calculated by dividing the debt, net, by the total share capital. The net debt is calculated by deducting the value of cash and cash equivalents from the total debt (the sum of short and long term liabilities stated in the statement of financial position). The total share capital is the sum of all equity items stated in the statement of financial position.

	31 December 2019	31 December 2018
Total Debt (*)	9,176,966	6,433,363
Less: cash and cash equivalents (Note 4)	(51,120,730)	(41,333,713)
Net asset	(41,943,764)	(34,900,350)
Total equity	249,324,658	259,105,076
Net asset/ equity ratio (%)	(17%)	(13%)

(*) The balance covers the sum of short term and long term liabilities.

**NOTE 22 - FINANCIAL INSTRUMENTS (DISCLOSURES RELATED TO FAIR VALUE AND
HEDGE ACCOUNTING)**

Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The fair values of financial instruments that are not traded in an active market have been determined by the Company using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein may differ from the amounts the Company could realise in a current market exchange.

Fair value of financial instruments

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

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**NOTE 22 - FINANCIAL INSTRUMENTS (DISCLOSURES RELATED TO FAIR VALUE AND
HEDGE ACCOUNTING) (Continued)**

Financial assets:

The fair values of cash and due from banks are considered to approximate their respective carrying values due to their short-term nature.

Values appraised by the independent valuation expert are disclosed within notes to financial statements regarding the fair values of investment properties.

The carrying value of trade receivables, which are measured at amortised cost, along with the related allowances for uncollectability are assumed to approximate their fair values.

The fair values of balances denominated in foreign currencies, which are translated at year-end official exchange rates announced by the Central Bank of Turkey, are considered to approximate their carrying value.

Financial liabilities:

The Company has no financial assets held for speculative purposes (including derivative instruments) and has no operations related to the trade of such instruments.

Short term trade payables are considered to approximate their respective carrying values due to their short-term nature.

Classification of Fair Value Measurement

IFRS 13 - Financial Instruments requires the classification of fair value measurements into a fair value hierarchy by reference to the observability and significance of the inputs used in measuring fair value of financial instruments measured at fair value to be disclosed. This classification basically relies on whether the relevant inputs are observable or not. Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Company.

- Category 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Category 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Category 3: Inputs for the asset or liability that is not based on observable market data (that is, unobservable inputs).

Classification requires using observable market data if possible.

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NOTE 23 - SUBSEQUENT EVENTS

None.

**NOTE 24 -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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NOTE 24 - 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 December 2019 and 31 December 2018:

Non-consolidated (stand-alone) financial statement accounts items		Related regulations	31 December 2019	31 December 2018	
A	Cash and capital market instruments	Art,24/(b)	51,120,730	41,333,713	
B	Real estate, real estate-based project, Real estate-based rights	Art,24/(a)	183,070,169	188,292,189	
C	Affiliates	Art,24/(b)	-	-	
	Due from related parties (non-trade)	Art,23/(f)	-	-	
	Other assets		24,310,725	35,912,537	
Total assets		Art,3/(p)	258,501,624	265,538,439	
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)	-	-	
I	Equity	Art,31	249,324,658	259,105,076	
	Other liabilities		9,176,966	6,433,363	
D	Total liabilities	Art,3/(p)	258,501,624	265,538,439	
Other non-consolidated (stand-alone) financial information		Related regulations	31 December 2019	31 December 2018	
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)	19,896,298	41,319,636	
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	
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)	10,120,675	30,228,426	
Portfolio Restriction	Related regulations	31 December 2019	31 December 2018	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)	71%	71%	≥51%
3	Cash and capital market instruments and Affiliates (A+C-A1)/D)	Art,24/(b)	20%	16%	≤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	-	-	≤500%
8	TRY/foreign currency denominated time/demand deposits (A2-A1)/D (*)	Art,24/(b)	8%	16%	≤10%
9	Total investments of monetary and capital market instruments at one company (L/D)	Art,22/(i)	4%	11%	≤10%

(*) As of 31 December 2018, the relevant portfolio limitation ratio is 3.80% when calculated by considering the fair value of investment properties.