



**AKMERKEZ GAYRİMENKUL
YATIRIM ORTAKLIĞI
ANONİM ŞİRKETİ**

**ANNUAL REPORT
COVERING THE PERIOD OF
01.01.2018 – 31.12.2018**

(ORIGINALLY ISSUED IN TURKISH)



Building a better
working world

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(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, 2018.

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 25, 2019 on the full set financial statements of the Company for the period of January 1 – December 31, 2018.

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 28, 2019
Istanbul, Turkey

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**AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI
ANONİM ŞİRKETİ
REPORT OF THE BOARD OF DIRECTORS ON THE ACTIVITIES IN
THE PERIOD OF
01.01.2018 – 31.12.2018**

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 01.01.2018-31.12.2018.

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:	Collective Investment Products and Structured Products Market BIST All/ 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:	Nispetiye Caddesi, Akmerkez, E-3 Blok, Kat: 1, Etiler, Beşiktaş/İstanbul
Website:	www.akmgyo.com
E-mail:	gyo@akmerkez.com.tr
Investor Relations E-mail:	yatirimciiliskileri@akmerkez.com.tr
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Mersis:	7352333284923116
Tax Office:	Büyük Mükellefler Vergi Dairesi
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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 158 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. The Shopping Center has a total of eight stories, of which four make up the 1.255-car capacity underground parking lots and the other four consist of the shopping floors. The shopping floors have 3 atriums linked to each other via main passages. There are a total of 45 escalators and 28 lifts, of which two are panoramic and the rest are passenger and service elevators, throughout the shopping center to ensure guests can browse around without wasting time or energy.

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 180.000 m² 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 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 Sarıyer 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. Boyner Group opened the first store of Wepublic, its new brand, in Akmerkez. Take a Seat, designed based on new generation trends in food and beverage industry, was opened in the food court floor of Akmerkez to offer a brand-new restaurant experience with seven different concepts. Akmerkez continues 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, Portland, Samsonite and Tumi. Akmerkez remained as the center of social life in İstanbul 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.

Sectoral Activities in 2018

As a result of the regulations on the Protection of the Value of Turkish Currency, leasing contracts started to be arranged over TL.

2018 Shopping Mall Index conducted by Association of Shopping Centers & Investors and Akademetre Research & Strategic Planning reveals that the turnover index increased by 21.6 percent in November 2018 when compared to November of the previous year, reaching 293 points.

Turnovers per leasable space (m2) in shopping malls were recorded as TL 1,116 in November 2018. Productivity was TL 1,379 in İstanbul and TL 940 in Anatolia.

The category where the highest increase of the shopping mall index was observed was the hypermarket with 31.3% increase. An increase of 26.5 percent in the other¹ area category turnovers, an increase of 21.8 percent in the food and beverage category turnovers, an increase of 19.8 percent in the clothing category turnovers, an increase of 18.1 percent in the technology category turnovers and an increase of 16.5 percent in the footwear category turnovers were observed in the Shopping Centers in November 2018 when compared with the same month of the previous year.

The footfall index was 98 points in November 2018, which has not changed when compared to November of the previous year.

According to the data released by JLL Turkey, as of the third quarter of 2018, total leasable space (TLS) at shopping centers in Turkey reached 12.6 million m2 at 412 centers in total. It is estimated that İstanbul, which has a significant share in shopping center supply, owns 37 percent of the total leasable space (TLS). The primary rental level measured for the third quarter of 2018 reached the levels of TL 325 m2/month.

¹ The other area 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 Shareholders,

The political developments in the world continue to have a negative impact on risk perception with respect to global markets. The United States adopted protective policies which were meant to impose additional import taxes of varying rates on several trade partners including specifically China, European Union, Canada and Mexico. As the trade partners retaliated against the US, this fuelled a global trade war. Further to additional taxation, the USA announced its withdrawal from the North American Free Trade Agreement (NAFTA), demanding NAFTA to be re-negotiated. Also, FED raised the interest rates four times during the year, which led to the revaluation of USD. This resulted in the return of USD investments to the USA back from the developing markets.

The Brexit involving the UK and EU and concerns about the effects of Italian budget crisis on EU economy led the USD to gain value against the domestic currencies in those countries. The moderate optimism of global markets in early 2018 did not last long owing to the geopolitical risks and it was actually replaced with the concern for a new recession and even crisis. Given the concerns about further interest hikes by FED, restrictive effects of the uncertainty in the world of trade and the gradual slowdown in leading economies of the world, 2019 might also be a difficult year. In addition, the developments in the Middle East involving especially Syria and the political atmosphere in Venezuela pose a real concern for global markets.

The World Bank issued the "Global Economic Prospects" in January in which the global growth anticipation for 2019 was reduced from 3 percent to 2.9 percent. Also, the International Monetary Fund (IMF) made a downward revision in the growth anticipation with reference to commercial strife and challenging financial conditions.

Turkish economy had a hard time due to compelling fluctuations in exchange rates last year. The resultant rise in inflation rates led to a serious fall in domestic demand. This, in turn, had a negative impact on the capacity utilization rates. Hence, the production volume of almost all industries including specifically manufacturing industry decreased. Meanwhile, the increase in exchange rates resulted in the increase in exports and decrease in imports and the current deficit was reduced. Another important factor for reducing current deficit was the gradual recovery of tourism industry. The number of tourists coming to Turkey in 2017- 2018 rose by around 25 percent.

Although unemployment rate was marked with a trend of decrease in early 2018, it began to rise after the mid-year. This had a negative impact on the growth rate as Turkish economy grew by 7.3, 5.2 and 1.6 percent respectively in Q1, Q2 and Q3 of 2018. Given this general outlook in Turkey, it is anticipated that the growth rate of the country will be negative in the final quarter of 2019.

Still, the economic actions taken for producing solutions to the current problems and improve credibility helped to create a positive atmosphere in the markets to a certain extent. The New Economic Program (NEP) which was announced in September provided for new actions to create price stability and financial stability again in 2019-2021. Thanks to the measures adopted as part of the New Economic Program, the balancing process started after Q3 in 2018. After rising owing to the fluctuation in exchange rates and reaching its height by 25.24 percent in October, the rate began to fall as a result of the strict monetary and financial policy. Currently, Turkish economy underscores in terms of growth when compared with its real potential. Investors anticipate that 2019 will be marked with serious uncertainties.

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 95 percent in terms of store leases at the end of the year. Our investors have faith in the potential of our country regardless of the upheavals in global and domestic markets. We continue our operations with new brands and tenants from different industries which appeal to our target audience. We will keep investing in the future with elegant brands stores as well as outstanding shopping, entertainment and food court areas.

In addition to our impressive financial performance, we were honored with a number of invaluable international awards throughout the year.

We are grateful to our employees and stakeholders for their significant contributions to our achievement. We are pretty sure that we will break new grounds thanks to our amazing solidarity in the upcoming period.

BOARD OF DIRECTORS

Message from the General Manager

Dear Shareholders,

Although there was a decrease in global economic risks in recent past, this trend seems to be replaced with an increase owing to the developments fuelled by the US as well as changes in the global trade policies. As a matter of fact, the protective trade policies of the United States, the ongoing Brexit process between the European Union and UK, and the expansionist financial policies adopted by central banks of several countries resulted in an increase in global economic risks. The central banks of the developed and emerging countries could not remain indifferent to this situation and they began to implement monetary policies meant to minimize the potential risks.

The trends in global economy had a negative impact on Turkey along with other economies under a similar risk group. The increase in exchange rates, interest rates and costs resulted in a serious upheaval on the economy which suffered from speculative F/X attacks at the same time. The rise in exchange rates affected the production costs and purchasing power of consumers negatively. The increasing number of companies entering into composition with their creditors, decree on payment of rental fees in TL in shopping centers, rise in PPI and zoning peace were among the most debated matters throughout the year. According to the data announced by the Association of Shopping Centers and Investors (AYD), 412 shopping centers were active in Turkey as of December 2018. AYD data also reveal that the shopping centers will have a turnover of around 130 billion TL in 2018. The economic situation of the industry was characterized through a number of factors such as conversion of rental fees to Turkish Lira, the uncertainty in USD currency rates, rise in PPI and restrictions in access to financial sources.

Akmerkez managed to preserve its profitability and reinforce its financial and strategic power amidst the economic and industrial challenges. In that respect, we attracted several leading brands from different industries which enabled us to enrich the shopping alternatives offered to the customers. Furthermore, we upheld our occupancy rate by means of effective leasing methods in a challenging atmosphere which compelled most of the national and international retail brands to revise their growth targets. We managed to achieve an occupancy rate of 95 percent in 2018. We attracted several leading retail brands to become our tenants.

Also, we continued to implement the "Agriculture on Terrace" project, which is recognized as one of the best examples of sustainable local agriculture as an innovative model carried out on the roof of a shopping center for the first time in 2018. Üçgen Teras welcomed cinephiles from Istanbul to the "Open Air Cinema" in July and August 2018. We also offered a brand new shopping experience to our guests thanks to the 'Like Store', a groundbreaking innovation introduced for the first time in the world and Turkey in 2018.

A number of international platforms honored us with nine awards for our innovative services to our guests as well as the dynamism we added to the urban social life. In 2018, we received totally 9 international awards including Hermes Creative Awards, ICSC and The Stevie Awards.

Notwithstanding the current economic risks and uncertainties, we will continue to work diligently by focusing on the sustainability of our operations, revenues and profitability in 2019. We, Akmerkez, will take necessary actions to uphold our occupancy rates and attract the distinguished brands to our shopping center in 2019.

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.

Murat KAYMAN

Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş.

General Manager

Management of the Shopping Center

Continued to add value to the lives of its guests in 2018

Recognized for enriching the shopping experience of its guests by varying its brand mix with several important brands from different sectors, Akmerkez maintained its position as the center of social life in Turkey thanks to several long-standing events as well as innovative projects in 2018.

As the forerunner of ground-breaking innovations, Akmerkez received totally 9 international awards including Hermes Creative Awards, ICSC and The Stevie Awards in 2018.

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.

Üçgen Teras welcomed cinephiles from Istanbul to the “Open Air Cinema” between July and August 2018. In December 2017, this space was turned into Frozenland, the largest open air ice rink on a terrace in Istanbul, as one of the most significant investments for 2018.

As Akmerkez continues to boost the dynamism of urban life, it adds value to the lives of its guests through Üçgen Teras, Young Lions Zone which is the meeting hub of creative youth and the easy point cargo services provided in collaboration with several cargo companies.

The most prestigious awards in recognition of Akmerkez

The “Agriculture on Terrace” project designed for supporting sustainable agriculture models in modern city was awarded by Hermes Creative Awards administered by the Association of Marketing and Communication Professionals.

The “Agriculture on Terrace” project was further recognized through the “Communication or PR Campaign of the Year” in environmental category of The Stevie Awards, another international business awards organization.

International Council of Shopping Centers (ICSC), one of the most respectable shopping center marketing awards in the world, awarded the “Agriculture on Terrace” in the sub-category of sustainable agriculture under Corporate Social Responsibility and Marketing Campaign category as a result of which the “Agriculture on Terrace” received a total of seven awards in 2018.

Also, the poster of Open Air Cinema received design award at Hermes Creative Awards.

Academy Awards Live at Akmerkez

As an organization popular with lovers of fashion as well as cinema, the 90th Academy Awards Ceremony was staged in Dolby Theater. Akmerkez invited famous actors, artists and influencers to the special night “Oscar with Pajamas” held on the night of March 4 to watch this magnificent event together at Akmerkez movie theaters. The ceremony was also broadcast live on Akmerkez instagram account.

Colorful Events at Üçgen Teras

i. The Largest Open Air Ice Rink on Terrace in Istanbul: Frozenland

Having established Frozenland at the main entrance last winter, Akmerkez repositioned the ice rink at Üçgen Teras as a result of the high popularity of Frozenland. As an indispensable venue for its guests thanks to its refreshing atmosphere at the city, Akmerkez opened Istanbul's largest open air ice rink at Üçgen Teras. Situated on an area of 700 square meter, Frozenland was opened with a great party hosted by Onur Baştürk with the participation of well-known figures from high society and media in December 2017. It will remain open throughout the winter to offer a magical winter experience to its guests by means of surprise events, music performances and organizations.

ii. Yoga Fest

Akmerkez celebrated the International World Yoga Day at Üçgen Teras in "Akmerkez Wellness Festival" on June 21, 2018 in cooperation with Yoga Foundation with a view to informing its guests about vital tips for a healthy lifestyle. This festival welcomed experts on yoga, raw food diet, breathing techniques and detox practices. "Mercan Dede" entertained thousands of yoga lovers with his music performance during the event.

iii. Time to Harvest at Akmerkez!

Having proven that it is possible to farm in the middle of Istanbul, Akmerkez continued to promote sustainable agriculture on a field of 750 square meter behind Üçgen Terrace on the roof. Under the "Agriculture on Terrace" project carried out in collaboration with EK BİÇ YE İÇ, 169 different types of vegetables, fruits and herbs weighing around 180 kg were harvested at the 'Harvest Fest' on September 11, 2018. The fresh fruits and vegetables were offered to the guests along with several food and beverages prepared with those items. Garden tours involving small scale harvests, workshops and music performances were organized as part of this complimentary event.

iv. Open air cinema

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 2018. The most popular movies of 2017 and 2018 were displayed once every week in July and August. Long summer nights became even more enjoyable with movies addressing spectators of all ages, namely Aile Arasında, Star Wars: Son Jedi, Coco, Black Panther and Paramparça.

Akmerkez Gift Days

Akmerkez continued to organize the traditional 'Gift Days' in 2018 out of its dedication to providing its guests with an amazing shopping experience by means of different gift alternatives available in various stands on special days with a particular focus on recycling and gift making workshops.

Gift Days were organized for St. Valentine's Day, Mothers' Day, Back to City and New Year during which Akmerkez welcomed thousands of guests who wished to benefit from hundreds of special gift options.

Metropolitan Operas Live at Akmerkez in 2018-2019 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. Opera lovers 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 4th season beginning from September.

Welcoming Special Guests

i. Life Academy

As a platform for enlightening audience about different aspects of life, Life Academy invited Özgür Bolat, Ph.D., to Akmerkez for a satisfactory conversation.

ii. Health Advice

Throughout 2018, Health Days were organized every Thursday in order to discuss important matters about health. Guests of Akmerkez had an enjoyable time as they learned from the advices by healthcare professionals.

Wednesday Bazaar for a Healthy Lifestyle

Akmerkez Wednesday Bazaar was held every Wednesday with the organizational support of EK BİÇ YE İÇ and product ranges of Balya Organik and Shima Organik. Visitors interested in local, ethnic and ecological food attended edutaining workshops for kids as well as garden tours accompanied by permaculture designers at Teras floor in Akmerkez.

Breem in Use Certification Awarded

BREEAM auditors visited Akmerkez in 2018 in order to evaluate the shopping mall in terms of management, health and comfort, energy, transportation, water, material, waste, land use and ecology, pollution and innovation criteria. As a result of the assessment, Akmerkez:

- achieved level of excellence with 73 points for the structural performance of the building, and
- rated as outstanding, which marks the highest level, with 87 points for building management according to which BREEAM IN USE CERTIFICATION was duly issued.

BREEAM certification assesses the environmental sustainability of buildings based on a number of standards in order to offer several advantages such as reducing operational costs and increasing the property value, market demand and comfort, productivity and satisfaction of employees in the building.

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 31.12.2018.

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 31.12.2018:

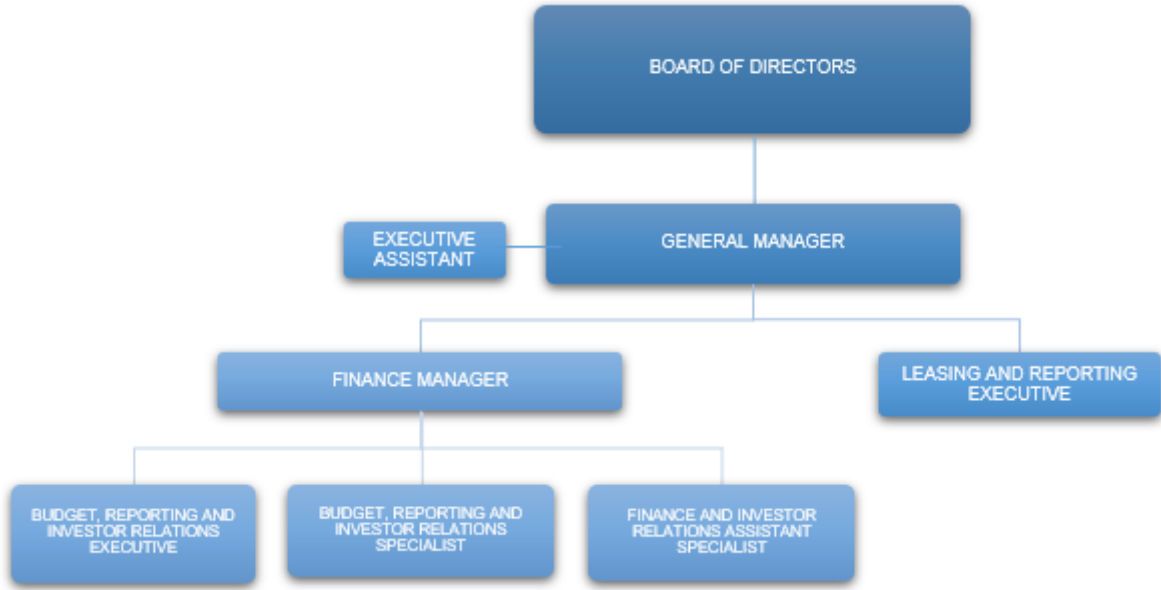
Tradename/Name-Surname of the Shareholder	Nominal Value (TL)	Share in the Capital (%)	Rate of Voting Right (%)
KLEPIERRE S.A.	11.747.397,12	31,52	31,52
AKKÖK HOLDİNG A.Ş.	4.890.900,00	13,12	13,12
TEKFEN HOLDİNG A.Ş.	4.019.839,04	10,79	10,79
CORIO NEDERLAND KANTOREN B.V.	2.932.840,00	7,87	7,87
HOOG CATHARIJNE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

Klepierre S.A., a group (D) shareholder, increased its shares in Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş. from 31,50% to 31,52% in 2018.

1.2.2. Information about the Shares Representing the Capital:

Group	Registered/Bearer	Total Nominal Value (TL)	Rate of Capital (%)	Trading Status at Stock Exchange
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 other than the aforementioned share acquisition by the group (D) shareholder, increase of the number of employees by two individuals and closure of a specialist position.

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 EYÜBOĞLU
Member	:	AHMET CEMAL DÖRDÜNCÜ
Member	:	BENAT ORTEGA**
Member	:	LİNA FİLİBA
Member	:	ATİLLA ALTINORDU
Member	:	F. DİLEK BİL*

The Members of the Board of Directors that were elected at the ordinary general meeting held on 30.03.2016 for an office term of three years are RAİF ALİ DİNÇKÖK, AHMET CEMAL DÖRDÜNCÜ and ALİZE DİNÇKÖK EYÜBOĞLU 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; REMZİYE ASLI KARADENİZ*, LİNA FİLİBA and ATİLLA ALTINORDU who were nominated and proposed to be elected based on the joint proposal of the shareholders of the Classes (A), (B) and (C) 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 FREDERIC YVES MARCEL FONTAINE** who was nominated by majority of the Class (D) bearer shares subject to public offering and participating in the general assembly meeting.

* REMZİYE ASLI KARADENİZ, an Independent Director, resigned from the office on 22.04.2016 according to which FATMA DİLEK BİL, who was elected by the Board of Directors to substitute this position on 06.05.2016 subject to approval by the first general assembly to be held as per article 363 of Turkish Commercial Code, was assigned as a Director during the General Assembly meeting held on 27.04.2017.

** Frederic Yves Marcel Fontaine, a Director who was elected for a period of three years during the ordinary general assembly meeting held on 30.03.2016, informed the company of his resignation as of 26.04.2017 according to which BENAT ORTEGA was substituted for the vacancy to be in office during the remaining term of office of the other directors during the General Assembly meeting held on 27.04.2017.

Of the Members of the Board of Directors F. DİLEK BİL, ATİLLA ALTINORDU and LİNA FİLİBA, 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.

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 04.03.2016 indicating that the candidates had the qualifications regarding independence was submitted to the Board of Directors on 04.03.2016. However, REMZİYE ASLI KARADENİZ, an Independent Director, resigned on 22.04.2016 as a

result of which FATMA DILEK BİL was elected in substitution for her on 06.05.2016 till the first general assembly meeting to be organized under article 363 of Turkish Commercial Code. The report dated 05.05.2016 indicating that Fatma Dilek Bil has the qualifications regarding independence was submitted to the Board of Directors on 05.05.2016.

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 2018.

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 Akrylic, Akiş GYO, Ak-kim, Gizem Frit, Aktek, Dinkal, Akasya Çocuk Dünyası, 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. / Chairman of Tekfen Tarımsal Araştırma, Üretim ve Pazarlama A.Ş. / Vice Chairman of Tekfen Teknoloji Yatırım Ticaret A.Ş., 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. and 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. / Director of Akmerkez Lokanta Gıda Sanayi ve Ticaret A.Ş.	6,98	Member of Corporate Governance Committee
Alize Dinçkök Eyüboğlu	Female	Director	Manager	Director	Board Member and Member of Executive Board in Akkök Holding A.Ş./ Chairman, Vice Chairman or Member of Akiş GYO, Akmerkez Lokantacılık, Üçgen Bakım, Ak-Pa Akyaşam, Akasya Çocuk Dünyası, Ak Havacılık, 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 Akiş GYO, Aksa Akrylic, Akenerji, Ak-kim, Gizem Frit, Akcez, Akasya Çocuk Dünyası and various Group Companies of Akkök / Board Member in International Paper Co.		
Benat Ortega	Male	Director	Manager	Director	Chief Operating Officer of Klepierre S.A. France		
Lina Filiba	Female	Independent Director	Manager	Independent Director	Independent Trainer & Advisor		
Atilla Altınordu	Male	Independent Director	Engineer	Independent Director	-		Chairman of Corporate Governance Committee / Chairman of Audit Committee
Fatma Dilek Bil	Female	Independent Director	Manager	Independent Director	Member of Strategic Advisory Group of 'International Council on Women's Business Leadership – Washington DC / Founding partner and Vice President of Turkish Financial Literacy and Inclusion Association (FODER) / Member of High Advisory Council of Türkiye Turkish Women Entrepreneurship Association (KAGİDER) / Member of the Board of Trustees of World Wildlife Fund (WWF) / Founding partner of Kangaroo İletişim Danışmanlık ve Ticaret A.Ş.		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
9th Notary Public of Bodrum
Journal Entry Date: 3rd March 2016
Journal Entry No.: 01295

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;

(d) 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 academican in any university, provided that the same complies with the relevant legislation;

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

(f) 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;

(g) 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;

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

(i) 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.

Independent Board Member Candidate's:

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

This is to certify that the signature set under this document was subscribed in this office by Atilla ALTINORDU, holder of Turkish ID number born in on from parents and and registered in the city of, town of, district/village of under volume number, page number and individual item number according to the photo ID card issued by Vital Registry on under registration number and serial number 03/03/2016

Bodrum 9th Notary
Aynur Erdoğan
Represented by
Chief Clerk
Şaban Şanda
(official seal and 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;
- (d) 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;
- (e) I am a resident in Turkey according to the Income Tax Law no. 193 dated 31/12/1960;
- (f) 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;
- (g) 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;
- (h) I did not perform duty on the Board of the Company more than six years during the last ten years;
- (i) 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.

Independent Board Member Candidate's:

Name – Surname : LİNA FİLİBA
TR Identity Number :
(signature)

This is to certify that the signature set under this document was subscribed in this office by Lina FİLİBA, holder of Turkish ID number born in on from parents and and registered in the city of, town of, district/village of under volume number, page number and individual item number according to the photo ID card issued by Vital Registry on under registration number and serial number 03/03/2016

Üsküdar 16th Deputy Notary
Talat Günay

(official seal and 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;
- (d) 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;
- (e) I am a resident in Turkey according to the Income Tax Law no. 193 dated 31/12/1960;
- (f) 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;
- (g) 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;
- (h) I did not perform duty on the Board of the Company more than six years during the last ten years;
- (i) 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.

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 Dinçkök 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 Akkök Holding. He worked at the Purchasing Department in Ak-AI Tekstil San. A.Ş. from 1994 to 2000 and acted as the Coordinator of Akenerji Elektrik Üretim A.Ş. between 2000 and 2003. Raif Ali Dinçkök functioned as the Director and Vice Chairman of Executive Board of Akkök Holding A.Ş. before he was assigned as the Chairman of Akkök Holding. In addition to his position as the Chairman of Akmerkez GYO, Raif Ali Dinçkök is the Deputy Chairman of a number of group companies of Akkök Holding including Aksa Akrilik, Akiş GYO, Ak-Kim and Gizem Frit. Also, he acts as the Director of several other group companies of Akkök 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 İnşaat 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 İnşaat in 1986, Gigin acted as the General Manager of Tekfen İnşaat 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 acted as the Chairman and Executive Director of group companies of Viem Ticari ve Sanayi Yatırımları Ltd. Şti. (Tekzen Ticaret ve Yatırım A.Ş., Agromak Makine İmalat Sanayi ve Ticaret A.Ş., Viem İletişim Yayıncılık Reklam Turizm Hizmetleri Yatırım Ticaret A.Ş., Ekozey Ekolojik ve Organik Tarım Gıda Hayvancılık ve Turizm Taşımacılık İthalat İhracat İnşaat Sanayi Ticaret A.Ş., İmbroz Tarım Hayvancılık Gıda Sanayi Turizm ve Ticaret Ltd. Şti., Galipoli Gıda Ürünleri Sanayi ve Ticaret Ltd. Şti., ENAT Endüstriyel Ağaç Tarımı Sanayi ve Ticaret A.Ş.) since 1998.

Gigin is currently the Chairman of Tekfen Tarımsal Araştırma, Üretim ve Pazarlama A.Ş. and Vice Chairman of Tekfen Teknoloji Yatırım Ticaret A.Ş. and ANG Yatırım Holding A.Ş. 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), Alanar Meyve ve Gıda Üretim Paz. San.Tic.A.Ş., Alara Fidan Üretim ve Pazarlama San. Ve Tic. A.Ş, 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 Dinçkök EYÜBOĞLU**Director**

Born 1983 in İstanbul, Alize Dinçkök Eyüboğlu 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 Eyüboğlu is also the Chairwoman of Akmerkez Lokantacılık and member of board of directors of Akiş GYO and Üçgen Bakım. Also, she assumes several positions at the board of directors of other companies of Akkök Group. Mrs. Alize Dinçkök Eyüboğlu is also in charge of Akkök Group Marketing Platform, which was established in 2015.

Ahmet Cemal DÖRDÜNCÜ**Director**

Born in 1953 in İstanbul, Ahmet C. 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, Akiş GYO, Ak-kim and Gizem Frit. Dördüncü is also among the directors of International Paper Co. 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.

Lina Filiba
Director (Independent)

Born in 1958, she graduated from Üsküdar American Girls High School, and studied computer programming at Boğaziçi University. She assumed the position of an IT Director and Developer at Plastikap Plastik İmalat Sanayi A.Ş., Import Specialist and Internal Data Analyst at Cumba Dekorasyon, Senior Professional at the Turkish Society of Jewish, District Director and Management Support Specialist at Tek Grubu Gayrimenkul Franchising Pazarlama İç ve Dış Tic. A.Ş., and General Coordinator at Beybi Plastik A.Ş. respectively. Mrs. Lina Filiba currently works as a trainer and advisor at PEM Project Training Center. She is married with two children and fluent in English, French and Spanish.

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 which allowed her to build a banking career 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 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 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 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.

Dilek Bil is member of Board of Directors of Accademia Italiana della Cucina Istanbul as well as being a founding partner of 25-year-old Wine Lovers Association.

Dilek Bil is married to Faruk Bil and mother of one child.

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

Full Name	Position
Atilla ALTINORDU	Chairman
Fatma Dilek BİL	Member

Early Risk Detection Committee

Full Name	Position
Fatma Dilek BİL	Chairwoman
Alize DİNÇKÖK EYÜBOĞLU	Member
Sinan Kemal UZAN	Member

Corporate Governance Committee

Full Name	Position
Atilla ALTINORDU	Chairman
Fatma Dilek BİL	Member
Davit BRAUNŞTAYN	Member
Ayşegül CANBAZ	Member
Hilal KAYALAR	Member

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 Atilla Altınordu and Fatma Dilek Bil 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. Davit Braunştayn, member of the Corporate Governance Committee, is a non-executive director. Ayşegül Canbaz, another member, is also the Finance Manager of the Company.

As for the Early Risk Detection Committee, Fatma Dilek Bil is an independent director 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 2018 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 8 (eight) meetings not to be less than once every two months in 2018 and issued 8 (eight) 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 2018.

Audit Committee held 8 (eight) meetings in 2018 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. in 2018, 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 2018, 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 2018, 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 8 (eight) 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 8 (eight) reports 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. 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 and 06.12.2018 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 93% in 2018. Throughout the year, 33 board resolutions were adopted in total, of which 2 were made during the meeting while the remaining 31 resolutions were made as per article 390.4 of Turkish Commercial Code. All of the Board resolutions requiring were passed unanimously in 2018. In other words, none of the directors raised an objection to the resolutions passed in 2018.

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 distribution of tasks and internal directive adopted by the board of directors on 06.06.2017 were announced in Turkish Trade Registry Gazette on issue number 9346 of 13.06.2017.

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 2018.

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 2018. 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-4.800,00 per person until the end of March and monthly TL-5.200,00 per person thereafter as decided at general assembly meeting on 28.03.2018, making gross TL-804.707,60 in total while the senior manager was paid gross TL-560.408,04 in total during 2018. 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 2018:

Director	Amount (TL)
Raif Ali Dinçkök	80.470,76
Murat Gigin	80.470,76
Sinan Kemal Uzan	80.470,76
Davit Braunştayn	80.470,76
Alize Dinçkök Eyüboğlu	80.470,76
Ahmet Cemal Dördüncü	80.470,76
Benat Ortega	80.470,76
Lina Filiba	80.470,76
Atilla Altınordu	80.470,76
F. Dilek Bil	80.470,76
Total	804.707,60

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-22.700,00.

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.

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 the Internal Audit Group organized under Akkök Holding A.Ş. based on the annual internal audit plan created and the support and consultancy 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 2018.

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. In 2018, the Company was issued a fine by Tax Office for consumer court judgment writ fee delay hike amounting to TL-65, by Beşiktaş Municipality Councilman pursuant to Article 42 of the Construction Law No. 3194 amounting to TL-12.725, and by Beşiktaş Municipality for the publicity and advertising tax amounting to TL-2.500 for the relevant year.

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 to a great extent. 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:

The Company held an Extraordinary General Assembly Meeting on 17.10.2018 for re-determining the payment date of the second dividend amounting to TL-37.264.000,00 which had been resolved to be paid on December 24, 2018 as per resolution no. 6 adopted in the Ordinary General Assembly Meeting held for 2017 on March 28, 2018. The proposal of the Board of Directors was approved through the majority of votes.

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 in 2018 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:

The Presidential Decree no. 85 on Amendment to the Decree no. 32 Regarding Protection of the Value of Turkish Money, which entered into force after being published in the Official Gazette no. 30534 on 13.09.2018, (the "Decree no. 85") was meant to incorporate, into article 4 of the Decree no. 32 Regarding Protection of the Value of Turkish Money dated 07.08.1989, the provision that persons resident in Turkey shall not be allowed to agree on settlement of contract values and other contractual obligations in foreign currency or indexed to a foreign currency, excluding where permitted by the Ministry of Treasury and Finance, and that any value which was agreed in foreign currency as part of the contracts executed before the effective date of the relevant provision shall be renegotiated and determined in Turkish currency within 30 days as from the effective date of the Decree no. 85.

The Communiqué on Amendment to the Communiqué on the Decree no. 32 Regarding Protection of the Value of Turkish Money (the "Communiqué no. 2008-32/34") entered into force on being published in the Official Gazette no. 30557 on 06.10.2018 (the "Communiqué no. 2018-32/51") in order to ascertain the exceptions to the Decree no. 85 and provide the reworded text of article 8 of the Communiqué no. 2008-32/34.

Article 8 of the Communiqué no. 2008-32/34 was reworded by means of the Communiqué on Amendment to the Communiqué on the Decree no. 32 Regarding Protection of the Value of Turkish Money (the "Communiqué no. 2008-32/34") entered into force on being published in the Official Gazette no. 30597 on 16.11.2018 (the "Communiqué no. 2018-32/52").

In that respect, provided that the exception defined in article 8.3 of the Communiqué no. 2008-32/34 redrafted through the Communiqué no. 2018-32/52, the relevant sums were determined in Turkish currency in line with the provisions of the Communiqué no. 2018-32/52 to be effective throughout the period specified in the Communiqué in the event that the parties were unable to agree on re-determination of contractual values in Turkish currency with respect to any and all lease contracts executed by our Company prior to the effective date of the Decree no. 85. The relevant sums shall be increased in line with the principles and rules indicated in the applicable provisions of the Communiqué no. 2018-32/52.

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 to a large extent in 2018.

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 and net profit which enabled it to maintain net sales in 2018.

Primary financial indicators:

Balance-Sheet Items (Million TL)	31.12.2018	31.12.2017
Current assets	73,79	28,15
Fixed assets	191,74	212,39
Total assets	265,54	240,54
Short term liabilities	5,08	5,97
Long term liabilities	1,35	1,58
Shareholders' equity	259,11	232,99
Total Liabilities and Shareholders' equity	265,54	240,54
Income Statement Items (Million TL)	2018	2017
Net sales	116,63	116,58
Cost of sales (-)	33,91	37,46
Gross profit	82,72	79,12
Operating profit	79,94	72,93
Net Profit for the Year	88,65	77,81
Financial Indicators (Million TL)	2018	2017
Gross Profit Margin	70,93%	67,86%
Net Profit Margin	76,01%	66,74%
Debt-Equity Ratio	2,48%	3,24%
Total Debts/Total Assets	2,42%	3,14%

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)*:

	31.12.2018	31.12.2017
Less than 1 Year	103.872.934	135.174.728
Between 1 and 5 Years	387.391.497	526.852.305
Over 5 years	260.494.191	580.552.395
Total	751.758.622	1.242.579.428

(*) The lease contracts in USD provided for a certain increase rate as of the end of 2017. Nevertheless, after the rental fees were determined in TL owing to the requirements of the communiqué on the decree no. 32 regarding protection of the value of Turkish money and subsequent regulations adopted in 2018, this led to an ambiguity as to the increase rates since they were meant to be dependent on annual inflation rates as a result of which the rental fees were calculated by deferring the increase effectuated in the current period to future years.

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 2019.

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:

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 within the framework of article 30, titled 'DIVIDEND DISTRIBUTION', of the Articles of Association of the Company which is paraphrased below.

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.”

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 the Internal Audit Group organized under Akkök Holding A.Ş. based on the annual internal audit plan created and the support and consultancy 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 8 (eight) meetings not to be less than once every two months and issued 8 (eight) reports in 2018.

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 as well as interest rates 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.

Although the above mentioned risks may lead to a certain fall in the income generating capacity and profitability, no risk is expected regarding the debt-equity ratio of the Company.

F. OTHER MATTERS:

Pursuant to the resolution of the Board of Directors as a result of the voluntary assessment made by the company, it is resolved that among the existing tenants, those who pay exclusively the rental fees regularly without any delay within the duration and principles specified in their lease contracts and who do not have any legal conflict with our Company shall benefit from the fixed foreign exchange which shall be USD 1 = TL 3,55 for the period from 01.01.2018 till 30.09.2018 provided that they agree to pay turnover rental fee in addition to the fixed rental fee for the period from 01.01.2018 till 30.09.2018 or else they consent to the application of increase on the ratio specified for the existing turnover rental payments, the rental fees shall be collected from the tenants based on the aforementioned exchange rate and a protocol shall be executed with our tenants so as to document the agreement to that end.

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 28.03.2018 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 2018 in order to cover the accounting period of 2018.

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 EVA Gayrimenkul Değerleme Danışmanlık A.Ş.:

Estimated market value as of 31.12.2018 (18% VAT excluded) : TL-1.009.247.000.

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 2018.

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 2018” 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 estate.

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. 4.3.9 of the Corporate Governance Communiqué: There are three female members in the Board of Directors. In other words, 30% of the directors are female.

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

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Cana Özınan

Budget, Reporting and
Investor Relations Specialist

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Gizem Çimen

Finance and Investor
Relations Assistant Specialist

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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

07.01.2019

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

Cana Özınan

Budget, Reporting and
Investor Relations Specialist

Gizem Çimen

Finance and Investor Relations
Assistant 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.

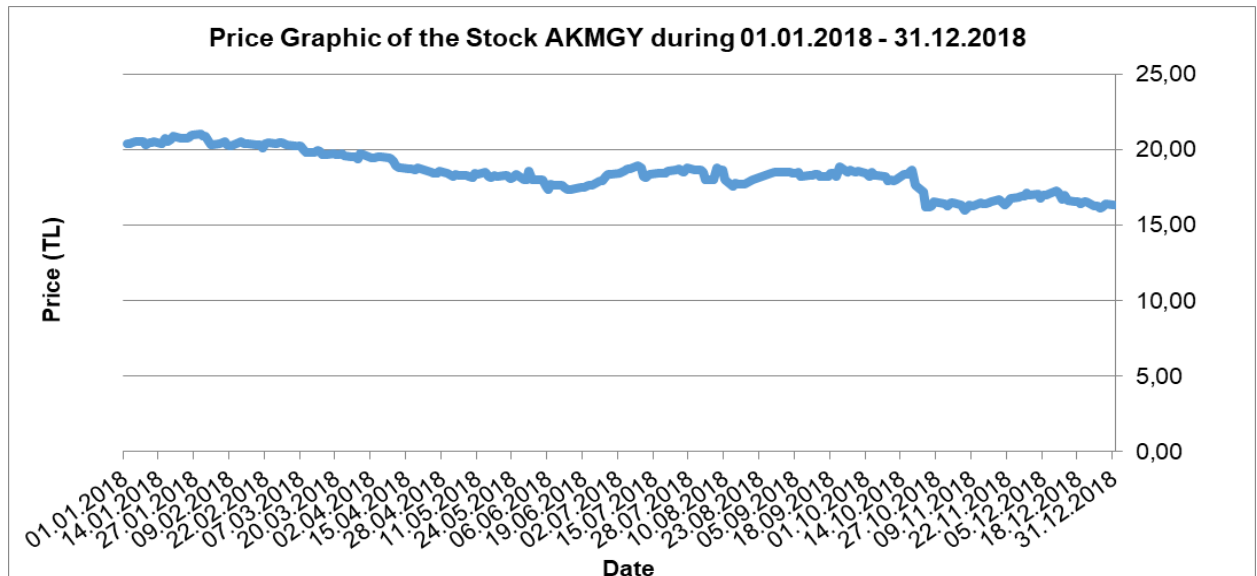
The basic working principles adopted by the Investor Relations unit include accessibility, quick response to shareholders, transparent, consistent and timely informing and ensuring the up-to-dateness of the Company's website. Care is given to making sure that the staff of the department is formed by 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 2018

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.

- National Market
- Collective Investment Products and Structured Products Market
- BIST All
- BIST Financial
- BIST Corporate Governance
- BIST Dividend
- BIST All 100
- BIST Real Estate Investment Partnerships



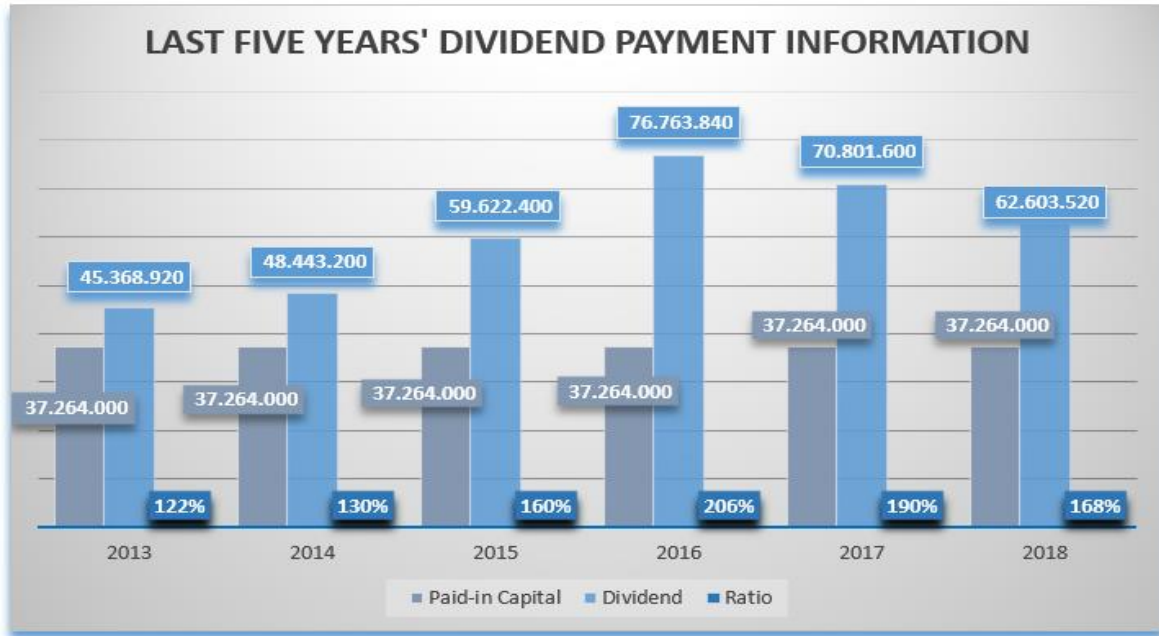
Stocks of the Company have been traded in the Istanbul Stock Exchange and Borsa İstanbul since 2005. Below is a summary of the performance of the stocks in the exchange during the last five (5) years:

Stock Data	2014	2015	2016	2017	2018
Lowest Price (TL)	15,45	15,49	15,61	20,12	16,00
Highest Price (TL)	19,00	20,50	20,60	24,78	21,06
Year-End Closing Price (TL)	16,25	16,60	20,60	20,46	16,37
Issued Capital (TL 1.000)	37.264	37.264	37.264	37.264	37.264
Market Value (TL 1.000)	605.540	618.582	767.638	762.421	610.012

2) Dividend

Distribution of the dividends pertaining to the activity period of 2017 was approved by the annual general meeting held on March 28, 2018. The relevant dividends were distributed to the shareholders of the Company in cash on May 28, 2018 and October 19, 2018.

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:

- Sixty four (64) special condition disclosures through the Public Disclosure Platform,
- Responding to the queries of two (2) foreign and two (2) domestic investors by e-mail,
- Teleconference with one (1) foreign investor,
- 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: Nispetiye Cad. Akmerkez Ticaret Merkezi, E3 Kule, Kat: 1, Etiler, 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 2018 are provided below.

As of December 31, 2018, 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, 2018
Üçgen Bakım ve Yönetim Hizmetleri A.Ş.	785.384
Akkök Holding A.Ş.	98.612
Aktek Bilgi İşlem Tekn.San.Tic. A.Ş.	548
	884.544

Purchases from and sales to the related parties during the year ending on December 31, 2018 are as follows:

Sales to the related parties:	December 31, 2018
Üçgen Bakım ve Yönetim Hizmetleri A.Ş.	16.584.344
Akmerkez Lokantacılık Gıda San. Tic. A.Ş.	2.811.724
Tekfen Turizm İşletmeleri A.Ş.	942.953
Akip Gıda San. Tic. A.Ş.	219.816
	20.558.837

Purchases from the related parties:	December 31, 2018
Üçgen Bakım ve Yön.Hizm.A.Ş.	28.236.155
Akkök Holding A.Ş.	410.098
Dinkal Sigorta Acenteliği A.Ş. (*)	121.547
Aktek Bilgi İşlem Tekn.San.Tic. A.Ş.	13.046
	28.780.846

(*)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-28.236.155 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-540.388 refers to other expenditures. 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-16.584.344 in total regarding the revenue collected on behalf of the Company in 2018.

Senior managers including chairman and members of board of directors were paid totally TL-1.387.816 in the form of wages and similar benefits during the accounting period from January 1 till December 31, 2018.

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 2018.

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 to a great extent in 2018.

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 / INTERVO DİŞ TİCARET VE MÜMESSİLLİK LTD. ŞTİ. (B3 Tower Office Floor 1)	1- AKMERKEZ GYO A.Ş. 2- UÇGEN 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 case is pending before the Consumer Court.
3	İSTANBUL COMMERCIAL COURT OF FIRST INSTANCE NO. 8	2007/635	AKMERKEZ GYO A.Ş.	ANC GIDA	ACTION IN PERSONAM (USD-144.656 In the Combined Action USD-57.226 + TL 47.456,04)	The action was concluded in favor of the Company.
4	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.
5	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 action was concluded in favor of the Company provided that it could be duly appealed.
6	İSTANBUL COMMERCIAL COURT OF FIRST INSTANCE NO. 3	2015/673	ÖMER DİNÇKÖK	AKMERKEZ GYO A.Ş.	ACTION FOR APPOINTMENT OF A SPECIAL AUDITOR	The action was concluded in favor of the Company. The Supreme Court of Appeals rejected the appeal of the plaintiff. Thereupon, the plaintiff took action asking for correction of the decision which is currently under review.
7	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.
8	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.
9	İSTANBUL COMMERCIAL COURT OF FIRST INSTANCE NO. 4	2016/725	ÖMER DİNÇKÖK	AKMERKEZ GYO A.Ş.	ACTION FOR APPOINTMENT OF A SPECIAL AUDITOR	The action was concluded in favor of the Company. Since the appeal of the plaintiff was rejected on grounds that the order was finalized, the plaintiff took the case to the Supreme Court of Appeals. The file is currently under appellate review.

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 EYÜBOĞLU, MEHMET ALİ BERKMAN	ACTION FOR DAMAGES (ARISING FROM RESPONSIBILITY OF COMPANY MANAGERS)	The case is currently pending.
2	İSTANBUL COMMERCIAL COURT OF FIRST INSTANCE NO. 8	2015/951	ÖMER DİNÇKÖK	RAİF ALİ DİNÇKÖK, ALİZE DİNÇKÖK EYÜBOĞLU, MEHMET ALİ BERKMAN, MURAT GİGİN	ACTION FOR DAMAGES (ARISING FROM RESPONSIBILITY OF COMPANY MANAGERS)	Combined with the case no 2014/1080 of İstanbul Commercial Court of First Instance No. 18.

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

**CONVENIENCE TRANSLATION OF THE FINANCIAL
STATEMENTS FOR THE PERIOD 1 JANUARY - 31
DECEMBER 2018
TOGETHER WITH AUDITOR'S REPORT**

(ORIGINALLY ISSUED IN TURKISH)



Building a better
working world

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Ticaret Sicil No : 479920

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders 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, 2018, 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, 2018, 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.

Key audit matter	How our audit addressed the key audit matter
<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, 2018, the carrying amount of the investment properties is TRY 188,292,189. As disclosed in note 6, fair value of the investment property has been valued at TRY 1,009,247,000 by independent appraisal firm, and discount ratio has been disclosed as 21%.</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, 2018, income accruals regarding to rent-fee period incentives in other current assets amounting to TRY 2,901,881 and in other non-current assets amounting to TRY 2,199,332 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 822,619 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 25, 2019.
- 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 2018 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

February 25, 2019
Istanbul, Turkey

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

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

	Notes	Audited 31 December 2018	Audited 31 December 2017
ASSETS			
Current assets			
73,794,035			
28,149,342			
Cash and cash equivalents	4	41,333,713	20,813,005
Trade receivables			
<i>Receivables from third parties</i>	5	7,314,103	3,050,677
Other receivables			
<i>Other receivables from third parties</i>	5	405,972	-
Prepaid expenses	10	2,879,420	1,387,282
Prepaid taxes and funds		545,796	11,638
Other current assets	10	21,315,031	2,886,740
Non-current assets			
191,744,404			
212,392,557			
Investment property	6	188,292,189	197,232,350
Tangible assets	7	688,448	927,670
Intangible assets		3,150	6,300
Prepaid expenses	10	561,082	2,196,049
Other non-current assets	10	2,199,535	12,030,188
Total assets			
265,538,439			
240,541,899			

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 2018 AND 31 DECEMBER 2017**

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

	Notes	Audited 31 December 2018	Audited 31 December 2017
LIABILITIES			
Current liabilities		5,081,825	5,969,029
Trade payables			
<i>Due to related parties</i>	5, 20	884,544	207,932
<i>Due to third parties</i>	5	475,247	1,752,530
Other payables			
<i>Due to third parties</i>	5	2,171,187	1,017,607
Deferred income	10	816,313	844,995
Provisions			
<i>Other provisions</i>	8	144,000	1,522,074
<i>Provisions for unused vacations</i>	9	226,547	146,393
Other current liabilities	10	363,987	477,498
Non-current liabilities		1,351,538	1,580,164
Other payables			
<i>Other payables to third parties</i>	5	665,281	695,334
Long term provisions			
<i>Provisions for employment termination benefits</i>	9	686,257	884,830
Equity		259,105,076	232,992,706
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			
Actuarial gains / (losses) arising from employee benefits		230,617	164,383
Restricted reserves		79,117,323	73,043,290
Retained earnings	11	26,098,217	16,968,330
Net income for the period		88,649,656	77,807,440
Total liabilities and equity		265,538,439	240,541,899

Financial statements for the year ended 31 December 2018 have been approved by the Board of Directors on 25 February 2019. 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 2018 AND 31 DECEMBER 2017**

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

	Notes	Audited 1 January- 31 December 2018	Audited 1 January- 31 December 2017
PROFIT AND LOSSES			
Revenue	12	116,629,010	116,579,602
Cost of sales (-)	12	(33,908,975)	(37,462,885)
Gross profit	12	82,720,035	79,116,717
General administrative expenses (-)	13	(6,435,981)	(5,675,110)
Other operating income	15	4,854,847	874,078
Other operating expenses (-)	15	(1,201,980)	(1,385,945)
Operating profit		79,936,921	72,929,740
Financial income	16	11,816,614	5,479,660
Financial expenses (-)	17	(3,103,879)	(601,960)
Profit before tax from continuing operations		88,649,656	77,807,440
Tax income / (expenses) from continuing operations		-	-
Profit for the period from continuing operations	19	88,649,656	77,807,440
Earnings per share			
Earning per share from continuing operations	19	2.38	2.09
Earning per share from discontinuing operations		-	-
Diluted earnings per share			
Diluted earnings per share from continuing operations	19	2.38	2.09
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	66,234	259,192
Total comprehensive income		88,715,890	78,066,632

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 2018 AND 31 DECEMBER 2017**

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

	Notes	Share capital	Adjustment to share capital	Other comprehensive income/expense not to be reclassified to profit or loss	Restricted reserves	Accumulated profit		Equity
				Actuarial gain / (loss) arising from employee benefits		Retained earnings	Net profit for the period	
1 January 2017		37,264,000	27,745,263	(94,809)	66,149,450	16,842,108	77,821,662	225,727,674
Transfers		-	-	-	6,893,840	70,927,822	(77,821,662)	-
Dividends		-	-	-	-	(70,801,600)	-	(70,801,600)
Total comprehensive income		-	-	259,192	-	-	77,807,440	78,066,632
31 December 2017 (Audited)	11	37,264,000	27,745,263	164,383	73,043,290	16,968,330	77,807,440	232,992,706
1 January 2018	11	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	(77,807,662)	-
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

(*) The Company decided to pay dividend amounting to TRY 62,603,520 in accordance with the decision taken in the Ordinary General Meeting dated March 28, 2018 and the total amount of dividend has been paid to shareholders as at May 28, 2018 and October 19, 2018 amounting to TRY 25,339,520 and TRY 37,264,000, 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 2018 AND 31 DECEMBER 2017**

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

	Notes	Audited 1 January - 31 December 2018	Audited 1 January - 31 December 2017
CASH FLOWS FROM OPERATING ACTIVITIES		78,544,142	76,081,752
Profit for the year	19	88,649,656	77,807,440
Adjustments to profit / (loss) for the year		(2,932,427)	(2,810,154)
Adjustments for depreciation and amortization expenses	14	7,492,160	7,973,763
Adjustments for impairment loss	5, 6	14,436,934	37,354
Adjustments for provisions		(709,348)	619,741
Adjustments for interest (income)/ expenses		(6,950,319)	(4,507,562)
Other adjustments for non-cash items		(17,201,854)	(6,933,450)
Change in working capital		(6,612,388)	1,235,559
Adjustments for decrease / (increase) in trade receivables <i>Decrease/ (increase) in trade receivables from third parties</i>		(3,891,426)	1,283,383
(Increase)/ decrease in other assets related to operations		(2,737,638)	96,230
Adjustments regarding (decrease) / increase in trade payables <i>Increase / (decrease) in trade payable from related parties</i>		676,612	200,945
<i>Increase / (decrease) in trade payable from third parties</i>		(1,277,283)	1,327,847
Increase / (decrease) in other liabilities related to operations		617,347	(1,672,846)
Cash provided from operations		79,104,841	76,232,845
Employment termination benefit payments	9	(356,924)	(167,408)
Other cash inflows (outflows)		(203,775)	16,315
CASH FLOWS FROM INVESTING ACTIVITIES		4,586,296	(843,178)
Interest received		6,956,529	4,526,323
Cash outflows from the purchase of tangible and intangible assets		-	(13,346)
Additions to investment property	6	(2,370,233)	(5,356,155)
CASH FLOWS USED IN FINANCING ACTIVITIES		(62,603,520)	(70,801,600)
Dividends paid		(62,603,520)	(70,801,600)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		20,526,918	4,436,974
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		20,786,601	16,349,627
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	41,313,519	20,786,601

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 2018

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

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

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

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 2018.

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

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

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

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

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

	31 December 2018	31 December 2017
Administrative	7	6

**CONVENIENCE TRANSLATION OF THE NOTES TO THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Accounting Standards

The accompanying financial statements are prepared in accordance with Communiqué Serial II, No:14.1, “Principles of Financial Reporting in Capital Markets” (“the Communiqué”) 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 2018 in accordance with the going concern principle.

**CONVENIENCE TRANSLATION OF THE NOTES TO THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

(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 31 December 2018 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2018. The effects of these standards and interpretations on the Company’s financial position and performance have been disclosed in the related paragraphs.

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

TFRS 15 Revenue from Contracts with Customers

In September 2016, POA issued TFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity’s ordinary activities (e.g., the sale of property, plant and equipment). TFRS 15 is effective for annual periods beginning on or after 1 January 2018. The amendment are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

TFRS 9 Financial Instruments

In January 2017, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, TFRS 9 addresses the so-called ‘own credit’ issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. TFRS 9 is effective for annual periods beginning on or after 1 January 2018. The standard will not have a significant impact on the financial position or performance of the Company.

**CONVENIENCE TRANSLATION OF THE NOTES TO THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

TFRS 4 Insurance Contracts (Amendments)

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

TFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation issued by POA on 19 December 2017 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

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

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

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

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

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

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

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

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

**CONVENIENCE TRANSLATION OF THE NOTES TO THE
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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Annual Improvements to TFRSs - 2014-2016 Cycle

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

- TAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying TFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are applied for annual periods beginning on or after 1 January 2018.

The amendments will not have a significant 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 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 will 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, with early application permitted.

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

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

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The amendments are not applicable for the Company and will 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.

**CONVENIENCE TRANSLATION OF THE NOTES TO THE
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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

TFRIC 23 Uncertainty over Income Tax Treatments (Continued)

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

The 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, with early application permitted.

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

Plan Amendment, Curtailment or Settlement” (Amendments to 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. An entity shall apply these amendments for annual reporting periods beginning on or after 1 January 2019, early application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact. The impact of these amendments on the financial position and performance of the Company is evaluated.

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

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.

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted. The amendments will not have a significant impact on the financial position or performance of the Company.

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

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

Annual Improvements – 2010–2012 Cycle

IFRS 17 - The new Standard for insurance contracts

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

Definition of a Business (Amendments to IFRS 3)

In October 2018, the IASB issued amendments to the definition of a business in IFRS 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 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.

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

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

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of ‘materiality’ 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 amendments to IAS 1 and IAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted. Overall, the Company expects no significant impact on its balance sheet and equity.

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 2018 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 2018, 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 5,434.42 as of 31 December 2018 (31 December 2017: TRY 4,732.48).

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 5,434.42 (TRY in full) which is effective from 31 December 2018 has been taken into consideration when calculating the liability (31 December 2017: TRY 4,732.48).

**CONVENIENCE TRANSLATION OF THE NOTES TO THE
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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 2018	31 December 2017
Less than a year	103,872,934	135,174,728
Between 1-5 years	387,391,497	526,852,305
More than 5 years	260,494,191	580,552,395
	751,758,622	1,242,579,428

(*) As of year-end 2017, there was a certain rate of increase in USD-denominated lease agreements. However, as the end of 2018, the rent rates determined in TL were uncertain depending on the rate of increase in the amount of rent, the rent amount was calculated by moving to the following years.

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.

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

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 2018 and 31 December 2017 are as follows:

	31 December 2018	31 December 2017
Cash	14,077	2,552
Banks		
- TRY time deposits	30,642,373	16,515,601
- Foreign currency denominated time deposits	10,603,628	4,161,207
- Foreign currency denominated demand deposits	71,853	1,725
- TRY demand deposits	1,782	131,920
	41,333,713	20,813,005

As of 31 December 2018, the interest rate on TRY deposit accounts at banks is between 23% and 23.25%, the accrued interest of TRY deposit accounts is TRY 19,373. The interest rate of foreign currency denominated time deposits at banks is between 1.60% and 4%, the accrued interest of foreign currency denominated time deposits is TRY 821. (As of 31 December 2017, the interest rate on TRY deposit accounts at banks is between 14.75% and 15%, interest rate on foreign currency denominated deposit accounts at banks is between 1.70% and 3.75%, and the accrued interests are TRY 25,601 and TRY 803 respectively). The maturity of time deposits is less than one month (31 December 2017: less than one month).

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

	31 December 2018	31 December 2017
Cash and cash equivalents	41,333,713	20,813,005
Less: accrued interest	(20,194)	(26,404)
	41,313,519	20,786,601

NOTE 5 - TRADE AND OTHER RECEIVABLES AND PAYABLES

Short-term trade receivables	31 December 2018	31 December 2017
Trade receivables	10,941,161	7,365,135
Post-dated cheques receivable	560,000	40,825
	11,501,161	7,405,960
Less: Provision for doubtful receivables	(4,187,058)	(4,355,283)
	7,314,103	3,050,677

The movement of provisions for doubtful receivables is as follows:

	2018	2017
1 January	4,355,283	4,317,929
Provisions made during the period	-	53,669
Doubtful receivables collections	(168,225)	(16,315)
31 December	4,187,058	4,355,283

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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NOTE 5 - TRADE AND OTHER RECEIVABLES AND PAYABLES (Continued)

Short-term trade payables	31 December 2018	31 December 2017
Trade payables to third parties	475,247	1,752,530
Due to related parties (Note 20)	884,544	207,932
	1,359,791	1,960,462

As of 31 December 2018, the Company has other receivables amounting to TRY 405,972 (31 December 2017: None).

Short-term other payables	31 December 2018	31 December 2017
Taxes payables and other taxes	2,148,306	983,437
Other	22,881	34,170
	2,171,187	1,017,607

Long-term other payables	31 December 2018	31 December 2017
Deposits and guarantees received	665,281	695,334
	665,281	695,334

NOTE 6 - INVESTMENT PROPERTY

Movements of investment properties for the years ending on 31 December 2018 and 31 December 2017 are as follows:

	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 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.

(**) Disclosed in Note15.

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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NOTE 6 - INVESTMENT PROPERTY (Continued)

	1 January 2017	Additions	Transfers	31 December 2017
Cost				
Buildings	268,723,677	-	5,356,155	274,079,832
Construction in progress (*)	-	5,356,155	(5,356,155)	-
	268,723,677	5,356,155	-	274,079,832
Accumulated depreciation				
Buildings	(69,123,373)	(7,724,109)	-	(76,847,482)
	(69,123,373)	(7,724,109)	-	(76,847,482)
Net Book Value	199,600,304	(2,367,954)	-	197,232,350

(*) The transfers amounting to TRY 5,356,155 from the construction in progress to the buildings are the costs for the improvement of the security precautions, office infrastructure, furniture and fixture investments and shopping mall routing system investments.

The fair value of the Company's investment property based on the valuation report of Eva Gayrimenkul Değerleme Danışmanlık A.Ş dated 31 December 2018 amount to TRY 1,009,247,000 (As of 30 December 2017, the fair value of the Company's investment property based on the valuation report of Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş, amount to TRY 1,409,570,000), According to report dated 31 December 2018, the discount rate is 21% (30 December 2017: 11%).

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
31 December 2018	21%	average 11.85%	7.5%
30 December 2017 (*)	11%	3%	8%

(*) The valuation report dated 30 December 2017 is prepared with USD discounted cash flow model.

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 2018	Sensitivity analysis	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

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NOTE 6 - INVESTMENT PROPERTY (Continued)

		If increase	If decrease
30 December 2017	Sensitivity analysis	Profit / (loss) effect on fair value (TRY)	Profit / (loss) effect on fair value (TRY)
Discount rate	1%	(74,595,568)	81,186,598
Rent growth rate	1%	88,051,362	(81,637,321)
Capitalization rate	1%	(66,824,514)	85,917,232

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

31 December 2018: USD 152,813,445

31 December 2017: USD 150,733,340

NOTE 7 - TANGIBLE ASSETS

The movement schedule of tangible assets as of 31 December 2018 and 31 December 2017 are as follows:

	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
	1 January 2017	Additions	31 December 2017
Plants, machinery and equipment	99,702	-	99,702
Furniture and fixture	8,712,976	3,896	8,716,872
Accumulated depreciation	(7,648,150)	(240,754)	(7,888,904)
Net book value	1,164,528	(236,858)	927,670

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**CONVENIENCE TRANSLATION OF THE NOTES TO THE
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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 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

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

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

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

	31 December 2018	31 December 2017
CPM's given by the company (Collaterals, Pledges, Mortgages)		
A, CPM's given for companies own legal personality	1,729	346,729
B, CPM's given on behalf of fully consolidated companies	-	-
C, CPM's given for continuation of its economic activities on behalf of third parties	-	-
D, Total amount of other CPM's		
i) Total amount of CPM's given on behalf of the majority shareholder	-	-
ii) Total amount of CPM's given to on behalf of other Group companies which are not companies which are not in scope of B and C	-	-
iii) Total amount of CPM's given on behalf of third parties which are not in scope of C	-	-
	1,729	346,729

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

Other provisions	31 December 2018	31 December 2017
Provision for lawsuits	144,000	1,322,074
Other(*)	-	200,000
	144,000	1,522,074

(*) Since there is a possibility that one of our tenants could be terminated their contract and however the negotiations have being continued, a provision amounting to TRY 200,000 has been allocated taking into account the termination indemnity amount which could be changed depending on termination date in the agreement and assets in the balance sheet related to the stated tenant.

Provision for lawsuits

The provision for the lawsuits against the company as of 31 December 2018 is TRY 144,000 (31 December 2017: TRY 1,322,074), The movements of provision for lawsuits are as follows:

	2018	2017
1 January	1,322,074	1,704,847
Foreign exchange differences and interests	-	114,257
Payments made during the period (-)	(372,000)	-
Reversals	(806,074)	(497,030)
31 December	144,000	1,322,074

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

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

Ömer Dinçök filed a lawsuit on 30 June 2015 with a demand of appointment of a special auditor of General Assembly in 2014 for the Company. The case has been concluded in the first instance court and appeal request has been refused by Supreme Court. The plaintiff has requested of revision of stated decision and it is expected to be approved in favor of the Company as a result of the appeal examination.

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

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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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 case was dismissed a nonsuit by the first instance court however the decision can be appealed. The plaintiff side is appealed to appeal and the appellate review is expected to result 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. Since this provision is a final decision, the appealing party has not appealed, and this time it has been appealed to the Supreme Court. It is expected that examination of appeal is concluded in favor of the Company.

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

NOTE 9 - EMPLOYEE BENEFITS

As of 31 December 2018 and 31 December 2017, provisions for employee benefits are as follows:

Short-term provisions	31 December 2018	31 December 2017
Allowances for unused-vacations	226,547	146,393
	226,547	146,393

Allowances for unused vacations amounting to TRY 78,262 comprise of the unused vacations of the Company's personnel and amounting to TRY 148,285 comprise of the Company's share in Üçgen Bakım ve Yönetim Hizmetleri A.Ş. personnel's unused vacations.

Long-term provisions	31 December 2018	31 December 2017
Allowance for Retirement Pay	686,257	884,830
	686,257	884,830

As of 31 December 2018, the amount payable consists of one month's salary limited to a maximum of TRY 5,434,42 for each year of service (31 December 2017: TRY 4,732,48).

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 2018	1 January - 31 December 2017
Discount rate (%)	6.86	4.67
Turnover rate to estimate the probability of retirement (%)	94.09	95.34

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NOTE 9 - EMPLOYEE BENEFITS (Continued)

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

	2018	2017
1 January	884,830	1,018,550
Cost of service	80,882	172,430
Cost of interest	143,703	120,450
Actuarial (gain)/ losses	(66,234)	(259,192)
Payments made during the period (-)	(356,924)	(167,408)
31 December	686,257	884,830

Provision for employment termination benefits amounting to TRY 45,102 comprise of the Company's personnel termination benefits provisions and TRY 641,155 comprise of the Company's share in Üçgen Bakım ve Yönetim Hizmetleri A.Ş.'s personnel termination benefits provisions.

NOTE 10 - OTHER ASSETS AND LIABILITIES

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

Prepaid expenses - short term	31 December 2018	31 December 2017
Prepaid expenses (*)	2,863,993	1,375,619
Advances given	15,427	11,163
	2,879,420	1,387,282

(*) Amount to TRY 261,537 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 2,495,710 is prepaid management service expenses to Üçgen Bakım ve Yönetim Hizmetleri A.Ş., TRY 91,991 consists of insurance expenses and TRY 14,755 is for other expenses.

Prepaid expenses - long term	31 December 2018	31 December 2017
Prepaid expenses (*)	561,082	2,196,049
	561,082	2,196,049

(*) 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 2018	31 December 2017
Rent compensation income accrual (*)	18,413,150	-
Income accruals for store rent (**)	2,901,881	2,886,740
	21,315,031	2,886,740

(*) It is explained in Note 15.

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

Other non-current assets:	31 December 2018	31 December 2017
Income accruals for store rent (*)	2,199,332	12,029,985
Deposits given	203	203
	2,199,535	12,030,188

(*) 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 2018	31 December 2017
Deferred income	411,569	440,426
Advances received	404,744	404,569
	816,313	844,995

Other current liabilities	31 December 2018	31 December 2017
Expense accruals	363,987	477,498
	363,987	477,498

NOTE 11 – EQUITY

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

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

(*) Represents individual shareholdings less than 10%.

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 2017 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 2017, the amendmend has been issued in the Trade Registry Gazette numbered 9323 and dated 10 May 2017.

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 2018 and 31 December 2017.

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

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.

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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

	1 January - 31 December 2018	1 January - 31 December 2017
Sales		
Shops and warehouse rent income	104,098,643	107,210,097
Other income	7,303,804	5,417,307
Apart hotel rent income	5,226,563	3,952,198
	116,629,010	116,579,602
Cost of sales		
Cost of services	(26,582,077)	(29,738,776)
Depreciation expense	(7,326,898)	(7,724,109)
	(33,908,975)	(37,462,885)
Gross profit	82,720,035	79,116,717

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NOTE 13 – GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 December 2018	1 January - 31 December 2017
Personnel expenses	2,507,373	1,915,116
Legal expenses	2,170,457	1,783,934
Consultancy expenses	749,195	906,372
Insurance, duties, taxes and levies expenses	266,712	429,584
Depreciation and amortization expenses	242,371	249,654
Provision for vacation	67,628	10,633
Provision for employment termination benefits	11,807	19,001
Other	420,438	360,816
	6,435,981	5,675,110

NOTE 14 - EXPENSES BY NATURE

	1 January - 31 December 2018	1 January - 31 December 2017
Depreciation and amortization expenses		
Cost of sales	7,249,789	7,724,109
General administrative expenses	242,371	249,654
	7,492,160	7,973,763
Allocation of depreciation and amortisation charges		
Investment properties (Note 6)	7,249,789	7,724,109
Tangible assets (Note 7)	239,222	240,754
Intangible assets	3,149	8,900
	7,492,160	7,973,763

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**CONVENIENCE TRANSLATION OF THE NOTES TO THE
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NOTE 15 – OTHER OPERATING INCOME/(EXPENSES)

	1 January - 31 December 2018	1 January - 31 December 2017
Other operating income		
Rent indemnity income(*)	3,246,941	-
Reversals from provisions	1,195,831	541,296
Foreign exchange gain on trade receivables and payables	205,672	326,668
Other	206,403	6,114
	4,854,847	874,078
Other operating expense		
Amortisation expenses (**)	(623,382)	(598,736)
Foreign exchange gain on trade receivables and payables	(442,819)	(479,750)
Provisions for doubtful receivables	-	(53,669)
Interest expense of provision for lawsuits	-	(36,769)
Other	(134,779)	(217,021)
	(1,201,980)	(1,385,945)
Other operating income/ (expenses) - net	3,652,867	(511,867)

(*) The Company has entered into the financial statements of the lease amount amounting to TRY 18,413,150 (USD 3,500,000) which is the early termination fee in the lease agreement, due to the early termination of a lessee. However, in relation to the same tenant; the investment that cannot be used after the separation of the tenant from the investment property is TRY 4,060,606; a total of TRY 1,940,337 from the costs incurred for the leasing of the stores located in the prepaid expenses; The Company, in its other current and non-current assets, recognized in its financial statements an impairment loss of TRY 8,604,216 from its rental income accruals.

(**) 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 2018	1 January - 31 December 2017
Financial Income		
Interest income	6,950,319	4,544,331
Foreign exchange gains	4,866,295	935,329
	11,816,614	5,479,660

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NOTE 17 - FINANCIAL EXPENSES

	1 January - 31 December 2018	1 January - 31 December 2017
Financial Expenses		
Foreign exchange expenses	2,959,407	479,021
Interest expenses related to employee benefits	143,703	120,450
Bank commissions	769	2,489
	3,103,879	601,960

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 2018	1 January - 31 December 2017
Weighted average number of shares as of the reporting date (per share of TRY 1 nominal value)	37,264,000	37,264,000
Net profit for the period	88,649,656	77,807,440
Earnings per share	2.38	2.09

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NOTE 20 - RELATED PARTY DISCLOSURES

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

Receivables from related parties

As of 31 December 2018 and 31 December 2017 there is no receivables from related parties.

	31 December 2018	31 December 2017
Due to related parties		
Üçgen Bakım ve Yönetim Hizmetleri A.Ş.	785,384	-
Akkök Holding A.Ş.	98,612	159,461
Aktek Bilgi İşlem Tekn. San.Tic. A.Ş.	548	14,283
Dinkal Sigorta Acenteliği A.Ş. (*)	-	34,188
	884,544	207,932

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

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

As of 31 December 2018 and 31 December 2017, sales and purchases from related parties are as follows:

	31 December 2018	31 December 2017
Sales to related parties:		
Üçgen Bakım ve Yön.Hizm. A.Ş.	16,584,344	12,834,879
Akmerkez Lokantacılık Gıda San.Tic. A.Ş.	2,811,724	2,741,202
Tekfen Turizm İşl. A.Ş.	942,953	829,844
Akip Gıda San. Tic. A.Ş.	219,816	196,080
Aktek Bilgi İşlem Tekn.San.Tic. A.Ş.	-	15,892
	20,558,837	16,617,897

	31 December 2018	31 December 2017
Purchases from related parties:		
Üçgen Bakım ve Yön,Hizm. A.Ş.	28,236,155	29,598,067
Akkök Holding A.Ş.	410,098	644,228
Dinkal Sigorta Acenteliği A.Ş. (**)	121,547	242,119
Aktek Bilgi İşlem Tekn.San.Tic. A.Ş.	13,046	26,720
Akhan Bakım Yön. Serv. Hizm. Güv. Tic. A.Ş.	-	878
	28,780,846	30,512,012

(**) 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 28,236,155 comprise of management expenses and other expenses provided by Üçgen Bakım ve Yönetim Hizmetleri A.Ş. (“Üçgen”). The remaining balance amounting to TRY 540,388 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 16,584,344 regarding the revenue collected on behalf of the Company for the year of 2018 (1 January - 31 December 2017: TRY 12,834,879).

As of 1 January – 31 December 2018, remuneration provided to top executives management such as the General Manager and the members of Board of Directors is TRY 1,387,816 (1 January-31 December 2017: TRY 1,210,334).

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 2018 the Company’s current assets exceeded its current liabilities by TRY 68,712,210 (31 December 2017: TRY 22,180,313). 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 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

The analysis of the Company’s financial liabilities with respect to their maturities as of 31 December 2017 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	1,960,462	1,960,462	1,960,462	-	-	-
Other payables and liabilities	1,712,941	1,712,941	1,017,607	-	680,334	15,000
	3,673,403	3,673,403	2,978,069	-	680,334	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 2018	31 December 2017
Financial instruments with fixed interest		
Time Deposits	41,246,001	20,676,808

As of 31 December 2018 and 31 December 2017, 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 2018 is as follows:

31 December 2018	Receivables				Bank Deposits	Other
	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	-	-	-	-	-	-

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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 2017 is as follows:

31 December 2017	Receivables				Bank Deposits	Other
	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)	-	3,050,677	-	-	20,810,453	-
- Secured portion of the maximum credit risk by guarantees	-	1,766,408	-	-	-	-
A. Net book value of financial assets that are neither overdue nor impaired	-	260,852	-	-	20,810,453	-
B. Net book value of overdue assets that are not impaired	-	2,789,825	-	-	-	-
C. Net book values of impaired assets	-	-	-	-	-	-
- Overdue (gross book value)	-	4,355,283	-	-	-	-
- Impairment (-)	-	(4,355,283)	-	-	-	-
- 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 2018 and 31 December 2017, aging of financial assets that are past due but not impaired is as follows:

	31 December 2018	31 December 2017
0-1 months past due	3,267,863	1,852,048
1-3 months past due	2,195,517	873,898
3-12 months past due	1,208,791	63,879
	6,672,171	2,789,825

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 2018	31 December 2017
Assets	10,682,715	4,162,129
Liabilities	(650,281)	(1,225,939)
Net balance sheet position	10,032,434	2,936,190

As of 31 December 2018, 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 481,386 higher/lower (31 December 2017: TRY 9,095 higher/lower).

As of 31 December 2018, 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 521,622 higher/lower, (31 December 2017: TRY 284,524 higher/lower).

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

As of 31 December 2018, 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 235 higher/lower, (31 December 2017: None).

As of 31 December 2018 and 31 December 2017 the assets and liabilities denominated in foreign currencies which do not bear guaranteed rates of exchange, and foreign currency amounts stated in the assets and liabilities are as follows:

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

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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 2018	31 December 2017
Total Debt (*)	6,433,363	7,549,193
Less: cash and cash equivalents (Note 4)	(41,333,713)	(20,813,005)
Net asset	(34,900,350)	(13,263,812)
Total equity	259,105,076	232,992,706
Net asset/ equity ratio (%)	(13%)	(6%)

(*) 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 2018 and 31 December 2017:

Non-consolidated (stand-alone) financial statement accounts items		Related regulations	31 December 2018	31 December 2017	
A	Cash and capital market instruments	Art,24/(b)	41,333,713	20,813,005	
B	Real estate, real estate-based project, Real estate-based rights	Art,24/(a)	188,292,189	197,232,350	
C	Affiliates	Art,24/(b)	-	-	
	Due from related parties (non-trade)	Art,23/(f)	-	-	
	Other assets		35,912,537	22,496,544	
D	Total assets	Art,3/(p)	265,538,439	240,541,899	
E	Borrowings	Art,31	-	-	
F	Other financial liabilities	Art,31	-	-	
G	Leasing obligation	Art,31	-	-	
H	Due to related parties (non-trade)	Art,23/(f)	-	-	
I	Equity	Art,31	259,105,076	232,992,706	
	Other liabilities		6,433,363	7,549,193	
D	Total liabilities	Art,3/(p)	265,538,439	240,541,899	
Other non-consolidated (stand-alone) financial information		Related regulations	31 December 2018	31 December 2017	
A1	Portion of cash and capital market instruments reserved for three-year real estate payments	Art,24/(b)	-	-	
A2	TRY/foreign currency denominated time/demand deposits	Art,24/(b)	41,319,636	20,810,453	
A3	Foreign capital market instruments	Art,24/(d)	-	-	
B1	Foreign real estates, real estate-based projects, real estate-based rights	Art,24/(d)	-	-	
B2	Lands on which no projects developed	Art,24/(c)	-	-	
C1	Foreign affiliates	Art,24/(d)	-	-	
C2	Participation in administrator companies	Art,28/1(a)	-	-	
J	Non-cash loans	Art,31	1,729	346,729	
K	Encumbrance amounts of encumbered lands which do not belong to the Group and on which a project will be developed	Art,22/(e)	-	-	
L	Total investments of monetary and capital market instruments at one company	Art,22/(i)	30,228,426	16,590,527	
Portfolio Restriction	Related regulations	31 December 2018	31 December 2017	Minimum / Maximum Rate	
1	Encumbrance amounts of encumbered lands which do not belong to the Group and on which a project will be developed (K/D)	Art,22/(e)	-	-	≤10%
2	Real estate, real estate-based project, Real estate-based rights (B+A1)/D)	Art,24/(a),(b)	71%	82%	≥51%
3	Cash and capital market instruments and Affiliates (A+C-A1)/D)	Art,24/(b)	16%	9%	≤49%
4	Foreign real estates, real estate-based projects, real estate-based rights, Affiliates, capital market instruments (A3+B1+C1/D)	Art,24/(d)	-	-	≤49%
5	Lands on which no projects developed (B2/D)	Art,24/(c)	-	-	≤20%
6	Participation in administrator companies (C2/D)	Art,28/1(a)	-	-	≤10%
7	Borrowing ceiling (E+F+G+H+J)/I	Art,31	-	-	≤500%
8	TRY/foreign currency denominated time/demand deposits (A2-A1)/D (*)	Art,24/(b)	16%	9%	≤10%
9	Total investments of monetary and capital market instruments at one company (L/D)	Art,22/(i)	11%	7%	≤10%

(*) As of 31 December 2018, the fair value of the investment property amounts to TRY1,009,247,000 however within the table above, the net book value of the investment property on the basis of the historical cost is stated which amounts to TRY 188,292,189 at the same date, When the fair value of the investment property is taken into consideration, the ratio of the TRY/foreign currency denominated time/demand deposit to total assets is 3.80% at 31 December 2018 (31 December 2017 1.43%).