



**AKMERKEZ GAYRİMENKUL
YATIRIM ORTAKLIĞI
ANONİM ŞİRKETİ**

**ACTIVITY REPORT
COVERING THE PERIOD OF
01.01.2017 – 31.03.2017**

(Convenience translation of a report originally issued in Turkish)

Review report on the interim report for the period January 1, 2017 – March 31, 2017

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

We have been assigned for the review of consistency of the financial information in the interim report dated March 31, 2017 with the reviewed interim condensed financial statements. The management of the Company is responsible for the preparation of the interim report. Our responsibility is express a conclusion on whether the financial information provided in the interim report is presented consistent with the Company's reviewed interim condensed financial statements there on which review report dated May 5, 2017 has been issued.

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

Based on our review, nothing has come to our attention which may cause us to believe that the accompanying interim report is not presented consistent with reviewed interim condensed financial statements and explanatory notes.

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



May 5, 2017
İstanbul, Turkey

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ
REPORT OF THE BOARD OF DIRECTORS ON THE ACTIVITIES IN THE
PERIOD OF
01.01.2017 - 31.03.2017

This Activity 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 01.01.2017-31.03.2017.

1. GENERAL INFORMATION

| | |
|---|---|
| Report Period: | 01.01.2017 – 31.03.2017 |
| 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. |
| BIST Market where Company's Capital Market Instruments are Traded and BIST Indices that the Company is Included: | Collective and Structured Products Market BIST All/ BIST Financial/ BIST Corporate Governance/ BIST Dividend/ BIST All-100/ BIST Dividend 25/ BIST Real Estate Investment Partnerships |
| Trading Symbol: | AKMGY |
| Portfolio Details: | Date of Incorporation: 08.12.1989 Date of Public Offering: 15.04.2005 |
| Head Office Address: | Nispetiye Caddesi, Akmerkez, E-3 Blok, Kat: 1, Etiler, Beşiktaş/İstanbul |
| Website: | www.akmgyo.com |
| E-mail: | gyo@akmerkez.com.tr |
| Registered e-mail address: | akmerkez@akmerkez.hs02.kep.tr |
| Central Registration System: | 7352333284923116 |
| Tax Office: | Major Tax Payers Office |
| Tax Number: | 837 003 1973 |
| Phone Number: | +90 (212) 282 01 70 |
| Fax Number: | +90 (212) 282 01 19 |

1.1. ORGANIZATION, CAPITAL AND SHAREHOLDING STRUCTURE OF THE COMPANY AND VARIATIONS PERFORMED DURING THE ACCOUNTING PERIOD

The rate of publicly held shares of stock pertaining to Akmerkez GYO A.Ş. is 50.82% as of 31.03.2017.

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.

Shareholding Structure

List of the shareholders who hold 5% and more of the capital of the Company as of 31.03.2017 is as follows:

| Tradename/Name-Surname of the Shareholder | Nominal Value (TL) | Capital Share (%) |
|---|----------------------|-------------------|
| Klepierre S.A. | 11.729.129,60 | 31,48 |
| Akkök Holding A.Ş. | 4.890.900,00 | 13,12 |
| Tekfen Holding A.Ş. | 4.019.839,04 | 10,79 |
| Corio Nederland Kantoren B.V. | 2.932.840,00 | 7,87 |
| Hoog Catharijne B.V. | 2.794.800,00 | 7,50 |
| Davit Braunştayn | 2.601.380,82 | 6,98 |
| Other | 8.295.110,54 | 22,26 |
| Total | 37.264.000,00 | 100,00 |

Information about the Shares Representing the Capital

| Class | Registere d/Bearer | Total Nominal Value (TL) | Capital Ratio (%) | Trading Status in Stock Exchange |
|--------------|--------------------|--------------------------|-------------------|----------------------------------|
| A | Registered | 4.075.750,00 | 10,93 | Not trading |
| B | Registered | 2.841.380,00 | 7,63 | Not trading |
| C | Registered | 2.398.870,00 | 6,44 | Not trading |
| D | Bearer | 27.948.000,00 | 75,00 | 67,76% Trading |
| Total | | 37.264.000,00 | 100,00 | |

Organizational Chart



No further change has occurred in the shareholding structure, capital-stock and organizational structure of the Company except the increase of one person in the number of the company's employees within the period.

REMARKS ON THE PRIVILEGED SHARES AND VOTING RIGHTS OF THE SHARES

Class (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 Class (A) registered shares, 3 members among the candidates nominated by majority of the owners of the Class (B) registered shares, 2 members among the candidates nominated by majority of the owners of the Class (C) registered shares and 1 member among the candidates nominated by majority of the owners of the Class (D) bearer shares offered to public, who attended the general meeting.

If, however, the holders of the Class (D) bearer shares offered to public, who attended the general meeting are not able to 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 Class (A) registered shares, 3 by the majority of the owners of the Class (B) registered shares, and 2 by the majority of the Class (C) registered shares.

Apart from the privilege of nominating candidates to the board of directors as described above, there is not any other privilege.

Each shareholder is entitled to cast one vote per share.

1.2. INFORMATION ABOUT BOARD OF DIRECTORS, SENIOR OFFICERS AND NUMBER OF EMPLOYEES

1.2.1. BOARD OF DIRECTORS

| | | |
|---------------|---|------------------------|
| Chairman | : | RAİF ALİ DİNÇKÖK |
| Vice-Chairman | : | MURAT GİGİN |
| 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 annual 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 GİGİN 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 FILİBA 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.

* 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.

** 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.

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 of BENAT ORTEGA, a national of France, all members of the board of directors are citizens of Turkey.

General Manager of the Company is MURAT KAYMAN.

The Board of Directors made 12 resolutions during the relevant accounting period within 2017.

1.2.2. POWERS OF DIRECTORS

The resolution of the board of directors concerning distribution of tasks and internal directive dated 31.05.2016 was promulgated in the Turkish Trade Registry Gazette on 08.06.2016 with issue number 9092.

1.2.3. LIMITATIONS OF POWER

The Directors and General Manager of the Company retain the Powers indicated in the Capital Market Law, Turkish Commercial Code, articles of association and the relevant regulations. The duties and powers of the General Manager and Finance Manager of the Company have been determined in the Internal Directives of the Company.

1.2.4. SENIOR OFFICERS

The senior officer of the Company is General Manager MURAT KAYMAN.

1.2.5. NUMBER OF EMPLOYEES

The company has five employees including the general manager.

2. FINANCIAL BENEFITS PROVIDED TO DIRECTORS AND SENIOR OFFICERS

a) Total sum of the financial benefits such as remuneration, salary, premium, bonus, profit share, etc.: Directors received financial benefit of 4.800 TL per person monthly, making gross 160.270,50-TL in total and the senior officer was paid gross 153.100,00-TL in total during the accounting period.

b) Information about total sum of allowances, travel, accommodation and representation expenses and cash and non-cash facilities, insurances and similar securities: The sole senior officer in the company is the general manager. General Manager was provided with a health insurance amounting to 4.500,00-TL during the accounting period.

3. RESEARCH AND DEVELOPMENT ACTIVITIES

The Company has not carried out any research and development activities during the accounting period.

4. CORPORATE ACTIVITIES AND IMPORTANT DEVELOPMENTS

The Board of Directors has resolved that 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 = TRY 3,10 for the period from 01.12.2016 till 31.03.2017 provided that they agree to pay turnover rental fee in addition to the fixed rental fee for the period from 01.12.2016 till 31.03.2017 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.

Besides, the Board of Directors has made a resolution to implement the discount applicable over 1 USD = 3,10-TL during April and June 2017 based on the same terms and conditions.

The Company performed its activities in line with the Capital Market Regulations during the period from 01.01.2017–31.03.2017.

The Company doesn't have any subsidiary and affiliate.

There isn't any own share acquired by the Company.

There isn't any company with which the Company has reciprocal participation relationship.

There isn't any private audit and public audit conducted during the accounting period.

There isn't any administrative or judicial sanction imposed on the Company and any members of the board of directors due to their practices in violation of the laws and regulations.

The Company did not incur any expense as donations and social responsibility projects during the period from 01.01.2017–31.03.2017.

5. FINANCIAL STANDING

5.1. BALANCE SHEET

| | Notes | Reviewed 31 March 2017 | Audited 31 December 2016 |
|---|-------|---------------------------|-----------------------------|
| ASSETS | | | |
| Current assets | | 44.830.480 | 22.908.328 |
| Cash and cash equivalents | 3 | 36.649.762 | 16.358.023 |
| Trade receivables | | | |
| <i>Receivables from related parties</i> | 4,17 | 156.419 | - |
| <i>Receivables from third parties</i> | 4 | 3.429.493 | 4.387.729 |
| Prepaid expenses | 8 | 3.024.408 | 896.415 |
| Other current assets | 8 | 1.570.398 | 1.266.161 |
| Non-current assets | | 208.487.011 | 210.205.195 |
| Investment property | 5 | 198.375.848 | 199.600.304 |
| Property and equipment | | 1.107.357 | 1.164.528 |
| Intangible assets | | 11.801 | 5.750 |
| Prepaid expenses | 8 | 2.645.100 | 2.794.784 |
| Other non-current assets | 8 | 6.346.905 | 6.639.829 |
| Total assets | | 253.317.491 | 233.113.523 |
| LIABILITIES | | | |
| Current liabilities | | 6.489.785 | 5.732.544 |
| Trade payable | | | |
| <i>Due to related parties</i> | 4, 17 | 157.550 | 6.987 |
| <i>Other trade payables</i> | 4 | 1.511.721 | 424.683 |
| Other payables | | | |
| <i>Due to third parties</i> | 4 | 1.351.657 | 1.403.680 |
| Deferred income | 8 | 1.518.646 | 1.802.282 |
| Provisions | | | |
| <i>Other provisions</i> | 6 | 1.758.774 | 1.704.847 |
| Other current liabilities | 8 | 191.437 | 390.065 |
| Non-current liabilities | | 1.925.323 | 1.653.305 |
| Other payables | | | |
| <i>Other payables to third parties</i> | 4 | 811.699 | 634.755 |
| Long term provisions | | | |
| <i>Long term provisions for employment termination benefits</i> | 7 | 1.113.624 | 1.018.550 |
| Equity | | 244.902.383 | 225.727.674 |
| Share capital | 9 | 37.264.000 | 37.264.000 |
| Adjustment to share capital | 9 | 27.745.263 | 27.745.263 |
| Other comprehensive income/expense not to be reclassified to profit or loss | | | |
| - <i>Actuarial losses arising from employee benefits</i> | 9 | 62.563 | (94.809) |
| Restricted reserves | 9 | 66.149.450 | 66.149.450 |
| Retained earnings | 9 | 94.663.770 | 16.842.108 |
| Net income for the period | 9 | 19.017.337 | 77.821.662 |
| Total liabilities and equity | | 253.317.491 | 233.113.523 |

5.2. PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Notes | Reviewed 1 January - 31 March 2017 | Reviewed 1 January - 31 March 2016 |
|--|-------|--|--|
| CONTINUING OPERATIONS: | | | |
| OPERATING INCOME | | | |
| Revenue | 10 | 28.778.183 | 27.083.579 |
| Cost of sales (-) | 10 | (8.839.356) | (8.116.260) |
| Gross profit | | 19.938.827 | 18.967.319 |
| General administrative expenses (-) | | (1.414.604) | (1.668.562) |
| Other operating income | 12 | 171.399 | 165.121 |
| Other operating expense (-) | 12 | (374.093) | (602.363) |
| Operating profit | | 18.321.529 | 16.861.515 |
| Financial income | 13 | 1.030.570 | 1.671.566 |
| Financial expenses (-) | 14 | (334.762) | (699.008) |
| Profit before tax from continuing operations | | 19.017.337 | 17.834.073 |
| Tax expense from continuing operations | | - | - |
| Profit for the period from continuing operations | | 19.017.337 | 17.834.073 |
| Earnings per share | | | |
| Earning per share from continuing operations | 16 | 0,51 | 0,48 |
| Earning per share from discontinuing operations | | - | - |
| Diluted earnings per share | | | |
| Diluted earnings per share from continuing operations | 16 | 0,51 | 0,48 |
| 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 | | 157.372 | 32.170 |
| Total comprehensive income | | 19.174.709 | 17.866.243 |

5.3. RATIOS

Fundamental ratios for the period between 01.01.2017 and 31.03.2017:

| | 31.03.2017 | 31.12.2016 |
|---------------------------|------------|------------|
| Current Ratio | 6,91 | 4,00 |
| Total Debt / Equity | 3,44% | 3,27% |
| Total Debt / Total Assets | 3,32% | 3,17% |

| | 01.01.2017-31.03.2017 | 01.01.2016-31.03.2016 |
|---------------------|-----------------------|-----------------------|
| Net Sales | 28.778.183 | 27.083.579 |
| Net Period Profit | 19.017.337 | 17.834.073 |
| Gross Profit Margin | 69,28% | 70,03% |
| Net Profit Margin | 66,08% | 65,85% |

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

5.4. FINANCE RESOURCES OF THE COMPANY

Finance resources of the company generally consists of rental revenues.

6. RISKS AND ASSESSMENT OF BOARD OF DIRECTORS

Early Risk Identification Committee held four meetings for early risk detection purposes and issued four reports during the relevant period.

Although increasing exchange rates positively affect the rent revenues, it may also entail a financial risk for the Company since it has the potential to negatively affect the payment power of the tenants. In addition, new shopping mall investments in the vicinity, which have started and/or will start operation, may lead to facing with market share risk.

The company has conducted a risk inventory activity for the anticipated risks and it is updated periodically.

7. MISCELLANEOUS

7.1. DEVELOPMENTS REGARDING BOARD OF DIRECTORS AND CORPORATE POLICIES

7.1.1. DIVIDEND DISTRIBUTION POLICY

The Profit 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 PROFIT DISTRIBUTION POLICY has been established within the framework of article 30, titled 'DISTRIBUTION OF THE PROFIT', of the Articles of Association of the Company, whose text is written below.

Article 30, titled 'DISTRIBUTION OF THE PROFIT', of the Articles of Association of the Company is as follows:

"Regarding the distribution of the profit, the Company complies with the regulations set out in the Turkish Commercial Code and the capital market legislation.

- Such amounts as overheads and miscellaneous depreciation costs which the Company is obliged to pay and set aside pursuant to the general accounting principles and such reserves which the Company is obliged to set aside for payment of taxes and other fiscal obligations payable by the Company as a legal entity are deducted from the incomes ascertained at the end of the accounting year. From the remaining amount, which is stated in the annual balance sheet as the net profit, any losses in previous years are deducted. From the remaining net profit:

General Statutory Reserve

a) 5% is set aside as general statutory reserve until it reaches 20% of the paid-in capital pursuant to the article 519 of the Turkish Commercial Code.

Primary Dividend

b) From the amount found by adding the amount of any donations made during the respective accounting year to the remaining amount, the primary dividend in the amount determined by the General Meeting in accordance with the profit distribution policy of the Company, provided that it is not less than the rate and amount as determined by the Capital Markets Board, is set aside.

c) From the remaining amount, an amount up to 5% of it can be set aside for distribution to the members of the board of directors.

Secondary Dividend

d) Minimum 80% of the amount remaining after deduction of the amounts set forth in the paragraphs (a), (b) and (c) above from the net profit is distributed as the secondary dividend.

e) If any amount remains after deduction of the amounts set forth in the paragraphs (a), (b), (c) and (d) from the net profit, the General Meeting is authorized to distribute that amount in part or whole as secondary dividend or to leave it in the balance sheet as the end-of-period profit, to add it to the statutory or the facultative reserve or to set aside it as the extraordinary reserve.

f) Any amounts occurred pursuant to the second paragraph of the article 519 of the Turkish Commercial Code are added to the general statutory reserve.

g) Unless the reserves which must be set aside pursuant to the law have been set aside and the dividend specified in the articles of association for payment to the shareholders has been set aside, no profit may be carried forward to the next year and no profit share may be paid to members of the board of directors and the employees of the Company and no profit share may be paid to these persons unless the determined dividend has been paid to the shareholders.

Advance dividend can be paid to the shareholders in accordance with the regulations of the Capital Markets Board.”

7.1.2.DIVIDEND PAYMENT

The General Assembly made a resolution to carry our dividend payment processes in the following manner through the majority of votes during the meeting held on 27.04.2017 which was disclosed on the Public Disclosure Platform. The first instalment will be paid on 29.05.2017 and the second instalment will be paid on 28.12.2017.

| | Cash Dividend Payable per Share with a Nominal Value of 1 TL - Gross=Net (TL) | Cash Dividend Distribution Date |
|----------------------------|---|---------------------------------|
| 1. Instalment | 0,90 | 29.05.2017 |
| 2. Instalment | 1,00 | 28.12.2017 |
| Total Cash Dividend | 1,90 | |

7.2. NUMBER, STRUCTURE AND INDEPENDENCE OF COMMITTEES FORMED UNDER THE BOARD OF DIRECTORS

The Board of Directors revised the structure and activities of existing committees pursuant to the provisions of the Corporate Governance Communiqué issued by the Capital Market Board according to which it formed Audit Committee, Corporate Governance Committee and Early Risk Identification Committee. The duties and responsibilities of the Nomination Committee and Remuneration Committee provided in the Corporate Governance Communiqué are fulfilled by the Corporate Governance Committee.

Audit Committee

| Name Surname | Title |
|------------------|-----------|
| Atilla ALTINORDU | President |
| F. Dilek BİL | Member |

Early Risk Identification Committee

| Name Surname | Title |
|-----------------------|-----------|
| F. Dilek BİL | President |
| Alize Dinçök EYÜBOĞLU | Member |
| Sinan Kemal UZAN | Member |

Corporate Governance Committee

| Name Surname | Title |
|------------------|-----------|
| Atilla ALTINORDU | President |
| Davit BRAUNŞTAYN | Member |
| F. Dilek BİL | Member |
| Ayşegül CANBAZ | Member |
| Hilal KAYALAR | Member |

The duties, working principles and members of the committees were determined by the Board of Directors and disclosed to the public via Public Disclosure Platform and corporate website of the company.

7.3. APPOINTMENT OF INDEPENDENT AUDITOR

Pursuant to Turkish Commercial Code and Communiqué of Capital Market Board on Independent Audit Standards at the Capital Market as amended through the Communiqué with Serial X, No. 28, 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 27.04.2017 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 to audit the financial statements and reports of the Company for the year 2017.

7.4. REAL ESTATE VALUATION REPORT SUMMARY

Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş. conducted a real estate valuation study, the summary of which is provided below:

Market valuation appraisal as of 30.12.2016 (Excluding 18% VAT): 1.571.500.000-TL.

7.5. RISK MANAGEMENT AND INTERNAL CONTROL MECHANISM

The company updates the financial statements regularly and takes timely legal actions against the tenants who fail to fulfil their obligations arising from the rental contracts completely in a timely manner so as to ensure complete and regular collection of rental fees that constitute the main operational revenues of the company. The f/x position of the company is monitored so as to minimize f/x risks.

7.6. AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The amendments to the articles of association comprised of amendments to Amend Article 3 titled 'The Company's Objective, Activities, Scope of Business, Prohibited Activities, Limitations of Investment', Article 6 titled 'Capital and Shares', Article 14 titled 'Compliance with Special Decisions and Corporate Governance Principles', Article 17 titled 'General Manager and Managers', Article 21 titled 'Audits', and Article 22 titled 'General Assembly Meetings and Quorum' of the Company's Articles of Association, and insert a new Article 19 titled "Support for the Participation of the Stakeholders in the Management of the Company" instead of the former Article 19, as per the ratification of Capital Markets Board and Turkish Ministry of Customs Trade, was approved by the majority during the ordinary general assembly meeting held on 27.04.2017.

7.7. REAL ESTATE APPRAISAL COMPANY

The Board of Directors made a resolution according to which Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş. was assigned as the appraisal company to provide appraisal services for each asset included in the portfolio of the Company requiring appraisal as well as the assets which might be acquired by the Company in 2017 in a manner that would require appraisal pursuant to article 35.2 of the Communiqué Regarding Principles for Real Estate Investment Trusts (III-48.1) issued by the Capital Market Board.

7.8. CORPORATE GOVERNANCE PRINCIPLES HARMONIZATION RATING

The Company executed a Corporate Governance Principles Harmonization Rating Agreement with SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş., a company which is licensed to perform rating services in line with the Corporate Governance Principles issued by the Capital Market Board in Turkey, on 10.03.2016 to be valid for three rating terms.

The first grade for Compliance with Corporate Governance Principles was announced in 2016 as (9,22). The grading report was disclosed to the investors by means of the Special Condition Disclosure dated 06.12.2016.

7.9. THE BUSINESS SEGMENT AND THE POSITION OF THE ENTERPRISE WITHIN THE INDUSTRY:

Results of Shopping Mall Index for February issued jointly by the Association of Shopping Malls and Investors and Akademetre Research reveal that the turnover index has turned out to be 184 points with an increase of 3,4 percent in comparison to the same month of the previous year.

Turnovers per leasable space (m²) in shopping malls increased by 3 points in February 2017 in comparison to the same month of the previous year, with productivity per m² measured at TL 701,00-TL. Productivity was 794,00-TL in Istanbul and 639,00-TL in Anatolia.

The category where the highest increase was observed in the Shopping Center Index when the same is compared with the month February of previous year was the shoe-bag category with an increase of 14 percent. An increase of 6 percent in the other¹ category turnovers, an increase of 4 percent in the apparel category turnovers, an increase of 2 percent in the food category turnovers, a decrease of 4 percent in the technology category turnovers and a decrease of 5 percent in the hypermarket category turnovers were observed in the Shopping Malls in February 2016 when compared to the same month of the previous year.

Footfall numbers decreased by 5,7% when compared to the same month of the previous year.

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

7.10. PENDING LITIGATIONS

LITIGATIONS FILED AGAINST AKMERKEZ GYO A.Ş.

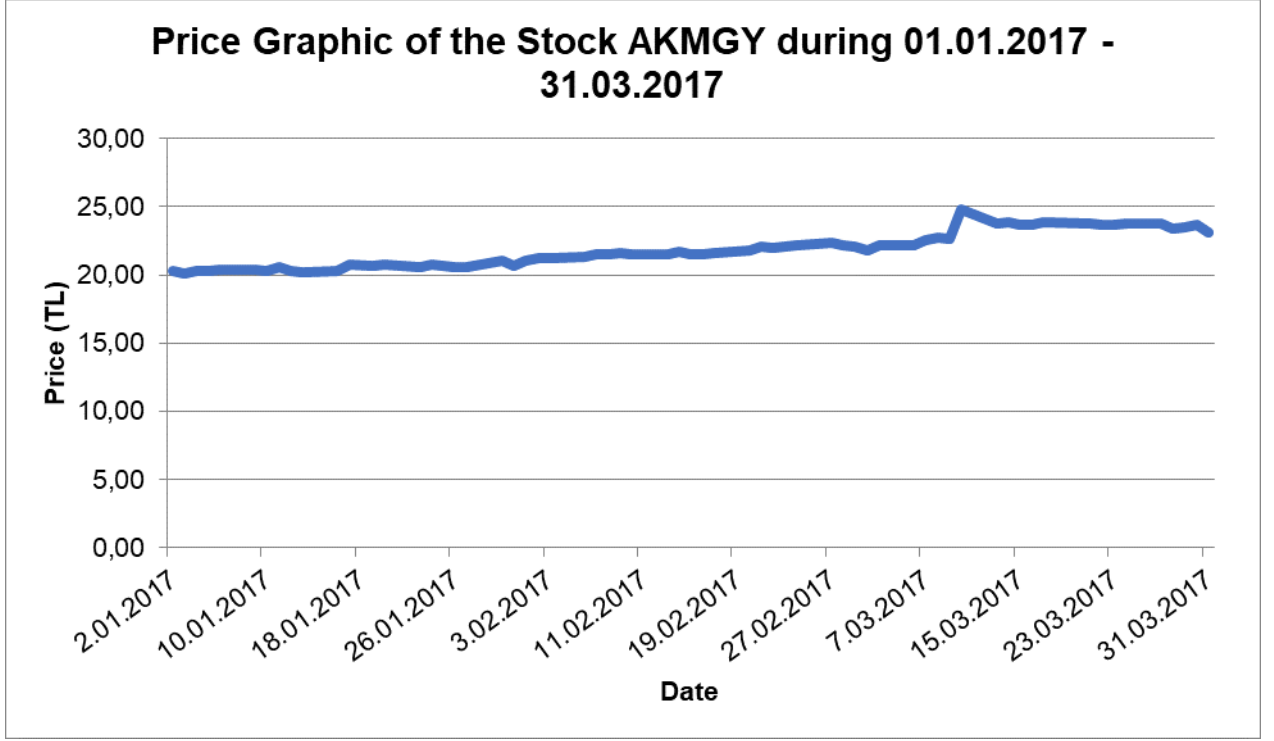
| No. | Court | Case No | Plaintiff | Respondent | Claim | Current Status |
|-----|--|--------------------------------|---|---|--|---|
| 1 | İSTANBUL CIVIL COURT OF PEACE NO. 2 | 2009/742 New Case no: 2011/124 | BERKAY İNCE INTERVO (B3 Tower Office Floor 1) | 1- AKMERKEZ GYO A.Ş. 2- ÜÇGEN BAKIM | ACTION FOR DAMAGES Claim: 100.000 TL | 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 | MEHMET BOZKURT | AKMERKEZ GYO A.Ş. | ACTION FOR DAMAGES Claim: 41.000 TL (Theft in Carpark) | The lawsuit was denied in favor of the company. The lawsuit was appealed by the Plaintiff and the decision rendered by the local court was reversed by the Supreme Court of Appeals. |
| 3 | İSTANBUL COMMERCIAL COURT OF FIRST INSTANCE NO. 8 | 2007/635 | AKMERKEZ GYO A.Ş. | ANC GIDA | ACTION IN PERSONAM (144.656 USD In the Combined Action 57.226 USD + 47.456,04 TL) | The main action was partially accepted. The counter action was also partially accepted. The justified decision was duly notified and enforcement proceedings were initiated in relation to the collection of receivables. |
| 4 | İSTANBUL COMMERCIAL COURT OF FIRST INSTANCE NO. 3 | 2014/223 | ÖMER DİNÇKÖK | AKMERKEZ GYO A.Ş. | ACTION FOR APPOINTMENT OF A SPECIAL AUDITOR | The action was concluded in favor of the Company. The judgment was appealed by the Plaintiff and the file is pending before the Supreme Court of Appeals. |
| 5 | 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. The judgment was appealed by the Plaintiff and the file is pending before the Supreme Court of Appeals. |
| 6 | İSTANBUL COMMERCIAL COURT OF FIRST INSTANCE NO. 14 | 2015/394 | ÖMER DİNÇKÖK | AKMERKEZ GYO A.Ş. | DECLARATORY ACTION | The action was concluded in favor of the Company. The judgment was appealed by the Plaintiff and the file is pending before the Supreme Court of Appeals. |
| 7 | İSTANBUL CIVIL COURT OF PEACE NO. 10 | 2014/732 | TUFAN SAAT | AKMERKEZ GYO A.Ş. | ACTION IN PERSONAM (400.000-TL) | The action was concluded in favor of the Company. The judgment was appealed by the Plaintiff and the file is pending before the Supreme Court of Appeals. |
| 8 | İSTANBUL COMMERCIAL COURT OF FIRST INSTANCE NO. 18 | 2015/665 | ÖMER DİNÇKÖK | AKMERKEZ GYO A.Ş. | ACTION FOR CANCELLATION OF THE RESOLUTIONS PASSED IN THE AGENDA ITEMS NO 2,3,4,9 AT THE ORDINARY GENERAL ASSEMBLY MEETING HELD FOR THE YEAR 2014 | The case is pending before the court. |
| 9 | 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 judgment was appealed by the Plaintiff and the file is pending before the Supreme Court of Appeals. |
| 10 | 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: 6.000 TL | The case is pending before the court. |
| 11 | 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, 11 AT THE ORDINARY GENERAL ASSEMBLY MEETING HELD FOR THE YEAR 2015 | The case is pending before the court. |
| 12 | İSTANBUL CONSUMER COURT NO. 11 | 2016/779 | HATİCE MERİH DÖNMEZER | AKMERKEZ GYO A.Ş. | ACTION FOR DAMAGES Total Claim: 20.000 TL | The case is pending before the court. |
| 13 | İSTANBUL COMMERCIAL COURT OF FIRST INSTANCE NO. 4 | 2016/725 | ÖMER DİNÇKÖK | AKMERKEZ GYO A.Ş. | ACTION FOR APPOINTMENT OF A SPECIAL AUDITOR | The case is pending before the court. |

LITIGATIONS FILED BY AKMERKEZ GYO A.Ş.

| No. | Court | Case No | Plaintiff | Respondent | Claim | Current Status |
|-----|--|-------------|-------------------|------------|---|---|
| 1 | İSTANBUL ENFORCEMENT COURT OF PEACE NO. 22 | 2017/108 E. | AKMERKEZ GYO A.Ş. | İMG | ACTION FOR CANCELLATION OF OBJECTION AND EVACUATION | The amount subject to the enforcement proceedings under the litigation was collected leading to waiver from the litigation. |

7.11. OTHER MATTERS

7.11.1. Price Graphic of the Stock AKMGY



7.11.2. Information about the control of portfolio limitations which is set out in second paragraph of article 38 of the Communiqué on the Principles Applicable to Real Estate Investment Partnerships is provided in the 20th footnote to the financial statement.

7.11.3. Information regarding related party transactions and their account balances which is required to be disclosed to the shareholders pursuant to the legislation is provided in the 17th footnote to the financial statement.

Sincerely yours,

BOARD OF DIRECTORS