



**AKMERKEZ GAYRİMENKUL  
YATIRIM ORTAKLIĞI  
ANONİM ŞİRKETİ**

**ANNUAL REPORT  
COVERING THE PERIOD OF  
01.01.2017 - 31.12.2017**

(ORIGINALLY ISSUED IN TURKISH)

(Convenience translation of a report originally issued in Turkish)

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

To the Shareholders of Akmerkez Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

### 1) Opinion

We have audited the annual report of Akmerkez Gayrimenkul Yatırım Ortaklığı Anonim Şirketi ("the Company") for the period of January 1 – December 31, 2017.

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 23, 2018 on the full set financial statements of the Company for the period of January 1 – December 31, 2017.

### 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.

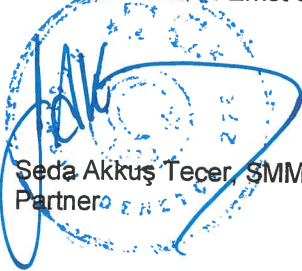
## 5) Auditor's Responsibilities for the Audit of the Annual Report

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 23, 2018  
İstanbul, Türkiye

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**AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ**  
**REPORT OF THE BOARD OF DIRECTORS ON THE ACTIVITIES IN**  
**THE PERIOD OF**  
**01.01.2017 - 31.12.2017**

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 01.01.2017-31.12.2017.

**A. GENERAL INFORMATION**

**COMPANY DATA:**

<b>Trade Name</b>	AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ
<b>Trade Registry Office:</b>	İstanbul
<b>Trade Registration Number:</b>	260139
<b>Stock Exchange where stocks of the Company are traded:</b>	Borsa İstanbul A.Ş.
<b>Market where the Capital Market Instrument is Traded, and Indexes where the Company Takes Place:</b>	Collective Investment Products and Structured Products Market BIST All/ BIST Financial/ BIST Corporate Governance/ BIST Dividend/ BIST All-100/ BIST Real Estate Investment Partnerships
<b>Trading Symbol:</b>	AKMGY
<b>Portfolio Details:</b>	Date of Establishment: 08.12.1989 Date of Public Offering: 15.04.2005
<b>Head Office Address:</b>	Nispetiye Caddesi, Akmerkez, E-3 Blok, Kat: 1, Etiler, Beşiktaş/İstanbul
<b>Website:</b>	<a href="http://www.akmgyo.com">www.akmgyo.com</a>
<b>E-mail:</b>	<a href="mailto:gyo@akmerkez.com.tr">gyo@akmerkez.com.tr</a>
<b>Registered e-mail address:</b>	<a href="mailto:akmerkez@akmerkez.hs02.kep.tr">akmerkez@akmerkez.hs02.kep.tr</a>
<b>Central Registration System:</b>	7352333284923116
<b>Tax Office:</b>	Large Taxpayers Office
<b>Tax Number:</b>	837 003 1973
<b>Phone Number:</b>	+90 (212) 282 01 70
<b>Fax Number:</b>	+90 (212) 282 01 19

## ***Akmerkez in Brief***

### ***Meeting venue in Istanbul***

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

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## **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 m<sup>2</sup> area. Akmerkez collects elite brands under one roof and has since that day created a regular visitor base.

**1995**

### ***Second anniversary gift: “Europe’s Best Shopping Center” Award***

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

**1996**

### ***The pride of being the World’s Best Shopping Center***

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

**1998**

### ***Our brand leadership crowned with the TCSCR/AMPD Honorary Award***

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

**1999**

### ***We added new successes to our history every year***

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

**2001**

### ***Two awards from ICSC in one year***

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



**2003**

***Celebrated our tenth anniversary***

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

**2004**

***Awarded for outstanding quality by the Consumers Magazine***

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

**2005**

***We have gone to public***

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

**2006**

***Our folding success is once again awarded by ICSC***

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

**2008**

***Celebrated our Fifteenth anniversary with steps towards renovation***

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

**2010**

***Awarded the “Real Estate Oscar” for our renovation project***

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

**2011**

***Our “FashionOnAir” Project brought another award to our shopping center***

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

**2012**

***11 awards in just one year***

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

## **2013**

### ***15 prestigious awards***

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

## **2014**

### ***City's Dynamism is reborn with Akmerkez in Etiler***

Akmerkez continued to be a focus point of the city's dynamism, a part of the social life in İstanbul with its brand new spaces which evoke a distinct atmosphere on the Nispetiye Street, with the movie theatres renewed with touch of the world's famed designer, Aziz Saniyer 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 and Triangle "Üçgen" Terrace projects under 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, Porland, 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.

## **Sectoral Activities in 2017**

2017 Shopping Mall Index conducted by Association of Shopping Centers & Investors and Akademetre Research & Strategic Planning reveals that the turnover index increased by 14.4 percent in 2017 when compared to 2016, reaching 223 points. The turnover index also increased by 15.5 percent in December 2017 when compared to December of the previous year, reaching 276 points.

The productivity per leasable space (m2) in shopping malls was actualized as TL 840 in 2017. This ratio implies an increase of 12.9 percent in productivity per m2 when compared to 2016. Productivity in 2017 was TL 971 in İstanbul with an increase of 16.1 percent and TL 771 in Anatolia with an increase of 13 percent compared to previous year.

Turnovers per leasable space (m2) in shopping malls were recorded as TL 919 in December 2017. Productivity was TL 1,244 in İstanbul and TL 925 in Anatolia.

The category where the highest increase of the shopping mall index was observed was the technology with 34.6% increase. An increase of 22.5 percent in the other<sup>1</sup> area category turnovers, an increase of 16.5 percent in the food category turnovers, an increase of 11.4 percent in the clothing category turnovers, an increase of 7 percent in the hypermarket category turnovers and an increase of 1.9 percent in the shoes category turnovers were observed in the Shopping Centers in December 2017 when compared with the month of the previous year.

The footfall index was 111 points in December 2017, which marks an increase of 1.8 percent when compared to the previous year.

According to the data released by JLL Turkey, as of the third quarter of 2017, total leasable space (TLS) at shopping centers in Turkey reached 12 million m2 at 393 centers in total. It is estimated that İstanbul, which has a significant share in shopping center supply, owns 36 percent of the total leasable space (TLS). The primary rental level measured for the third quarter of 2017 reached the levels of EUR 70 m2/month. During the period between 2017 and 2020, it is expected that the shopping center development projects will continue to increase and the total stock will reach 14 million m2 in 438 shopping centers by the end of 2020.

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<sup>1</sup> 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,**

As the global financial crisis left behind its 10<sup>th</sup> year in late 2017, global economy was marked with a general sense of stability. According to OECD figures, the estimated growth rate in 2017 was 3.6% for the world in general, 2.2% for the US, 2.4% for Euro Zone and 1.5% for Japan. Still, those rates are well below the quite impressive growth rates which were applicable before the crisis. It is also observed that developing economies with a significant population such as China, India and Brazil have already slowed down in terms of growth.

As 2017 turned out to be a year in which the US economy recovered especially in terms of industry, energy, housing and finance, it was also a remarkable year for the labor market. The US economy achieved the lowest rate of unemployment for the last 17 years while the most important concerns appeared to be inflation and FED's interest rate increases in 2017.

The long-term Brexit discussions, decision of Catalan Parliament to declare its independence and coalition efforts in Germany led to a downward trend in Euro. The Euro Zone economy, however, recuperated rapidly in 2017 despite the volatile inflation rates as the expanding private industry and increase in employment rates provided further support for the growth.

Euro and USD continuously broke new records against Turkish Lira throughout the year due to the negative developments affecting our immediate geography as well as the world in general. Although it was quite encouraging that Turkish economy achieved a growth rate as high as 6% in 2017, several industries including retail and real estate suffered from a number of challenges owing to the widespread fluctuations in economic conjuncture.

Nevertheless, Akmerkez REIT succeeded in preserving its profitability and reinforcing its position as a credible brand notwithstanding the negative global conditions and various challenges in the industry. It continued to attract the attention of investors in 2017 resulting in the increase of occupancy rates up to 95%. Expanding the target audience with the help of new brands and tenants from different industries, it pioneered the industry by organizing several events for the first time in Turkey and reinforced its quality and distinction in the market thanks to several prizes awarded by prestigious global platforms. Neither retailers nor investors lost their perseverance and desire to overcome challenges despite the negative conditions affecting not only our country but also the entire world. We, Akmerkez, continue our journey with these sentiments and goals in mind.

Expressing our most sincere gratitude to our employees, valuable stakeholders and business partners who have taken pains for our success, we hope to have a fruitful year full of unprecedented projects created through innovative ideas, prestigious awards and efficient business partnerships.

**BOARD OF DIRECTORS**

## ***Message from the General Manager***

**Dear Shareholders,**

We spent a very dynamic year in terms of global developments in 2017. Political crises, wars, terrorist attacks and natural disasters were disheartening for all of us. Yet, we never lost our hope for a better world, more constructive strategies and more effective outcomes.

In 2017, the main concern of global economy turned out to be the decisions made by central banks of developed countries as well as political developments. Besides, there was an increase in perception of risk because of geopolitical problems and a number of international issues in 2017. Devaluation of Turkish Lira against US Dollar, which hit records in 2016, remained a fundamental concern in 2017. Turkish Lira lost value against both USD and Euro while the bond interest rates were marked with some increase. Fluctuations in exchange rates and the high increase in CPI applied considerable pressure on the profitability of retail industry which has to remain sensitive in terms of price policies. Rental fees in foreign currencies and rising labor costs led to further decrease in profitability despite the increase in turnovers. Therefore, most of the retailers preferred being more cautious in terms of growth and they even shrank the sales areas or closed the stores to the extent necessary. A good deal of companies adopted a strategy to reduce risks and preserve the existing levels. Although ongoing risks led to a general decrease in investments in the industry, consumers continued to have increasing expectations from the retail industry.

Akmerkez REIT proved its financial and strategic power and capacity by remaining profitable despite all the economic and industrial challenges. It achieved remarkably higher occupancy rates thanks to effective leasing methods in an atmosphere in which even large-scale retailers had to lower their growth targets.

Akmerkez, well recognized for its credibility in the industry, enriched its brand mix with several domestic and international brands including but not limited to D&R, Midpoint, Tumi, and Knitts which helped to offer a more comprehensive and enjoyable shopping experience for all guests.

Akmerkez REIT also enlarged the food court space and increased the dining options in line with its objective to become a center for not only shopping but also social life. The largest open-air ice rink on a terrace in Istanbul was opened in Triangle "Üçgen" Terrace which welcomed thousands of Istanbulites who wanted to make most of the winter. Hence, Frozenland ice rink became a remarkable center of attraction in the city.

Furthermore, Akmerkez undertook an eco-friendly project which is sure to set an example in the industry by creating a farming land on the roof of a shopping mall for the first time in Turkey. The project, "Agriculture on Terrace", has already proven that it is possible to undertake local and sustainable farming even at the heart of the city.

Akmerkez REIT was recognized by international platforms as in the previous years as it received 14 awards which proved the success of its new projects. This is our collective success. Each one of those honorable awards has been received as a result of the dedicated efforts of our employees and valuable stakeholders who continued to believe in Akmerkez REIT as much as our management and took pains for our success based on the corporate business ethics which require us to strive for perfection regardless of the conditions... We continue to work for achieving further successes and hope to make this year another success story.

Akmerkez will continue to enrich its brand mix with several other important brands in the market with a view to preserving its profitability which will enable it to continue to distribute dividends to its valuable shareholders.

Sincerely yours,

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

## ***Management of the Shopping Center***

### **Akmerkez Alters Habits in 2017!**

Akmerkez undertook several innovative projects throughout the year in addition to enriching the shopping experience of its guests by varying its brand mix with several important brands from different sectors.

Akmerkez closed 2017 with 14 prestigious prizes awarded by a number of international platforms as it continued to introduce groundbreaking achievements for the first time in the industry.

Akmerkez has become the first shopping center in Turkey to undertake sustainable and local agriculture on its roof. Creating a real green space in the middle of 3 large scale plazas right at the center of the city, Akmerkez initiated “Agriculture on Terrace” project at its public roof garden.

Triangle “Üçgen” Terrace welcomed cinephiles from Istanbul to the “Open Air Cinema” between July and September 2017. 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 of the winter.

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, Midpoint, Tumi, and Knitts. Akmerkez reinforced its position as the center of social life in Istanbul in 2017 thanks to the brand new projects introduced for the first time in Turkey in addition to several distinguishing events which have become already traditional for the shopping center.

### **Akmerkez Continues to Receive the Most Respectable Awards in the Industry in 2017**

Recognized with the most prestigious international awards such as IPRA, ICSC, Marcom Awards, Hermes Creative Awards and Stevie Awards since its opening, Akmerkez did not surprise anyone as it received 14 international awards in 2017.

Akmerkez was honored with Silver Award at ICSC Solal Marketing Awards, one of the most distinguished awards of the industry, for its “Kings Club” Project.

Hermes Creative Awards, on the other hand, honored Akmerkez with Platinum Award for corporate social responsibility program and special event categories for ‘Express Your Love in Another Language’, a social responsibility project designed for St. Valentine’s Day. Also, ‘A Happy Year at Akmerkez’ received the Golden Award in Hermes Creative Awards, while ‘Kings Club’, a refined place inspired by gentlemen, was recognized the Honor Award.

‘Express Your Love in Another Language’ project received several important prizes including two different prizes, one bronze and one silver, at Stevie Awards, which is known to be one of the most significant awards for the business world. Another project to be awarded was ‘Akmerkez Pampering Services’, which was recognized with bronze award as Brand Experience of the Year as a result of the assessments made by consumers.

MarCom Awards, another award program for marketing and communications professionals, honored Akmerkez with 7 awards in total in 2017. As a significant project in which words of love were translated into sign language for St. Valentine’s Day, ‘Express Your Love in Another Language’ received 1 Golden Award and 2 Honor Awards under Strategic Communications – Special Event – Corporate Social Responsibility and Marketing Campaign categories. Another project, ‘A Happy Year at Akmerkez’, was recognized with 4 awards

comprised of 3 golden awards and 1 platinum award for Strategic Communications - Media Relations – Public Relations – Marketing Special Event categories.

### **Istanbul’s Largest Open-Air Ice Rink on Terrace: 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 m2, 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. 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.

### **Rooftop Agriculture at Akmerkez**

Akmerkez allocated 700 sqm behind Üçgen Teras for “Agriculture on Terrace” project in order to promote sustainable agriculture by proving that it is possible to farm even at the center of the city. Hence, innovative sustainable farming systems were set up to create a farming land in the middle of 3 large scale plazas in collaboration with EkBiçYelç. The result is dozens of different species of plants, vegetables, herbs and flowers grown in that land.

Akmerkez offered the first crops to its guests in the “Harvest Festival” held in August 2017. Akmerkez will continue to give inspiration to urban people about local production and sustainable lifestyles in 2018 as well.

### **Cannes Lions Young Lions Competition Announced in the Award Ceremony at Akmerkez**

Akmerkez sponsored and hosted Turkey Eliminations of the Cannes Lions Young Lions Competition for the sixth time this year. The competition was organized by Advertising Foundation and Hürriyet newspaper, which is the representative of Cannes Lions International Creativity Festival in Turkey.

The teams which were found eligible to represent Turkey in Cannes were announced in an award ceremony at Akmerkez. Winning teams of two, who would represent Turkey in 6 categories in “Young Lions” competition to be held during the festival in France, benefited from the mentorship provided by the jurists and prominent figures from the industry at Young Lions Zone, which is at disposal of the young creative minds in Akmerkez. Winners at press, film, cyber, media and young marketing professionals categories represented Turkey in Cannes Lions under the sponsorship of Akmerkez.

### **Year-Long Events at Triangle “Üçgen” Terrace**

#### ***‘Wellness’ days at Akmerkez***

Akmerkez organized a Wellness Festival in June with a view to sharing tips for a healthy lifestyle with its guests. “Akmerkez Wellness Festival” welcomed experts on yoga, raw food diet, breathing techniques and detox practices in Üçgen Terrace. Dr. İzzet Memi, Demet Şener, Detox Expert Sevilay Öztürk, Raw Food Expert Alev Tekinak Özderici and Astrologist Hande Kazanova attended the festival which was further enriched through a visit to rooftop farm and special events for kids. In addition, several wellness brands met the guests at their respective stands in the ‘Wellness Bazaar’. The guests had the opportunity to peruse books on wellness and taste innocent desserts and fresh fruit juice as they visited the stands.

#### ***Open air cinema***

The open-air cinema has already become traditional for the guests of Akmerkez. In that respect, Akmerkez did not break the tradition and displayed movies on the open-air cinema at Üçgen Teras throughout the summer in 2017. Award winning movies were displayed once

every week in July and August. Long summer nights became even more enjoyable with movies addressing spectators of all ages, namely La La Land, Moana, Manchester by the Sea, Beauty and the Beast, Arrival and Lion.

### ***'Harvest Festival' in-between Plazas***

'Agriculture on Terrace', a project carried out by Akmerkez in collaboration with EkBiçYeiç, had the first harvest in August. The Harvest Festival at Üçgen Teras started with the Harvest Picnic. Food prepared with fruits and vegetables grown at Üçgen Teras was offered at the event which was marked with day-long music performances, garden tours and special workshops. This colorful event became highly popular with the guests who made picnic with the food which was offered on covers spread on the grass.

### ***Akmerkez Gift Days***

Akmerkez continued to organize the traditional 'Gift Days' in 2017 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.

Gift Days were organized for St. Valentine's Day, Mothers' Day, Back to City and New Year during which Akmerkez welcomed more than ten thousand guests in total in order to offer them hundreds of special gift options.

### ***Back to School Festival***

As the school year approached, Akmerkez organized a 'Back to School Festival' for kids by setting up a Shopping Bazaar, teaching child yoga exercises and organizing Lego Ninjago, Pakolino and similar games.

During the festival at Akmerkez, pedagogue Özgür Bolat, Ph.D., uttered a speech under the heading of 'Don't Punish me with Rewards' so as to motivate both students and parents for the new academic year.

### ***'In Commemoration of Atatürk' Exhibition from October 29 till November 10***

Akmerkez hosted the 'In Commemoration of Atatürk' exhibition, comprised of the most special photos of Atatürk from the archives of Turkish General Command, for the 94<sup>th</sup> anniversary of the Republic. The exhibition remained open till November 12. On 10<sup>th</sup> of November, the death anniversary of Great Leader Mustafa Kemal Atatürk, Saygı Türkmen sang Atatürk's favorite songs as well as those composed in the name of Atatürk.

### ***Metropolitan Operas Live at Akmerkez in 2017-2018 Season***

Akmerkez continued to display live performances of Metropolitan Opera, known for staging highly recognized productions with the most famous artists in the world for 130 years. Fans of opera had the opportunity to watch the most well-known works of the world famous composers from Mozart to Puccini simultaneously with the rest of the world in CinemaPink for the 3<sup>rd</sup> season beginning from September.

### ***Life Academy Welcomes Special Guests***

Life Academy, a platform for enlightening audience about different aspects of life, continued to invite prominent figures from different walks of life to Akmerkez.

Başak Tecer, Elçin Oflaz, Deniz Karadeniz, Neslihan İskit, Sinem Olcay, Ufuk Tarhan and Hande Kazanova were among the lecturers who took part in 7 different events organized in Akmerkez throughout the year.



## 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 REIT A.Ş. is 50.82% as of 31.12.2017.

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

The registered capital ceiling of Akmerkez REIT 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 own 5% and more of the capital of the Company as of 31.12.2017 is as follows:

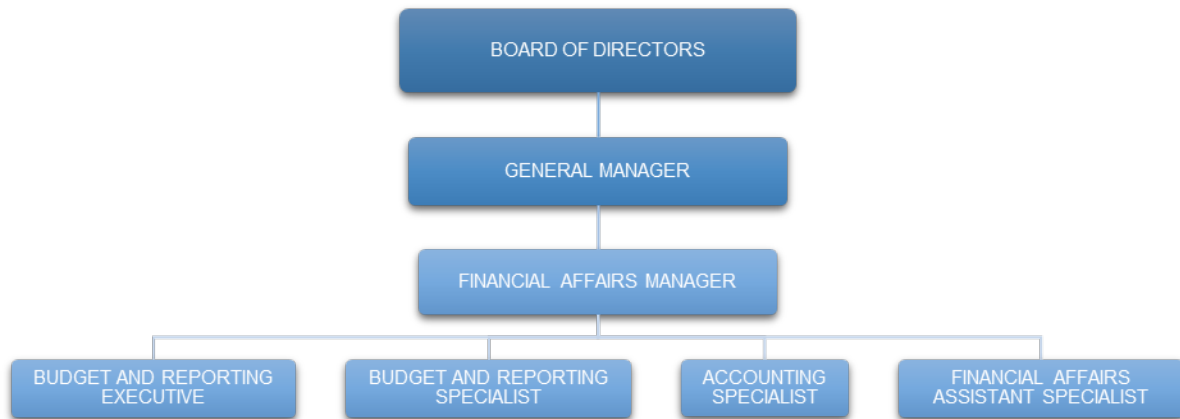
Tradename/Name-Surname of the Shareholder	Nominal Value (TL)	Share in the Capital (%)	Rate of Voting Right (%)
KLEPIERRE S.A.	11.738.263,36	31,50	31,50
AKKÖK HOLDİNG A.Ş.	4.890.900,00	13,12	13,12
TEKFEN HOLDİNG A.Ş.	4.019.839,04	10,79	10,79
CORIO NEDERLAND KANTOREN B.V.	2.932.840,00	7,87	7,87
HOOG CATHARIJNE B.V.	2.794.800,00	7,50	7,50
DAVİT BRAUNŞTAYN	2.601.380,82	6,98	6,98
Other	8.285.976,78	22,24	22,24
<b>TOTAL</b>	<b>37.264.000,00</b>	<b>100,00</b>	<b>100,00</b>

Shares held by Klepierre S.A. in Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş. increased from 31,48% to 31,50%.

### Information about the Shares Representing the Capital:

Group	Registered/Bearer	Total Nominal Value (TL)	Rate of Capital (%)
A	Registered	4.075.750,00	10,93
B	Registered	2.841.380,00	7,63
C	Registered	2.398.870,00	6,44
D	Bearer	27.948.000,00	75,00

## **Organization Chart:**



Any other change has not occurred in the shareholding structure, capital-stock and organizational structure of the Company in 2017 other than the purchase of shares by public shareholder and increase of the number of employees by two individuals as provided above in this section.

### **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.

## Information about Managing Body, Top Level Managers and Number of Employees:

### Board of Directors:

Chairman	:	RAIF 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 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 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 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.

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

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.

General Manager of the Company is MURAT KAYMAN.

Number of employees of the Company, including the general manager, is six as of the end of 2017.

**Information Regarding the Transactions Carried Out by Members of the Managing Body with the Company in Their Own Names or for the Account of Others and Their Activities Within the Scope of the Prohibition of Competition, if any:**

There is no transaction carried out by any Board member with the Company in his/her own name or for the account of others in the year 2017. The tasks assumed by the Board members outside the Company have been described in the Corporate Governance Principles Compliance Report.

**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 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 for audit of financial statements and reports of the Company in the year 2017 in order to cover the accounting period of the activity year 2017.

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## **B. FINANCIAL BENEFITS PROVIDED TO THE MEMBERS OF THE MANAGING BODY AND THE TOP LEVEL EXECUTIVES:**

**a)** Total amount of the financial benefits such as remuneration, salary, premium, bonus, profit share, etc. provided:

Directors received financial benefit of net 4.450,00-TL per person until the end of April and 4.800,00-TL per person after April monthly as decided at general assembly meeting on 27.04.2017, making gross 739.884,00-TL in total and the top level executive was paid gross 450.100,00-TL in total during 2017. Remunerations and salaries paid and all other benefits provided to the members of the board of directors and the top level executives are disclosed collectively to the public through the footnotes to the financial statements in the annual activity report.

**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 person who is top level executive of the Company. A health insurance in the amount of TL 20.350,00 was procured for the General Manager.

## **C. RESEARCH AND DEVELOPMENT WORKS OF THE COMPANY:**

The Company does not carry out any research and development work.

## **Ç. ACTIVITIES OF THE COMPANY AND IMPORTANT DEVELOPMENTS INVOLVING 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 is attributable to the investment made for security measures (2.560.867-TL), office infrastructure, furniture and equipment investments (2.027.245-TL), shopping-mall direction system investments (681.952-TL) and other purchases (86.091-TL).

Also, tangible fixed assets of the company increased by (3.896-TL) owing to purchase of computers whereas intangible fixed assets increased by (9.450-TL) as a result of purchase of computer software during the accounting period.

**b)** Information about the internal control system and internal audit activities of the Company and the opinion of the managing body on this issue:

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 REIT 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 REIT. 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 which is applied for various purposes including increasing efficiency and productivity in corporate activities, ensuring reliability of financial reporting and compliance with the laws and regulations is audited by the Internal Audit Group organized under Akk k Holding A.Ő. based on the annual internal audit plan created and the support and consultancy agreement and the results of the audit are reported to the Audit Committee.

In addition, pursuant to the decision of the Board of Directors, services were received from KPMG Bađımsız Denetim ve Serbest Muhasebeci Mali MűŐavirlik A.Ő. in 2017 for improving internal audit competence, performing the internal audit activities inherent to corporate processes in line with the International Internal Audit standards through outsourcing, reporting the outcomes and making suggestions about the findings as part of the activities conducted by the Audit Committee.

**c)** Information about direct or indirect participations of the Company and about rates of shares:

The Company doesn't have any subsidiary and affiliate.

**d)** Information about the own shares acquired by the Company:

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

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

There isn't any private audit and public audit conducted during the accounting period 2017.

**f)** Information about any lawsuits filed against the Company, which may affect the financial standing and activities of the company, and about their likely results:

There is no lawsuit initiated against the Company which may affect the financial standing and activities of the Company. However, the table showing the lawsuits filed by and against the Company is given in the appendix to this Annual Report.

**g)** Remarks about any administrative or judicial sanctions imposed on the company and any members of the managing body due to their practices in violation of the laws and regulations:

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.

Information about the lawsuits filed by Ömer Dinçkök, one of the shareholders, against some Members of the Board of Directors is included in the list of lawsuits enclosed with this Annual Report.

**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:

Although domestic and international investors took less interest in retail market due to political, economic and social developments that occurred all through the year, the Company managed to reach its targets to a large extent. The resolutions of the general assembly meeting were fulfilled.

**i)** If an extraordinary general assembly meeting was held during the year, information about the extraordinary general meeting, including the date of the meeting, the resolution passed in the meeting, and transactions executed in this regard:

No extraordinary general assembly meeting was held during 2017.

**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 2017 and there isn't any expense incurred within the scope of the social responsibility projects within 2017.

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## 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 2017.

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 thereby maintained the net sales and profits.

Primary financial indicators:

<b>Balance-Sheet Items (Million TL)</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Current Assets	28,15	22,91
Fixed Assets	212,39	210,21
<b>Total Assets</b>	<b>240,54</b>	<b>233,11</b>
Short Term Liabilities	5,97	5,73
Long Term Liabilities	1,58	1,65
Shareholders' Equity	232,99	225,73
<b>Total Shareholders' Equity</b>	<b>240,54</b>	<b>233,11</b>
<b>Income Statement Items (Million TL)</b>	<b>2017</b>	<b>2016</b>
Net Sales	116,58	114,92
Cost of Sales (-)	-37,46	-33,50
Gross Profit	79,12	81,42
Operating Profit	72,93	74,94
Net Profit For The Year	77,81	77,82
<b>Financial Indicators (Million TL)</b>	<b>2017</b>	<b>2016</b>
Gross Profit Margin	67,86%	70,85%
Net Profit Margin	66,74%	67,72%
Debt-Equity Ratio	3,24%	3,27%
Total Debts/Total Assets	3,14%	3,17%

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 revenue generating capacity of the Company and the amount thereof for each period are as specified hereinbelow (TL):

	<b>31.12.2017</b>	<b>31.12.2016</b>
Less than 1 Year	135.174.728	113.395.108
Between 1 and 5 Years	526.852.305	605.559.975
Over 5 Years	580.552.396	453.735.208
	<b>1.242.579.428</b>	<b>1.172.690.291</b>

It is planned that Akmerkez will continue to conduct its activities within the framework of the capital market legislation and the other legal legislation by maintaining its profitability without sacrificing the quality in the year 2018, too.



c) Determination, and evaluations of the managing body, concerning 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 profit distribution policy, and if profit will not be distributed, its reason and proposal as to how the retained profit will be used:

Profit distribution policy of the company is as follows:

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.”

#### **E. RISKS AND EVALUATION OF THE MANAGING BODY:**

**a)** Information regarding the risk management policy, if any, which will be applied against the foreseen risks:

This information is included in the section titled “Risk Management and Internal Control Mechanism” in the Corporate Governance Principles Compliance Report.

**b)** Information about the works and reports of the committee for early detection and management of risks, if it has been formed:

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 will evaluate 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.

Within this scope, the Early Risk Detection Committee met ten times not to be less than every two months and issued ten reports in the year 2017.

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

Although increasing exchange rates may positively affect the rent revenues, it entails a financial risk for the Company given the fact that it may negatively affect the payment power of the tenants as well as consistency of payments. This risk is managed through discounts in exchange rates. 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.

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 ISSUES:**

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 3,10 for the period from 01.01.2017 till 31.08.2017 and USD 1 = TL 3.30 for the period from 01.09.2017 till 31.12.2017 provided that they agree to pay turnover rental fee in addition to the fixed rental fee for the period from 01.01.2017 till 31.12.2017 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.

Also, the Board of Directors resolved to apply a discount in January – March 2018 under the same conditions according to which the foreign exchange shall be fixed to ensure USD 1 = TL 3.55.

There isn't 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.

**Summary of the Valuation Report Issued on the Assets in the Portfolio:**

Summary section of the real estate valuation work done by Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş. is as follows:

Estimated market value as of 30.12.2017 (Excluding 18% VAT): TL 1.409.570.000.

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

The company completed the investment for security measures, investment for office infrastructure, furniture and equipment and investment for shopping-mall direction system within 2017.

**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:**

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 footnotes to the financial statement.

**Limits of Authority of the Board Members and Top Level Executives, Their Terms of Office (As of Commencement and Expiration Dates), Collective Bargaining Agreement Practices and the Rights and Benefits Provided to the Personnel and Workers:**

The Board of Directors' limits of authority and terms of office and the rights and benefits provided for the senior executives are included in the Corporate Governance Principles Compliance Report.

In our Company, any collective bargaining agreement practice is not in question and the wage payment is made to the current personnel in accordance with their current employment contracts.

**Information Regarding the Sector Where the Enterprise is Active and its Place in this Sector:**

Information regarding the sector where the enterprise is active and its place in this sector is included in those sections of the annual report which are titled as follows: "Sectoral Activities in 2017" and "Akmerkez in Brief".

**Developments in the Investments, the Issue of Whether any Incentive is Utilized and the Extent of Utilization if the same is utilized:**

There isn't any other investment made by the Company except the existing real estate.

**Finance Sources of the Company, and Nature and amount of any Capital Market Instruments Issued by the Company, if any:**

Finance sources of the Company consist of rental revenues. No security issue has been done by the Company.

## **Amendments to the Articles of Association Made During the Period and Reasons Thereof:**

The amendments made to the articles of association for extending the validity term of the registered authorized stock of the company comprised of amendments to 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 "Supporting Participation of Beneficiaries to Company Management" instead of the former Article 19 were adopted through the majority of votes at the Ordinary General Meeting for 2016 which was held on 27.04.2017 in line with the provisions of 'Communiqué on the Principles Applicable to Real Estate Investment Partnerships' (III-48.1) and 'Corporate Governance Communiqué' (II-17.1).

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# CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT OF AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

## PART I - STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Objective target of Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş. (“Akmerkez” or the “Company”) in this age of global competition and change we are passing through is to attain the fair company level by keeping pace with the change through the corporate governance practices besides its financial successes. With this awareness, the Company has included the goal of creation of sustainable value for its stakeholders among its primary goals. The characteristic of Akmerkez as a respectable, innovative, hardworking, creative and sharing enterprise is maintained by means of its institutionalized and reliable stance toward its clients, employees and the society as well as the Corporate Governance Principles which have been adopted by it for many years.

The purpose behind the establishment and implementation 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.

All corporate governance principles provided in the Corporate Governance Communiqué (II-17.1) of the Capital Market Board, implementation of which is compulsory, are compiled by the Company.

Akmerkez is exempt from the principle (4.3.4.) which is mentioned below according to article 6 of the Corporate Governance Communiqué (II-17.1) of the Capital Market Board:

*Aforesaid article’s first paragraph is ‘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:

About 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.

About the Principle No. 4.4.5 of the Corporate Governance Communiqué: Since how the meetings of the board of directors are to be made has been stipulated in Article 13 of the Articles of Association of the Company, how the meetings of the board of directors are to be made has not been put into writing with any internal regulation.

About 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.

There isn't 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. In that respect, article 17 of the Articles of Association concerning "General Manager and Managers" was amended to make a clear distinction about powers of the general manager in order to ensure harmonization with the corporate governance principle no. 4.2.5 appended to the Corporate Governance Communiqué (II-17.) providing that "It is essential to make a clear distinction between the powers of the chairman of board of directors and the chief executive officer/general manager and to incorporate this distinction to the articles of association in writing. No single person at the company should be endowed with unlimited and individual power of decision." Likewise, article 19 which had been removed was replaced with article 19 entitled as "Supporting Participation of Beneficiaries to Company Management" in order to ensure harmonization with the corporate governance principle no. 3.2.1 appended to the Corporate Governance Communiqué providing that 'Models meant to support participation of beneficiaries, including specifically company employees, in the company management in a manner that shall not disrupt corporate activities. The models adopted by the company shall be indicated in the internal directives or articles of association of the company' according to which the relevant article explains models to support participation of beneficiaries in the company management. Amendment to the articles of association was adopted through the majority of votes during the Ordinary General Meeting for 2016 held on 27.04.2017 in that information about other amendments to the articles of association is provided in the section titled "Amendments to the Articles of Association Made During the Period and Reasons Thereof" under this Annual Report.

## PART II - SHAREHOLDERS

### 2.1. Investor Relations Department

The Investor Relations Department reports to Murat Kayman who is General Manager of the Company:

Murat Kayman

+90 (212) 282 01 70 / 235

[murat@akmerkez.com.tr](mailto:murat@akmerkez.com.tr)

The Persons Performing Duty in the Investor Relations Department:

Hilal Kayalar

Budget and Reporting Executive

(Investor Relations Department Manager)

+90 (212) 282 01 70 / 222

[hilal@akmerkez.com.tr](mailto:hilal@akmerkez.com.tr)

Öznur Tutkun

Accounting Specialist

(Investor Relations Department Employee)

+90 (212) 282 01 70 / 228

[oznur@akmerkez.com.tr](mailto:oznur@akmerkez.com.tr)

Fax: +90 (212) 282 01 15

E-mail: [gyo@akmerkez.com.tr](mailto:gyo@akmerkez.com.tr)

Hilal Kayalar, head of the department, has Capital Market Operations Level 3 License (License No: 211131) and Corporate Governance Rating Specialty License (License No: 701470).

#### 2.1.1. INVESTOR RELATIONS ACTIVITY REPORT

05.01.2018

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 2016 of the Board of Directors.

Best regards,

Hilal KAYALAR

Budget and Reporting Executive

Investor Relations Department Manager

Corporate Governance Committee Member

Öznur TUTKUN

Accounting Specialist

Investor Relations Employee

The basic function of the Akmerkez Investor Relations is 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,

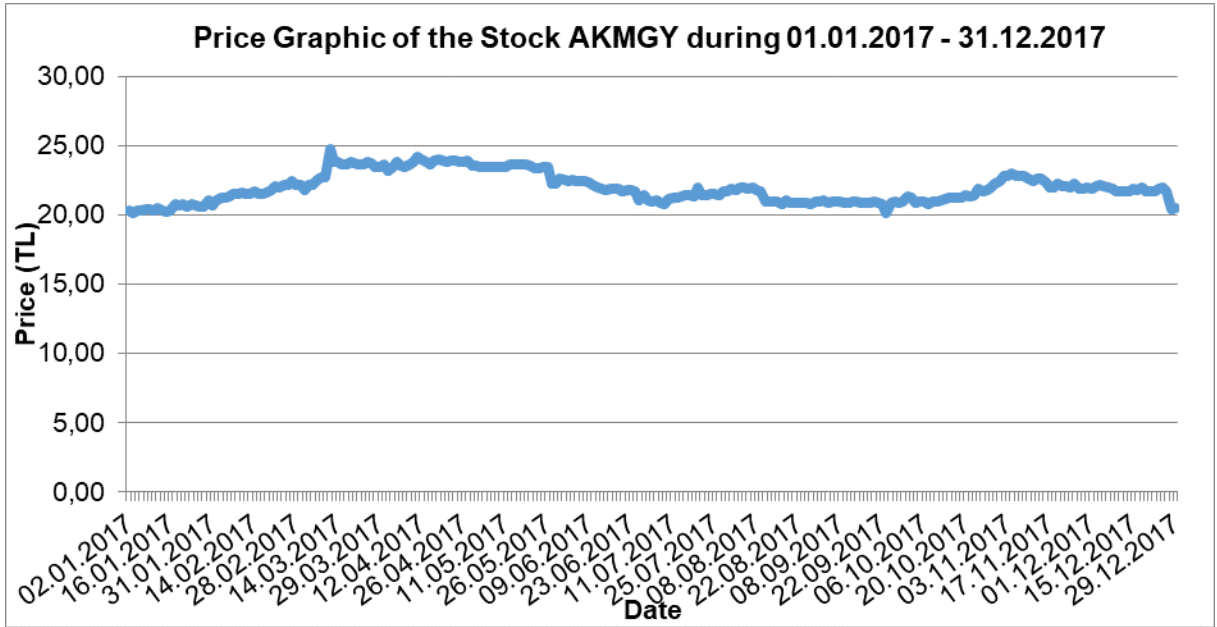
knowing the strategies of the company well and communicating these strategies with efficient methods.

## Important Developments in 2017

### 1) Share Performance

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

- 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



Shares of the Company have been traded in the Istanbul Stock Exchange and Borsa İstanbul since 2005. Performance of the shares of the Company in the exchange during the last five (5) years is summarized in the following table:

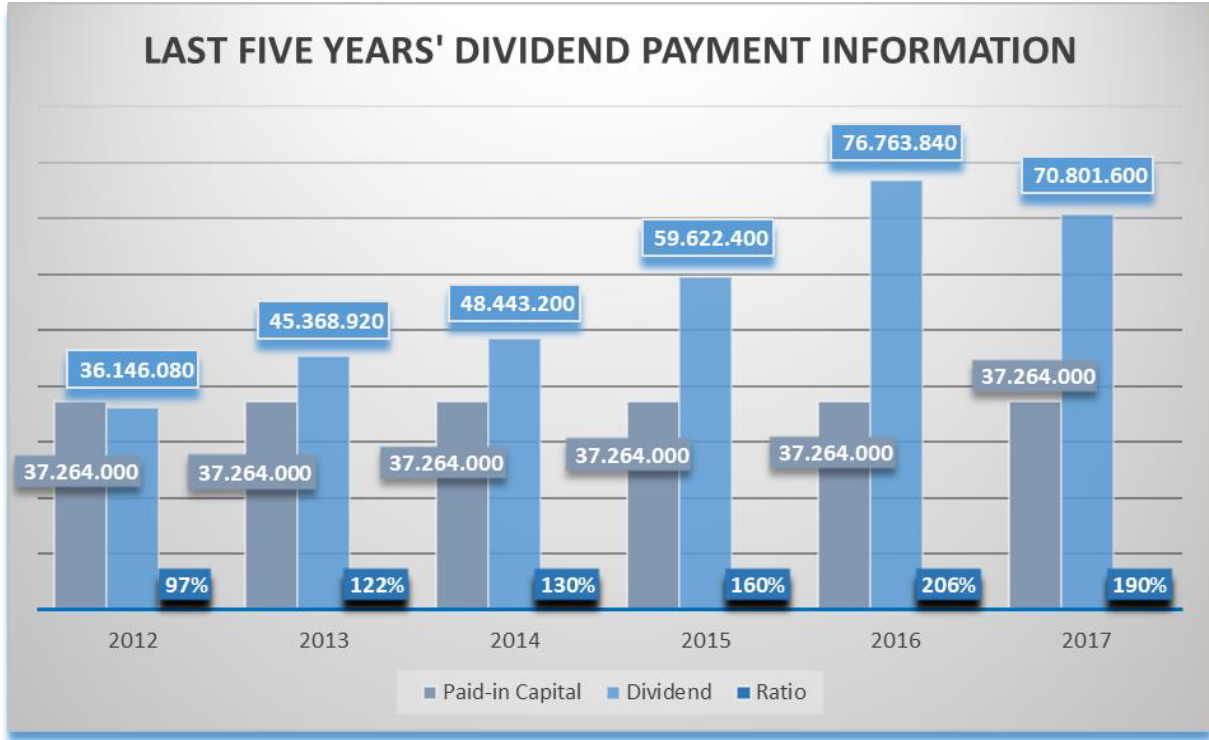
Share Data	2013	2014	2015	2016	2017
Lowest Price (TL)	14,00	15,45	15,49	15,61	20,12
Highest Price (TL)	24,70	19,00	20,50	20,60	24,78
Year-End Closing Price (TL)	15,10	16,25	16,60	20,60	20,46
Issued Capital (TL 1.000)	37.264	37.264	37.264	37.264	37.264
Market Value (TL 1.000)	562.686	605.540	618.582	767.638	762.421



## 2) Dividend

Distribution of the profit share pertaining to the activity period of 2016 was approved by the annual general meeting held on April 27, 2017, and the amounts of the profit shares decided to be distributed were distributed in cash to the shareholders of the Company on May 29, 2017 and December 28, 2017.

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



## 3) Other activities in the year

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

- Fifty (50) special situation disclosures through the Public Disclosure Platform;
- Giving answer through email to the question of one (1) foreign investor;
- Giving answer to the questions of investors who requesting information by phone.

### Contact Details of the Investor Relations Unit

Phone : +90 212 282 01 70

Fax : +90 212 282 01 15

Investor Relations e-mail address: [gyo@akmerkez.com.tr](mailto:gyo@akmerkez.com.tr)

Address: Nispetiye Cad. Akmerkez Ticaret Merkezi, E3 Kule, Kat: 1, Etiler, Beşiktaş/İstanbul.

## 2.2. Exercise of Shareholders' Right to Information

In this regard, questions received by the concerned unit, except for information treated as confidential and trade secret, are discussed with the person who is the most competent of the subject-matter in question and answered by both phone and in writing. Right to demand information and to examine has not been abolished or restricted by the articles of association or by a resolution of one of the bodies of the Company.

During 2017, 41 written applications were made to the Investor Relations Department and they were answered within 7 days at the latest.

Such information and disclosures in nature which may affect the exercise of shareholder rights are made available up-to-date to the shareholders on the Internet site of the company. In this scope, 50 special situation disclosures were made in 2017.

The Investor Relations Department carries on activity for the purposes of providing accurate, timely and consistent information about the Company to existing and potential investors, analysts and, as per request, third persons, raising the familiarity and credibility of the Company, reducing the capital cost of the Company by implementing the Corporate Governance Principles, and facilitating the communication between the Board of Directors and the participants in the capital markets.

Parallel to this goal, the Company attach great importance to communication with the shareholders and investors and carries on an active investor relations program. The Investor Relations Department submits one (1) written report on the works and activities it carried out to the Board of Directors annually. The report on the investor relations activities was written and submitted to the Board of Directors on 05.01.2018.

The Company refrains from carrying out any transaction which may make execution of a special audit difficult. The right to request appointment of a special auditor has not been regulated in the Company's articles of association. However, there is the following regulation in article 28, titled 'Informing', of the Articles of Association:

With the proviso that a prior written notice is given to the Board of Directors at latest 30 days in advance, the shareholders who own at least 20% of the shares, or their representatives, are authorized to conduct, or caused to be conducted by an international audit firm, an audit on the books, records and accounts of the Company at their own cost. In such a case, the Board of Directors is obligated to provide every kind of information in relation with the Company to such shareholder or their representative and to ensure that the staff of the Company cooperates in this regard. However, the shareholders who caused conduct of an audit are obligated to act in compliance with the provision (Right to Demand Information and to Examine) in article 437 of the Turkish Commercial Code and to make sure that confidentiality is secured. Furthermore, except for any confidential information which can be obtained from such books and documents allowed to be examined, no shareholder is authorized to learn any secrets of the company. Each shareholder is obligated to keep any secret which has come to their knowledge howsoever confidential forever, even after they are no longer a shareholder of the company. A shareholder who violates this obligation will become liable against the company for any resulting losses and will also have penal liability upon complaint of the company.

No public or private audit was done during the accounting period.

There was no request for the appointment of a special auditor in 2017. Information regarding the lawsuits for the prior periods filed by Ömer Dinçkök, one of the shareholders of the company, during the period with the request for appointment of a special auditor to our

company pursuant to the provision of article 439/1 of the Turkish Commercial Code is included in the list of lawsuits enclosed herewith.

### **2.3. General Assembly Meetings**

2.3.1. Annual General Meeting 2016 of the company was held on 27.04.2017. Notice for the meeting was advertised on the corporate Internet site of the company ([www.akmgyo.com](http://www.akmgyo.com)), on the Public Disclosure Platform (KAP), electronic general assembly portal of Central Securities Depository and Turkish Trade Registry Gazette at latest three weeks prior to the date of the meeting, excluding the dates for the notice and the meeting, and the documents specified in article 437 of the Turkish Commercial Code were made available to the inspection of the shareholders and also the matters specified under the corporate governance principle no. 1.3.1 of the Corporate Governance Communiqué were submitted to the information of the shareholders.

Along with the notice for the general meeting and in addition to such notices and disclosures which the company is required to make pursuant to the relevant legislation, the "General Meeting Information Document", which was prepared to include such issues set out in the corporate governance principle no. 1.3.1 of the Corporate Governance Communiqué, was published on the Company's website and KAP. In addition, the Minutes of the General Meeting are made available to the information of investors on the corporate website and KAP.

2.3.2. Each proposal was stated in the agenda of the General Meeting under a separate caption and openly. There wasn't any issue included in the agenda of the Annual General Meeting 2016, which any shareholder submitted in writing to the Investor Relations Department for its inclusion in the agenda.

2.3.3. The annual general meeting 2016 was held in İstanbul in accordance with the relevant article of the articles of association with the purpose to increase the attendance of the shareholders and in a manner not to cause any inequality between the shareholders and to facilitate attendance of the shareholders at as much low cost as possible on 27.04.2017, and 94% attendance was achieved. The minutes of the meeting and the list of present shareholders were disclosed to the public via the KAP and the corporate Internet site of the Company. No member of the media attended the meeting.

2.3.4. President of the meeting makes preparations about the conduct of the general meeting before the meeting pursuant to the Turkish Commercial Code, Capital Market Law and the other relevant laws and regulations, and the necessary information is provided by the Investor Relations Department to the President.

2.3.5. In the general meeting held on 27.04.2017, the president of the meeting gave care to the matter of conveyance of the issues in the agenda in an impartial, detailed, clear and understandable manner, and questions posed by the attendants of the general meeting, which didn't come into the scope of trade secret, were answered.

2.3.6. No considerable transaction which may lead to a conflict of interest with the Company was carried out by the shareholders having management control, Board members, managers having administrative responsibility or their spouses and relatives by blood or marriage in the year 2017. Execution of any commercial transaction by such persons in the name of themselves or for the account of other persons or participation by such persons in any other partnership dealing with the same commercial business as the company in the capacity of unlimited partner with regard to responsibility is not in question. Furthermore, no transaction was carried out regarding the operating subject of the company by any other persons having access to the company information.

2.3.7. No privilege has been granted to any person or entity for access to the information of the company.

2.3.8. The members of the Board of Directors, the other concerned persons, the persons who were responsible for preparation of the financial statements, and the auditors were present at the annual general meeting 2016 in order to provide the necessary information and to answer the questions regarding the special issues in the agenda.

2.3.9. There wasn't any resolution which was within the authority of the Board of Directors but left to the decision of the General Meeting because it required but didn't receive the affirmative vote of the majority of the independent members of the Board of Directors.

2.3.10. During the Annual General Meeting, amounts and beneficiaries of the donations made by the company during 2016 were informed to the shareholders as a separate issue in the agenda, and the activity report contained detailed information about the donations made during the year. The donations and aids policy of the Company was submitted to the approval of the shareholders in the general meeting 2012 and the upper limit for the donations the Company can make was determined at the annual general meeting 2016 pursuant to the Capital Market Law and the Profit Share Communiqué (II-19.1) of the Capital Market Board.

2.3.11. The provision which reads as "*Unless otherwise resolved by the General Assembly, meetings shall be open to related parties to the extent permitted by physical means provided that the right to speak and vote shall be used by the shareholder or its representative authorized to cast votes*" was incorporated into article 22 of the Articles of Association through the Amendment Text adopted in the ordinary general meeting for 2016 according to which provides that the general meetings shall be held public as indicated in the Internal Directive for General Meetings of the Company.

## **2.4. Voting Rights and Minority Rights**

2.4.1. The Company refrains from any practice which makes the right to vote difficult. Every shareholder, even the ones beyond the boundaries of the country, is given the opportunity to exercise the voting right in the easiest and most convenient manner.

2.4.2. At the Company, each share has one vote, and there isn't any privilege on the voting right as per the articles of association of the Company.

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

2.4.4. Maximum care is given to the exercise of minority rights.

2.4.5. Minority rights are not granted to those who own less than one twentieth of the capital as per the articles of association.

2.4.6. Exercise of the minority rights at the Company is subject to the Turkish Commercial Code, the Capital Market Law and the relevant regulations.

## **2.5. Right to Profit Share**

2.5.1. There is no privilege with regard to participation in the profit of the Company. The profit share distribution policy of the Company as adopted by the General Meeting has been disclosed to the public and is contained on the corporate Internet site and in the activity report.

2.5.2. The profit distribution policy of the Company contains the minimum information in such clarity that will enable investors to foresee the procedures and principles applicable to distribution of the profit that the Company would earn in future periods.

2.5.3. At the ordinary general assembly meeting held in 2017 for the year 2016, a resolution was passed for the distribution of the profit as follows: of the dividend in the amount of TL 70.801.600,00, the amount of TL 33.537.600,00 was distributed to the shareholders in cash on May 29, 2017 and the amount of TL 37.264.000,00 was distributed to the shareholders in cash on December 28, 2017.

2.5.4. Regarding the profit distribution, a balance policy is pursued between the interests of the shareholders and the interests of the Company, the details of which are given in the profit distribution policy.

## **2.6. Transfer of Shares**

2.6.1. All of the shares of the Company in groups (A), (B) and (C) are registered and all of the shares in group (D) are bearer. All shares are listed in BIST (Istanbul Stock Exchange), and there is a provision of the Articles of Association restricting the transfer of the shares in groups (A), (B) and (C).

Article 7, titled 'Transfer of Shares', in the Articles of Association contains the following provision:

Selling, transfer or pledging of the registered shares of the Groups (A), (B) and (C) other than the Group (D) shares, or execution of any transaction in favor of any third person, including creation of usufruct, on these shares, is subject to permissions of the Board of Directors and the Capital Market Board. Transfer of any privileged shares is subject to permission of the Capital Market Board.

However, transfer of shares between shareholders in the same group and from real person shareholders to their spouses and descendants, and transfers done in accordance with the provision of paragraph 3 of article 495 of the Turkish Commercial Code are not subject to permission of the Board of Directors.

Each permit is exclusive to the proposed transaction. Any disposition executed in accordance with this permit becomes valid if it is registered into the share register.

## **PART III - PUBLIC DISCLOSURE AND TRANSPARENCY**

### **3.1. Corporate Internet Site and its Content**

3.1.1. For disclosures to the public, the Company's corporate Internet site, [www.akmgyo.com](http://www.akmgyo.com), is used. The letterhead of the Company contains the address of the corporate Internet site. The corporate Internet site of the Company is made up in accordance with the corporate governance principle no. 2.1 of the Corporate Governance Communiqué of the Capital Market Board and the regulations of the Turkish Commercial Code. In addition, local and foreign stakeholders who want to get more information about the Company can reach the concerned representatives of the Company via the electronic mail address [gyo@akmerkez.com.tr](mailto:gyo@akmerkez.com.tr).

3.1.2. Shareholding structure of the Company, showing the names, and the quantity and rate of the shares owned by, the shareholders, is disclosed on the corporate Internet site of the Company and updated when necessary not to be less than once every six months.

3.1.3. Except any special situations which must be disclosed to the public, the financial statement notifications and the footnotes thereof are made available in English as well as Turkish on the corporate Internet site to investors pursuant to the Capital Market legislation. Disclosures in English should be prepared in summary to be accurate, complete, direct, understandable, adequate and consistent with their Turkish version to the extent that they help the persons who use them make their decision. Notifications of material events and footnotes, which are mandatory to be disclosed to public in accordance with capital markets legislation is disclosed at PDP just in Turkish.

3.1.4. Basic information contained on the corporate Internet site of the Company is prepared also in English so that it is used by the international investors as well.

### **3.2. Activity Report**

Activity report of the Company is prepared in accordance with the statutory regulations in such quality that it enables the public to get complete and accurate information about the activities of the Company. The activity report contains all the information specified in the Corporate Governance Principles.

## **PART IV - STAKEHOLDERS**

### **4.1. Keeping the Stakeholders Informed**

4.1.1. Ethical rules of the Company guarantee the rights of the stakeholders regulated by the legislation and mutual contracts. The stakeholders are informed in accordance with the policy established by the Company pursuant to the current legislation and ethical rules. In addition, informing of all stakeholders through the press releases, the activity report, the Internet site, and the other practices within the scope of the transparency-based informing policy. When performing their jobs, the employees of the Company are expected to fulfill their obligations by valuing the interests of the Company above the interests of themselves, their family and their relatives. The employees refrain from any venture which may mean gaining advantage for themselves or their relatives. Foreseeable potential situations of conflict of interest and situations defined by the management of the Company are communicated to the employees, and the management of the Company take the necessary measures.

4.1.2. In the event of violation of the rights of the stakeholders which are protected by the legislation and contracts, an efficient and rapid mechanism of remediation is made available. The Company makes things easier as necessary for use of such mechanisms as compensation which are provided by the legislation to the stakeholders. The Company has a compensation policy for the employees, and also the rights of compensation of the employees are protected under the relevant legislation.

4.1.3. The stakeholders are informed about the policies and procedures of the Company concerning the protection of their rights via the corporate Internet site of the Company too.

4.1.4. The stakeholders can report any transaction of the Company which is contrary to the relevant law and which is improper from ethical point of view to the Corporate Governance Committee and the Committee in charge of Audits. There wasn't any application and complaint in this regard in 2017.

4.1.5. When a conflict of interest occurs between the stakeholders or in the case that a stakeholder is a member of more than one interest group, a policy which is as much balanced as possible for the protection of the owned rights is pursued and protection of each right independently of other rights is targeted.

### **Relations with Customers and Suppliers**

- The Company attaches importance on customer satisfaction in the sale and marketing of the service and takes the necessary measures therefor.
- The Company takes the necessary measures in order to establish appropriate relations in accordance with related legislation and contracts between the parties, maintain this relationship, with the customers and suppliers to which it renders services and goods, and to observe the sectoral standards in the provision of the goods and services, as well as renewing the processes thereof after having reviewed the same.
- Due care is exercised in order to protect the confidentiality of the information related to the customers and suppliers treating the same within the scope of trade secret.
- Demands of the customers for the service purchased by them are rapidly met and the customers are kept informed about the delay without awaiting for the expiration of the relevant duration.

## **4.2. Participation of the Stakeholders in the Company Management**

4.2.1. Models which are meant to support participation of the stakeholders, primarily the employees of the Company, in the management of the Company are attempted to be developed in a manner not to interfere with the activities of the Company as provided in the articles of association.

Participation of the employees in the management is achieved through annual performance assessment meetings, recommendation systems and annual meetings held within the Company.

4.2.2. The Company takes into account any comments and recommendations transmitted by other stakeholders, too, where necessary.

## **4.3. Human Resources Policy of the Company**

4.3.1. In the establishment of the recruitment policies and in the drawing up of career plans, the principle of providing equal opportunity to persons under equal conditions has been adopted. In the cases when it is foreseen that change of duty of managers would cause disruption in the management of the Company, a succession plan is drawn up regarding determination of managers to be newly assigned.

The human resources policy of the Company targets earning of candidates who fit to the culture and values of the Company, who have such knowledge, skills, experiences and competencies required by the job/position, and who will carry the Company to the future to the Company at the time of recruitment and placement and thus serving to the strategies and targets of the Company. It acts with the principle of selecting the correct employee for the correct job by using the contemporary assessment systems that will support giving of the most objective decision in the hiring and placement processes.

4.3.2. Standards applicable to recruitment of employees by the Company have been established in writing.

The Company Management tries to actualize such Human Resources applications where internationally recognized models and systems integrated with each other are used. The Company targets to ensure using of contemporary systems which are integrated with each other and which ensure generation of business results in all human resources processes from hiring to performance management system, to development, to compensation and resignation process.

4.3.3. The employees are treated fairly in respect of all rights provided to them; training programs for raising the knowledge, skills and development of the employees are carried out; and training policies are established.

Starting from the continuous learning, development and business results generating approach of the Company, arrangement of development programs for the employees, which involve the targets of the Company and the knowledge, skill and experience areas and competencies, is targeted and at the same time it is tried to set aside fund for such programs which support development in social and cultural areas. In the development planning, needs of the Company and the employees are taken into account, and such training and development solutions fitting to the existing situation are offered.



4.3.4. Information meetings are held with and view are exchanged with the employees on issues such as financial standing of the Company, salaries, career, training, health, etc.

At the Company, a management system which gives value to human beings and encourages creativity, communication and participation of employees is implemented. The Company is conscious that creating an open, close and uninterruptible communication environment between the management and the employees is very important with regard to the motivation and productivity of the employees.

4.3.5. Decisions taken in connection with the employees or developments concerning the employees are communicated to the employees.

4.3.6. Job descriptions and distribution of the employees and performance and reward criteria are communicated to the employees. Attention is paid to productivity in the determination of salaries and other benefits provided to the employees.

The Company uses a Job Assessment and Compensation model whose validity and reliability has been proven across the world. This is a salary and benefits model which is objective and transparent, which reflects the realities of the national and international business world, which is based on the principle of equality and fairness, and which is based on compensation depending on the job done.

The Performance Management System is a structure which seeks that corporate targets are embraced by individuals and which strengthens the common corporate culture. The persons working within the system can transparently see their personal contributions and the effect of this contribution on the corporate scale. Outputs of the Performance Management System are used in the development planning, talent management, career and substitute planning, compensation and rewarding processes of the Human Resources and thus a structure where all these processes are fed with each other and gathered under a system integrated with each other is built up. By applying incentives that will reinforce the high performance culture of the Company, orientation of the employees toward the same goal is supported. Leadership and functional competencies of the Company are measured by means of assessments, and how the employee has achieved the business results is assessed. Hence, reinforcement and application of such competencies that will move the Company further and serve to its corporate reputation and sustainability are supervised with the same system.

4.3.7. Measures are taken to prevent discrimination among the employees on race, religion, language and gender and to protect the employees from physical, emotional and mental abuse within the Company.

The employees are informed on such issues through personal development and communication trainings.

4.3.8. The Company does not pose any obstacle before the freedom of establishing an association and the recognition of the right of collective labor agreement in an efficient manner, and support the same where necessary.

4.3.9. The Company makes continuous improvement and development to provide safe working environment and conditions for the employees.

4.3.10. No complaint on the issue of discrimination was received from the employees in 2017.

4.3.11. No representative has been appointed due to small number of the employees.

#### **4.4. Ethical Rules and Social Responsibility**

4.4.1. Activities of the Company are carried out in accordance with the ethical rules which are disclosed to the public through the corporate Internet site.

4.4.2. Maximum care is given to adoption and application of technologies which are innovative and compatible with the environment in accordance with the environmental policy and the quality policy of the Company.

4.4.3. The Company is sensitive regarding its social responsibilities, as well as complying with the regulations and ethical rules concerning environment, consumers and public health. The Company supports and respects the human rights recognized throughout the world.

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## PART V - BOARD OF DIRECTORS

### 5.1. Structure and Formation of the Board of Directors

The Board of Directors consists of 10 members, including 3 independent members.  
The General Manager of the Company is MURAT KAYMAN.

Name - Surname	Gender	Function	Profession	Positions Undertaken in the Company over the Last 5 Years	Duties Undertaken Outside of the Company Currently	Rate of Share Held in the Company (%)	Participated Committees and Task Undertaken
Raif Ali Dinçkök	Male	Chairman of the Board of Directors	Industrialist	Chairman of the Board of Directors	Board Member and Vice Chairman of Executive Board in Akkök Holding A.Ş. / Chairman, Vice Chairman or Member of Board of Directors at / Aksa Akrilik, Akış GYO, Ak-kim, Gizem Seramik Frit, Aktek, Dinkal, Akasya Çocuk Dünyası, Ak Havacılık, Karlıtepe Gayrimenkul Geliştirme and various Group Companies of Akkök.		
Murat Gigin	Male	Vice-Chairman of the Board of Directors	Engineer	Board Member	Executive Director, Chairman/Vice-Chairman and Board Member at Various Companies/ Member of Board of Trustees at TEMA Foundation		
Sinan Kemal Uzan	Male	Board Member	Manager	Board Member	Founder of Ankaa LLC. System Manager in the Hub Surgical & Orthopedic Supplies Company		Early Risk Detection Committee Member
Davit Braunştayn	Male	Board Member	Industrial Engineer	Board Member	Chairman and Board Member in the other companies where he has shares	6,98	Corporate Governance Committee Member
Alize Dinçkök Eyüboğlu	Female	Board Member	Manager	Board Member	Board Member and Member of Executive Board in Akkök Holding A.Ş. / Chairman, Vice Chairman or Member of Akış GYO, Akmerkez Lokantacılık, Ak-Pa, Uçgen, Akyaşam, Akhan, Akasya Çocuk Dünyası, Ak Havacılık, Dinkal, Aktek and various Group Companies of Akkök		Early Risk Detection Committee Member
Ahmet Cemal Dördüncü	Male	Board Member	Manager	-	Board Member and Chairman of Executive Board in Akkök Holding A.Ş. / Chairman, Vice Chairman or Member of Akış GYO, Aksa Akrilik, Akenerji, Ak-kim, Gizem Seramik Frit, Akcez, Akasya Çocuk Dünyası and various Group Companies of Akkök / Board Member in Anadolu Isuzu Otomotiv Sanayi ve Ticaret A.Ş., Coca-Cola İçecek A.Ş., Anadolu Efes Biracılık ve Malt Sanayi A.Ş. and International Paper Co.		
Benat Ortega	Male	Board Member	Manager		Chief Operating Officer of Klepierre S.A. France		
Lina Filiba	Female	Independent Board Member	Computer Programmer	-	Independent Educationist & Consultant		
Atilla Altınordu	Male	Independent Board Member	Engineer	-	-		Chairman of Corporate Governance Committee/ Chairman of the Committee in charge of audit
Fatma Dilek Bil	Female	Independent Board Member	Manager	-	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)/ the Honorary Board Member of KAGİDER (Turkish Women Entrepreneurship Association)/ Member of the Board of Trustees of WWF (World Wildlife Fund)/ Founding partner of Kangaroo İletişim Danışmanlık ve Ticaret A.Ş.		Chairman of Early Risk Detection Committee / Committee in charge of audit Member/ Corporate Governance Committee Member

There isn't any member in the board of directors who has managerial duty in such meaning as specified in the Corporate Governance Communiqué no. II-17.1 of the Capital Market Board.

A non-executive director is a person who doesn't have any administrative duty in the Company other than membership in the board of directors or who doesn't have a unit reporting to him/her, which carries out an executive activity, and who doesn't interfere with daily work flow and ordinary operations of the Company in such meaning as specified in the Corporate Governance Communiqué no. II-17.1 of the Capital Market Board.

There isn't any restriction regarding undertaking of duties by the members of the Board of Directors outside the Company and there isn't 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.

Among the non-executive members of the Board of Directors are independent members who have the qualification to fulfill their duties without being influenced.

Board Members were elected at the ordinary general assembly meeting held on 30.03.2016 for the purpose of performing duty on the Board for a period of 3 years.

Three independent members have been nominated as candidate to the Corporate Governance Committee and the report dated 04.03.2016 indicating that the candidates have the qualifications regarding independence was submitted to the Board of Directors on 04.03.2016. However, REMZIYE 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 2017.

There are three female members in the Board of Directors of the Company.

Independent board members' term of office is maximum three years and they may be nominated and elected again.

The Company will be managed and outwardly 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 having the qualifications as provided for in the Turkish Commercial Code and the capital market legislation for the purpose of performing duty 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 will 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 is formed by 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 nominate a nominee and/or cannot nominate a nominee by majority, the Board of Directors is 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.

Independent members of the board of directors are elected in adequate number, which may not be less than 2, 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.

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## DECLARATION FOR INDEPENDENT BOARD MEMBERSHIP

REPUBLIC OF TURKEY  
9<sup>th</sup> Notary Public of Bodrum  
Journal Entry Date: 3<sup>rd</sup> 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 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 : ATILLA ALTINORDU  
TR Identity Number : 20413111070  
(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 20413111070 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 9<sup>th</sup> Notary  
Aynur Erdoğan  
Represented by  
Chief Clerk  
Şaban Şanda

(official seal and signature)

## DECLARATION FOR INDEPENDENT BOARD MEMBERSHIP

REPUBLIC OF TURKEY  
16<sup>th</sup> Notary Public of Üsküdar  
Journal Entry Date: 3<sup>rd</sup> March 2016  
Journal Entry No.: 09175

### 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 : 14915390170  
(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 14915390170 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 16<sup>th</sup> Deputy Notary  
Talat Günay

(official seal and signature)

## DECLARATION FOR INDEPENDENT BOARD MEMBERSHIP

REPUBLIC OF TURKEY  
28<sup>th</sup> Notary Public of Beşiktaş  
Journal Entry Date: 6<sup>th</sup> May 2016  
Journal Entry No.: 03687

### 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 : 28669913554  
(signature)



## **Curriculum Vitae of the Members of the Board of Directors and the General Manager**

### **Raif Ali DİNÇKÖK** **Chairman of the Board**

Mr. Raif Ali Dinçkök was born in 1971 in Istanbul. He graduated from the Department of Business Management, Boston University in 1993, and began his career at Akkök Group of Companies. He worked at the Procurements Department of Ak-Al Tekstil San. A.Ş. during the period of 1994 to 2000, and worked as a coordinator at Akmerkez during the years of 2000 to 2003. Currently acting as a member of the board of directors as well as the chairman of executive board of Akkök Holding A.Ş., Mr. Raif Ali Dinçkök is also the chairman of Ak-Pa, Dinkal and Akasya Çocuk Dunyasi in addition to acting as the member of boards of directors of Aksa Akrilik, Akiş GYO, Akkim Kimya and various companies of Akkök Group.

### **Murat GİGIN** **Vice Chairman of the Board**

Murat Gigin was born in İstanbul in 1952. He completed his undergraduate study in the Construction and Building Engineering Department of the University of Bradford in 1974 and post-graduation study in the Department of Mechanical Engineering of the 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, returned to the headquarters in İstanbul in 1983, and after having worked in the Business Development department until 1986 and as coordinator at various international projects, he was appointed as Assistant General Manager of Tekfen İnşaat in 1986. Gigin, who acted as General Manager of Tekfen İnşaat during 1988-1998, took office as member of the Board of Directors at the companies of Tekfen Contracting Group until 2000. 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.

Acting as Chairman and Delegate Member of the Boards of Directors of Group Companies at the Group Companies of Viem Ticari ve Sanayi Yatırımları Ltd. Şti. (Viem Ticari ve Sanayi Yatırımları Ltd. Şti.) and as Chairman and Delegate Member of the Boards of Directors (in Tekzen Ticaret ve Yatırım A.Ş., Agromak Makine İmalat Sanayi ve Ticaret A.Ş., Maxlines Maksimum Lojistik Hizmetleri 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., Temari Gıda Sanayi ve Ticaret A.Ş.), Gigin is at the same time Vice Chairman of the Board of Directors of ANG Yatırım Holding.

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.

**Davit BRAUNŞTAYN**  
**Board Member**

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. Started his career as analyst at the Investment Banking department of Lazard Frenes&Co. in the United States, Mr. Braunştayn then transferred to Lignadekor Üretim ve Pazarlama A.Ş. where he is currently the general manager. Mr. Braunştayn speaks English, French and German.

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

**Alize DİNÇKÖK EYÜBOĞLU**  
**Board Member**

Born 1983 in İstanbul, Alize Dinçkök Eyüboğlu graduated from the Business Administration Department of Sawyer School of Management of Suffolk University in 2004. She attended General Management program at Harvard Business School and completed the program successfully. She started her career at Ak-AI 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.

Mrs. Alize Dinçkök Eyüboğlu, member of Board of Directors and Executive Board of Akkök Holding A.Ş., currently acts as the Chairwoman of the board of directors of Akmerkez Lokantacılık, Uçgen Bakım and Ak-Pa in addition assuming roles at the boards of directors of various companies of Akkök Group. Mrs. Alize Dinçkök Eyüboğlu is also in charge of Akkök Group Marketing Platform, which was established in December 2015.

**Ahmet Cemal DÖRDÜNCÜ**  
**Board Member**

Born İstanbul, 1953, Ahmet C. Dördüncü is a graduate of Business Administration Department of Çukurova University and postgraduate of Mannheim and Hannover Universities. Getting his start in business career in Claas OHG in Germany, Dördüncü carried on his career in Mercedes Benz A.Ş. in Turkey 1984-1987. Joined with Sabancı Group in 1987, he served several positions in Kordsa A.Ş. Until 1998. In 1998, he served as General Manager/ President in DUSA South America and then DUSA North America of the Group. After his services as H.Ö. Sabancı Holding A.Ş. Strategic Planning and Business Development Group Presidency in 2004, he is appointed as H.Ö. Sabancı Holding A.Ş. Executive Board Chairman in 2005-2010.

Acting as the Executive Board Chairman of Akkök Holding since January 2013, Ahmet C. Dördüncü hold offices in Board of Akkök Holding and Boards of several Akkök Group Companies, in addition to Chairmanship of Akenerji, Akcez, Akiş GYO, Ak-kim and Gizem Frit. Dördüncü is also a board member of Anadolu Isuzu Otomotiv Sanayii ve Ticaret A.Ş., Coca- Cola İçecek A.Ş., Anadolu Efes Biracılık ve Malt Sanayii A.Ş. and International Paper Co. companies.

**Sinan Kemal UZAN**  
**Board Member**

Sinan Kemal Uzan was born in New York in 1986. After having graduated from the International Business Administration program in Pepperdine University (USA), he participated in the program of Family Undertakings Management in the Northwestern University Kellogg School of Management (Illinois) in the year 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 works as a system administrator at Hub Surgical & Orthopedic Supplies, a New York-based developer of Technologies for diabetes patients, and he is also the founder of a company named Ankaa LLC (California), which invests in internet technologies.

**Benat ORTEGA**  
**Board Member**

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.

**Atila ALTINORDU**  
**Board Member (Independent Member)**

He was born in Ankara in 1949, and graduated from the Department of Petroleum Engineering, the Middle East Technical University (METU), and received a master degree from METU and Imperial College for Science and Technology, London, and a 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 has a command of English.

**Lina FİLİBA**  
**Board Member (Independent Member)**

She was born in 1958, and completed her high school education at Üsküdar American Girls High School, and received computer programming education at Boğaziçi University. She worked as the IT Director and Developer for Plastikap Plastik İmalat Sanayi A.Ş., as an Import Specialist and Internal Data Analyst for Cumba Dekorasyon, as a Top Level Professional at the Turkish Society of Jewish, as a District Director and Management Support Specialist for Tek Grubu Gayrimenkul Franchising Pazarlama İç ve Dış Tic. A.Ş., and as a General Coordinator for Beybi Plastik A.Ş. Ms. Lina Filiba currently Works as a Trainer and consultant at PEM Project Training Center. She is married with two children, and has a command of English, French and Spanish.

**F. Dilek BİL**  
**Board Member (Independent Member)**

Dilek Bil, having graduated from Northport High School in the USA, received her BBA degree in International Finance and International Marketing from University of North Texas. After that, she turned back to Turkey and began to work in banking industry. During her banking career at American Express Bank, Koç-Amerikan Bank, BNP-AK-Dresdner and Societe Generale from 1985 till 1994, Dilek Bil attended various international banking training, seminar, and conference organizations.

Dilek Bil emerged as an entrepreneur by co-founding Kangaroo Communications and Consulting Company. She remained in charge of Kangaroo, which is known to offer strategic brand communications and creative advertising solutions to various national and international brands, between 1994 and 2013. She provides consulting services to private organizations about “how to ensure coherence between and among economic, social, environmental, political and cultural elements and what sort of strategies and objectives the business world should adopt to that end” based on a sustainable development philosophy since 2014. As the founder of "Purpose-Sustainable Ideas" platform, she works for producing solutions that shall provide valuable insight to the business world for that purpose.

Dilek Bil is the laureate of “2017 Women of the Decade in Media and Social Change” awarded by the Women Economic.

Member of the Strategic Advisory Group for 'International Council on Women’s Business Leadership-Washington DC’, Dilek Bil also acted as the President of KAGİDER (Turkish Women Entrepreneurship Association), of which she is still an Honorary Board Member. Currently, she acts as the Member of High Advisory Council of the Association. Dilek Bil is also the founding partner and Vice President of Turkish Financial Literacy and Inclusion Association (FODER). She is also a member of the Board of Trustees of WWF (World Wildlife Fund).

Dilek Bil is also known to have anchored the TV program “Sürsün Bu Dünya!” on CNBC-e in order to provide a platform for making sustainability an indispensable part of corporate management and draw attention to ethical brand concept in Turkey. She hosted a number of CEOs, academics, and NGO leaders as the best practitioners of sustainable corporate responsibility in order to discuss various aspects of sustainable development.

In addition to acting as an advisor to the 35<sup>th</sup> President of Galatasaray Sports Club, Dilek Bil also functioned as a member of the Executive Board of DEİK Turkish-British Business Association during which she coordinated “Grow with Turkey” platform meant to create joint projects involving both countries and discuss the strategic approaches with a view to improving the commercial, cultural, and social cooperation between the two countries.

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

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

**Murat KAYMAN**  
**General Manager**

Born in Germany in 1974, Murat Kayman achieved MBA degree from Zichlin 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 Akış GYO A.Ş.

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

## **5.2. Working Principles of the Board of Directors**

5.2.1. The Board of Directors has been carrying on its duties in a transparent, accountable, fair and responsible manner.

5.2.2. The Board of Directors has segregated the duties by electing one Chairman and one Vice Chairman from among its members.

5.2.3. 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.

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

5.2.5. The articles of association makes a distinction between the powers of the chairman of the board of directors and the general manager. The General Manager and the Chairman of the Board of Directors of the Company are different persons, and their duties and powers have been defined in the organization chart. Furthermore, except those powers and duties of the board of directors which cannot be transferred as provided for in article 375 of the Turkish Commercial Code, the Board of Directors has regulated the principles related to the management of the Company with regard to technical, commercial and legal aspects based on an Internal Directive regulating the management of the Company as a whole, containing the definitions related to management and indicating the positions which are going to report to which positions as provided for in the provision of article 367 of the Turkish Commercial Code.

5.2.6. The board of directors plays a role in the maintenance of efficient communication between the Company and the shareholders and in the solution of any disputes between them. To this end, it is in communication continuously with the Corporate Governance Committee and the Investor Relations Unit.

5.2.7. Potential losses incurred due to faults of the members of the board of directors in the performance of their duties have been directly insured by the Company with an annual total liability limit of USD 5.000.000 (in an amount exceeding 25% of the Company capital) and this fact was disclosed in the Public Disclosure Platform.

5.2.8. The Board of Directors convenes at such frequently as it can fulfill its duties efficiently in compliance with the working principles of the Board of Directors. In 2017, the Board of Directors convened four (4) times and a participation of about 93% was ensured as an average. In 2017, totally 26 resolutions were passed by the Board of Directors, and 2 of these resolutions were passed by holding meeting and the other 24 resolutions were passed by in accordance with the provision of paragraph 4 of article 390 of the Turkish Commercial Code. In 2017, all of the Board resolutions requiring were passed unanimously. No Board member raised an objection to the resolutions passed in 2017.

5.2.9. The chairman of the board of directors determines the agenda of the meetings of the board of directors in consultation with the other members of the board and the general manager and notifies it to the members before the meeting. Pursuant to article 13 of the Articles of Association of the company, notice for the meetings of the board of directors is sent in writing by courier or facsimile at latest two weeks before the date of the meeting. Place of meeting is the head office of the company. However, the board of directors may meet at another place as well on condition that it takes a resolution to this effect and makes notification in writing by courier or facsimile to the members to be received by them at latest one week before. The members give care to attend each meeting after having examined the

information and documents relevant with the issues in the agenda and made their preparations and to express an opinion.

5.2.10. The information and documents related to the issues in the agenda of the meeting 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.

5.2.11. Any member of the board of directors can give a proposal to the chairman for making of a change to the agenda. Views of a member who will not be able to attend the meeting but has notified them in writing to the Board of Directors are informed to the other members.

5.2.12. Each member of the board of directors is entitled to cast one vote.

5.2.13. Issues included in the agenda of the meetings of the board of directors are discussed openly and in all aspects. The chairman of the board of directors exerts the best effort to ensure active attendance of all members to the meetings of the board of directors. The members of the board of directors have their reasonable and detailed reasons for their counter vote on the issues they dissented in the meetings recorded in the minutes of the resolution. None of the members of the board of directors used dissenting vote against any resolution passed at the meetings of the board of directors held in 2017. Weighted voting right and/or negative veto right has not been granted to any members of the board of directors.

5.2.14. Member of the board of directors spares adequate time for the business of the company. If a member of the board of directors becomes a manager or a member of the board of directors of another company, this does not lead to conflict of interest and does not interfere with the duty of the member at the company. For this reason, undertaking of other duty or duties by members of the board of directors outside the company has not been bound by certain rules or restricted. 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*]. 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. 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 having relationship 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 corporate Internet site of the Company.

### 5.3. Number, Structure and Independency of the Committees Formed within the Body of the Board of Directors

5.3.1. 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 board of directors has formed the Committee in charge of audit, the Corporate Governance Committee and an Early Risk Detection Committee. The duties and responsibilities of the Nomination Committee and Wage Committee stipulated in the Corporate Governance Communiqué are performed and fulfilled by the Corporate Governance Committee.

#### Committee in Charge of Audit

Name - Surname	Title
Atilla ALTINORDU	Chairman
Fatma Dilek BİL	Member

#### Early Risk Detection Committee

Name - Surname	Title
Fatma Dilek BİL	Chairwoman
Alize DİNÇKÖK EYÜBOĞLU	Member
Sinan Kemal UZAN	Member

#### Corporate Governance Committee

Name - Surname	Title
Atilla ALTINORDU	Chairman
Fatma Dilek BİL	Member
Davit BRAUNŞTAYN	Member
Ayşegül CANBAZ	Member
Hilal KAYALAR	Member

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

5.3.3. All members of the Committee in charge of audit formed within the body of the Board of Directors consist of the independent members of the board of directors. Chairman of the Corporate Governance Committee Atilla Altınordu and Fatma Dilek Bil are independent members of the board of directors. Other member of the Corporate Governance Committee, Hilal Kayalar, has been included in the Committee for the reason that she is the manager of the Investor Relations Department, who has the Capital Market Board licenses pursuant to the provision of second paragraph of article 11 of the Corporate Governance Communiqué. David Braunstayn, a member of the Corporate Governance Committee, has also no administrative duty in the Company other than membership in the board of directors and Ayşegül Canbaz, a member of the Corporate Governance Committee, is the finance manager of the Company. Chairman of Early Risk Detection Committee Fatma Dilek Bil is independent member of the board of directors; other members have also no administrative duty in the Company other than membership in the board of directors.

5.3.4. The General Manager does not assume duty in any committee.

5.3.5. Care is given that a member of the board of directors does not undertake duty in more than one committee. However, taking into account the knowledge and experience of the independent members, the members who carry out duty in a committee undertake duty in other committees.

5.3.6. Every kind of resource and support required for carrying out of duties of the committees is provided by the board of directors. The committees can invite any manager who they deem is necessary to their meetings and receive their opinions.

5.3.7. The committees use opinions of independent specialists in areas they deem necessary regarding their activities. The cost of any consultancy services needed by the committees is paid 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 is given in the activity report.

Pursuant to the decision of the Board of Directors, services were received from KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. in 2017 for improving internal audit competence, performing the internal audit activities inherent to corporate processes in line with the International Internal Audit standards through outsourcing, reporting the outcomes and making suggestions about the findings as part of the activities conducted by the Audit Committee. KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., the service provider, has no relevance to the Company.

5.3.8. 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.

5.3.9. The committee in charge of audit 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. Selection of the independent audit firm, preparation of independent audit contracts and commencement of the independent audit process, and works of the independent audit firm at every stage, are carried out under the supervision of the committee in charge of audit.

The independent auditing firm from which the company will purchase service and the services to be purchased from it are determined by the committee in charge of audit and submitted to the approval of the board of directors which will then be submitted to the general assembly for approval.

Examination and conclusion of complaints received by the Company in connection with the accounting and internal control system and the independent audit of the Company, and the methods and criteria to be applied regarding evaluation of the reports of the Company in connection with accounting and independent audit issues are determined by the committee in charge of audit.

The committee in charge of audit reports in writing its evaluations regarding compliance of the annual and interim financial statements to be disclosed to the public with the accounting principles adopted by the Company and their accuracy by obtaining opinions of the responsible managers of the Company and the independent auditors, along with its own evaluations, to the Board of Directors.

The committee in charge of audit met 8 (eight) times in 2017 and wrote the outcomes of the meetings into the minutes and submitted the decisions taken to the general meeting. 8 (eight) reports were submitted by the committee in charge of audit to the board of directors during the accounting period 2017. The committee in charge of audit immediately reports in writing its findings involving its duty and responsibility area and its evaluations on the subject matter to the board of directors.

5.3.10. The 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 Compensation Committee, which are provided in the Corporate Governance Communiqué.

In that respect, Corporate Governance Committee convened 5 (five) times in 2017 and the outcomes of the meeting were submitted to the board of directors by means of a report.

5.3.11. 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.

Within this scope, the Early Risk Detection Committee met ten times not to be less than every two months and issued ten reports in the year 2017.

#### **5.4. Risk Management and Internal Control Mechanism**

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

The risk inventory of the company is one of the most important tracking tools used by the Company in the risk management works. The risk inventory covers operational, financial, reputational and strategic risks of the Company, and the risks whose risk score is at high and very high level are monitored at the level of the Board of Directors, and detailed action plans are developed and a risk owner is assigned for each risk. The risk owner is responsible for management of the respective risk in accordance with the agreed action plan. Hence, the risk management philosophy has become a constant item of the routine business agenda of the executives of the Company. This philosophy, which is updated in line with the sectoral and corporate developments, has become an integral part of the practices of the Company.

The existing internal control system which is applied for various purposes including increasing efficiency and productivity in corporate activities, ensuring reliability of financial reporting and compliance with the laws and regulations is audited by the Internal Audit Group organized under Akkök Holding A.Ş. based on the annual internal audit plan created under the support and consultancy agreement and the results of the audit are reported to the Audit Committee.

In addition, as per the decision made by the Board of Directors, services were procured from KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. in 2017 for improving internal audit competence, performing the internal audit activities inherent to corporate processes in line with the International Internal Audit standards through outsourcing, reporting the outcomes and making suggestions about the findings as part of the activities conducted by the Audit Committee.

#### **5.5. Strategic Targets of the Company**

5.5.1. The Board of Directors administers and represents the Company by keeping the risk, growth and income balance at the optimum level through strategic decisions and by overseeing primarily the long term interests of the Company through rational and cautious risk management understanding.

5.5.2. The Board of Directors defines the strategic targets of the Company, determines the manpower and financial resources needed by the Company, and supervises the performance of the management.

5.5.3. The board of directors reviews the degree of achievement of the targets, the activities and the past performance of the company. In this respect, the Board of Directors has concluded that the Company achieved the targets in 2017 to a large extent.

## 5.6. Financial Rights

5.6.1. The board of directors is responsible for the achievement of the established targets by the company. Evaluation regarding whether the company has achieved the operational and financial performance targets, which were disclosed to the public, and, if not achieved, the reasons thereof, are elucidated in the annual report. The board of directors makes self-criticism and performance evaluation on the basis of board and member and managers who have administrative responsibility and rewards or removes the members of the board of directors and the managers who have administrative responsibility in the light of such evaluations.

5.6.2. Principles of compensation of the members of the board of directors and the top-level executives have been documented and submitted to the information of the shareholders under a separate item and the shareholders were given the opportunity to express their opinions in this regard in the annual general meeting held in 2012. The wages policy prepared to this end is posted on the corporate Internet site of the Company under the heading of "Investor's Column / Corporate Governance / Policies".

5.6.3. Dividend, share options or payment plans based on the performance of the company are not used in the remuneration of the independent members of the board of directors. Care is given that the remunerations to the independent members of the board of directors are determined at such level which would preserve their independency, and the remunerations are determined by the general meeting.

5.6.4. The Company does not lend money or make available loan to or give guarantees, such as surety, in favor of any member of the Board of Directors or any top-level executive.

5.6.5. Our Board membership wage has been determined by our General Assembly to be net 4.450 TL per person until the end of April in 2017 and 4.800 TL per person thereafter as decided in the general assembly meeting on 27.04.2017, monthly according to which annual gross benefits provided to Board of Directors amounted to TL 739.884,00-TL in total and benefits provided to the top-level executive amounted to 470.450,00-TL in 2017. Remunerations and salaries paid and all other benefits provided to the members of the board of directors and the top-level executives are disclosed collectively to the public through the footnotes to the financial statements in the annual activity report.

The following chart summarizes the gross benefits provided to each director in 2017.

DIRECTOR	AMOUNT TL
Raif Ali Dinçök	73.988,40
Murat Gigin	73.988,40
Sinan Kemal Uzan	73.988,40
Davit Braunştayn	73.988,40
Alize Dinçök Eyüboğlu	73.988,40
Ahmet Cemal Dördüncü	73.988,40
Frederic Yves Marcel Marie Fontaine	21.642,82
Benat Ortega	52.345,58
Lina Filiba	73.988,40
Atilla Altınordu	73.988,40
F. Dilek Bil	73.988,40
Raif Ali Dinçök	73.988,40
Murat Gigin	73.988,40
Sinan Kemal Uzan	73.988,40
Davit Braunştayn	73.988,40
<b>TOTAL</b>	<b>739.884,00</b>

## Information Regarding Related Party Transactions and Their Account Balances which is Required to be Disclosed to the Shareholders Pursuant to the Legislation

Details of the related party transactions executed by the Company in 2017 are given hereinbelow:

As of 31<sup>st</sup> December 2017, although there is no receivable from the related parties, the debts to the related parties are as follows:

<b>Debts to the related parties</b>	<b>31<sup>st</sup> December 2017</b>
Akkök Holding A.Ş.	159.461
Dinkal Sigorta Acenteliği A.Ş. (*)	34.188
Aktek Bilgi İşlem Tekn.San.Tic. A.Ş.	14.283
	<b>207.932</b>

(\*) Payments to be made to insurance companies through brokerage of Dinkal Sigorta Acenteliği A.Ş.

<b>Advances given</b>	<b>31<sup>st</sup> December 2017</b>
Üçgen Bakım ve Yönetim Hizmetleri A.Ş.	10.070
	<b>10.070</b>

Purchases from and sales to the related parties during the year ending on December 31, 2017 are as follows:

<b>Sales made to the related parties:</b>	<b>31<sup>st</sup> December 2017</b>
Akmerkez Lokantacılık Gıda San. Tic. A.Ş.	2.741.202
Tekfen Turizm İşletmeleri A.Ş.	829.844
Akip Gıda San. Tic. A.Ş.	196.080
Aktek Bilgi İşlem Tekn.San.Tic. A.Ş.	15.892
	<b>3.783.018</b>

<b>Purchases made from the related parties:</b>	<b>31<sup>st</sup> December 2017</b>
Üçgen Bakım ve Yön.Hizm.A.Ş.	29.598.067
Akkök Holding A.Ş.	644.228
Dinkal Sigorta Acenteliği A.Ş. (**)	242.119
Aktek Bilgi İşlem Tekn.San.Tic. A.Ş.	26.720
Akhan Bakım Yönetim Servis Hizmet Güvenlik Tic. A.Ş.	878
	<b>30.512.012</b>

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

Purchases and sales consist of rent income, purchase and sales of services, and renovation expenses. The related party purchases amounting to 29.598.067 TL are comprised of management expenses and other expenses provided by Üçgen Bakım ve Yönetim Hizmetleri A.Ş. ("Üçgen") whereas 913.945 TL refers to other expenditures. 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 Üçgen to whom the Company charged 12.834.879 in total TL regarding the revenue collected on behalf of the Company for 2017.

## **OTHER ISSUES:**

a) Information about the duties carried out by the members of the board of directors and the executives outside the company and statements about the independency of the members of the board of directors:

This information is provided in Part V of the Corporate Governance Principles Compliance Report which is related to the Board members.

b) Members of the committees formed within the body of the board of directors, frequency of meeting of the committees, working principles of the committees, including the activities carried out by them, and evaluation of the board of directors regarding efficiency of the committees:

This information is provided in the Corporate Governance Principles Compliance Report. Committees within the company fulfill their duties efficiently.

### **Evaluation by the Board of Directors Regarding Working Principles and Activities of the Board Committees:**

The Early Risk Detection Committee is comprised of Independent Board Member Fatma Dilek BİL, and Alize DİNÇKÖK EYÜBOĞLU and Sinan Kemal UZAN, both of whom are Board Members;

The Audit Committee is comprised of Independent Board Member Atilla ALTINORDU as the President and the other Independent Board Member Fatma Dilek BİL as Member.

The Corporate Governance Committee which performs the functions of the Nomination Committee and Wage Committee is presided by Independent Board Member Atilla ALTINORDU while Independent Board Member Fatma Dilek BİL, Board Member David BRAUNŞTAYN, Finance Manager Ayşegül Canbaz and Budget and Finance Executive Hilal Kayalar who also acts as the Manager of Investor Relations Department are the members of this committee.

The regulations concerning the assigned fields of activity and working principles of the above mentioned committees have been adopted by the Board of Directors and disclosed to the public in the corporate website of our Company and in the Public Disclosure Platform.

In 2017, all of the Board Committees fulfilled the tasks and obligations required to be fulfilled by them pursuant to the Corporate Governance Principles and their own regulations and conducted their activities efficiently.

In 2017, 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 10 (ten) times, and
- Corporate Governance Committee convened 5 (five) times,

and the meeting outcomes were reported to the board of directors along with the resolutions.

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 observed 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 Grade for Compliance with Corporate Governance Principles was announced in 2016 (9,22) while the periodical revision grade for 2017 was (9,37). The grading report and periodical revision report were disclosed to the investors by means of the Special Condition Disclosure dated 06.12.2016 and 06.12.2017 respectively.

The "Early Risk Detection Committee" made efforts 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.

**c)** Number of meetings held by the board of directors during the year and information about the attendance of the members to these meetings:

This information is provided in the Corporate Governance Principles Compliance Report.

**d)** Information about any amendments to the legislation which may significantly affect the activities of the company:

No amendment has been made to the legislation which may significantly affect the activities of the company.

**e)** Information about material lawsuits initiated against the company and expected results of them:

Lawsuits were initiated in 2014, 2015 and 2016 with the request for nullification of some resolutions passed by the general assembly meetings held in 2013, 2014 and 2015 and against some members of the Board of Directors, and the proceedings are still in progress.

Some of the lawsuits filed against the company with the courts in İstanbul are in progress and the information about these lawsuits is provided in the table enclosed herewith. (Annex-1)

**f)** Information about any conflict of interest between the company and any firms from which the company has been purchasing services in the areas such as investment consultancy and rating, and about the measures taken by the company to prevent such 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 in the areas such as investment consultancy and rating in 2017.

**g)** Information about any reciprocal participations where the rate of direct participation in the capital exceeds 5%:

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

**h)** Information about the social benefits and occupational education of the employees and about any corporate social responsibility activities in connection with the activities of the company which give rise to other social and environmental consequences:

Employees can receive every kind of training they need when they are performing their profession. The company gives support to corporate social responsibility projects if it deems necessary.

**i)** If there is distribution of duties among the members of the board of directors, duties and powers of the members of the board of directors:

Distribution of duties has been done by appointing Chairman and Vice Chairman among the members of the board of directors.

**j)** Information about the activities of the committee in charge of audit, about the outcomes of the meetings, and about how many written reports were submitted to the board of directors during the accounting period:

The Committee in Charge of Audit carried out its activities in 2017 within the duties and authority set out in the Corporate Governance Communiqué.

The Committee in Charge of Audit met 8 (eight) times in 2017 and the results of the meeting were written to the minutes and the decisions taken were submitted to the board of directors. 8 (eight) reports were submitted by the committee in charge of audit during the accounting period 2017. The Committee proposed that a service should be received from the independent auditing company Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. in 2017, stated that the annual and interim financial statements and the footnotes thereof were in compliance with the relevant legislation and principles, and evaluated the findings and suggested actions resulting from the internal audit services that were received from KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

**k)** Evaluation regarding whether the company has achieved the operational and financial performance targets announced to the public and if the same have not been achieved, the reasons thereof:

The board of directors has evaluated that the company achieved the operational and financial performance targets in 2017 to a large extent.

**l)** Information about the remunerations paid to the members of the board of directors and the senior executives:

This information is provided in the Corporate Governance Principles Compliance Report.

**m)** There isn't any incident occurred after closure of the activity year, which bears a special importance.

**Annex 1: LAWSUITS**  
**LAWSUITS INITIATED AGAINST AKMERKEZ GYO A.Ş.**

No.	Court	Court File Index No.	Plaintiff	Defendant	Subject of the Lawsuit	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 New Case no: 2016/812	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 upon which the Supreme Court reversed the judgment of the local court. The lawsuit was accepted partially against the company. The file is pending before 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 delivered according to which enforcement proceedings were initiated for collection of receivables. The case was appealed with the request for postponement of execution. The case is currently pending.
4	İSTANBUL COMMERCIAL COURT OF FIRST INSTANCE NO. 3	2014/223	ÖMER DİNÇKÖK	AKMERKEZ GYO A.Ş.	ACTION FOR APPOINTMENT OF A SPECIAL AUDİTOR	The action was concluded in favor of the Company. The judgment was appealed by the Plaintiff upon which the appeal request was denied by 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 upon which the appeal request was denied by 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 upon which the Supreme Court of Appeals confirmed the decision of the local court. The decision has been finalized in favor of the Company.
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 AUDİTOR	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	ULVİYE 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 has been settled amicably by the parties.
16	İSTANBUL COMMERCIAL COURT OF FIRST INSTANCE NO. 4	2016/725	ÖMER DİNÇKÖK	AKMERKEZ GYO A.Ş.	ACTION FOR APPOINTMENT OF A SPECIAL AUDİTOR	The case is pending before the court.

**LAWSUITS RELATED TO THE BOARD MEMBERS OF AKMERKEZ GYO A.Ş.**

No.	Court	Court File Index No.	Plaintiff	Defendant	Subject of the Lawsuit	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 pending before the court.
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