



**AKMERKEZ GAYRİMENKUL
YATIRIM ORTAKLIĞI
ANONİM ŞİRKETİ**

**ANNUAL REPORT
COVERING THE PERIOD OF
01.01.2016 - 31.12.2016**

(ORIGINALLY ISSUED IN TURKISH)

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AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ
REPORT OF THE BOARD OF DIRECTORS ON THE ACTIVITIES IN
THE PERIOD OF
01.01.2016 - 31.12.2016

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 01.01.2016-31.12.2016.

A. GENERAL INFORMATION

COMPANY DATA:

Trade Name	AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ
Trade Registry Office:	İstanbul
Trade Registration Number:	260139
Stock Exchange where stocks of the Company are traded:	Borsa İstanbul A.Ş.
Market where the Capital Market Instrument is Traded, and Indexes where the Company Takes Place:	Collective Investment Products and Structured Products Market BIST All/ BIST Financial/ BIST Corporate Governance/ BIST Dividend/ BIST All-100/ BIST Dividend 25/ BIST Real Estate Investment Partnerships
Trading Symbol:	AKMGY
Portfolio Details:	Date of Establishment: 08.12.1989 Date of Public Offering: 15.04.2005
Head Office Address:	Nispetiye Caddesi, Akmerkez, E-3 Blok, Kat: 1, Etiler, Beşiktaş/İstanbul
Website:	www.akmgyo.com
E-mail:	gyo@akmerkez.com.tr
Registered e-mail address:	akmerkez@akmerkez.hs02.kep.tr
Central Registration System:	7352333284923116
Tax Office:	Large Taxpayers Office
Tax Number:	837 003 1973
Phone Number:	+90 (212) 282 01 70
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Akmerkez in Brief

Meeting venue in Istanbul

Opened in 1993 in Istanbul's central district Etiler, Akmerkez has remained the most popular meeting venue and ideal address of pleasurable experiences thanks to its elegant brands and stores, shopping, entertainment and food and beverage points... It is the indispensable meeting venue of business, arts, culture and entertainment world as it is home to various "firsts" with meticulously designed details for upholding the comfort of guests every year. 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 161 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. The latest award 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, covering a 180.000 m² 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 300 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 1.500-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 41 escalators and 32 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 increases the number of regular visitors of 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 industrial needs and international developments very closely. Akmerkez has adopted the principle to extend its outstanding performance and success story in the industry well into the future.

Milestones of Akmerkez

Every step we take is a success story...

1990

Our journey starts

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

1993

Istanbulians meet their new wellness center

Akmerkez Shopping Center opened its doors to guests showing of a giant facility with never-before-seen modern architecture built over a total of 180.000 m² area. Akmerkez joins 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 within the same year. Although Akmerkez was only in its third year, it indeed proved its leadership in the industry.

1998

Our brand leadership crowned with the TSCSR/AMPD Honorary Award

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

1999

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 centre 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 Academy Awards of Property 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 which 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 distinct projects developed by it.

2013

15 prestigious awards

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

2014

City's Dynamism is reborn with Akmerkez in Etiler

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

Stores opened at Akmerkez in 2014

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

2015

Breathing in Akmerkez within the city

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

2016

Akmerkez as the center of change

Akmerkez has received 18 international awards in total on various fields such as Marketing Communication and Public Relations with its YLZ and Üçgen Teras 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.

Sectoral Activities in 2016

2016 Shopping Mall Index conducted by Association of Shopping Centers and Investors and Akademetre reveals that the Shopping Mall index increased by 7,1 percent in 2016 when compared to 2015, reaching 195 points.

Turnovers per leasable space (m2) in shopping malls were recorded as TL 913,00 in December 2016. Productivity was TL 1.072,00 in İstanbul and TL 806,00 in Anatolia. The productivity per leasable space (m2) in shopping malls was actualized as TL 744,00 in 2016. This ratio implies an increase of 5.5 per cent in productivity per m2 when compared to 2015. The productivity became TL 836,00 with an increase of 3,3 per cent in Istanbul and TL 682,00 with an increase of 7 per cent in Anatolia.

The footfall index, on the other hand, was 102 points in 2016, which marks a decrease of 1,9 per cent when compared to the previous year. While footfall did not change in 2016, it was marked with a decrease of 4,2 per cent in Anatolia.

The Shopping Mall index increased by 6,7% when compared to December of the previous year. The category where the highest increase was observed was the shoes-bag category with 23% increase. An increase of 13 percent in the hypermarket and clothing category turnovers, an increase of 7 percent in the food category turnovers, an increase of 4 percent in the technology category turnovers were observed in the Shopping Centers in December 2016 when compared with the month of the previous year. The other¹ area category, however, was marked with a decrease of 2 percent.

Although it is observed that there was a decrease in the figures when the increase in the general index for 2016 is cleared of inflation, the fact that the index data began to increase in the final quarter contributes to positive aspirations for 2017.

According to the data released by JLL Turkey, as of the first half of 2016, total leasable space (TLS) at shopping centers in Turkey reached 11,1 million m2 at 374 centers in total. The primary rental level measured for the first half of 2016 reached the levels of EUR 90 m2/month. During the period between 2016 and 2019, it is expected that the shopping center development projects will continue to increase and the total stock will reach 14.3 million m2 in 453 shopping centers by the end of 2019. In the first half of 2016, the retail density in Turkey showed an increase reaching 141 m2 as compared with the leasable space per 1.000 persons which was 132 m2 at the end of 2015. It is expected that leasable space per 1.000 persons will be 198 m2 at the end of 2019.

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

Message from the Board of Directors

Dear Shareholders,

Global economic crisis which started in 2008 and got exacerbated in 2009 continues to halt stability. Long-term low growth makes structural problems in many developed countries non-negligible as the result of global crisis. Countries make an effort to resolve those problems with short-term policies recently but they are unable to make the structural reforms fast enough. Economic problems translate into social reaction in various locations of the world leading to a search for alternative solutions.

As a result of all those developments, global financial markets started 2016 with the uncertainties fuelled by geopolitical, political and economic problems that came to the fore in the previous year. Concerns for economic growth, recession and volatility in Chinese markets, and Brexit were among the developments that steered the market in the first half. Meanwhile, FED was unable to take any action in the first half due to the fluctuations in global economy and finance markets notwithstanding the improvement signals in the US economy.

Turkish stock exchange and foreign exchange markets were marked with a positive atmosphere in the same period during which normalization of relations with Israel and Russia and other geopolitical developments were among the most important agenda items. Chinese economy had the weakest performance since 2009 with growth of 6.7% in the relevant quarter while Turkey managed to become the most successful country among European economies thanks to the growth of 4.8% in the first quarter.

Financial markets which had to deal with the uncertainties emanating from the previous year during the first half of the year were shaped with the new problems created by the political and economic agenda which became increasingly deeper than before in the second half. The tension increasing due to the coup attempt in the country followed by the increasing USD f/x and interest rates became the focal point for investors while the European Central Bank was unable to make progress about inflation and growth rates in the Euro zone despite the highly flexible monetary policy that was applied. The economic crisis had already exacerbated the concerns about the future of Euro but the EU is currently marked with discussions as to the sustainability of the Union in the future.

It is not possible to anticipate the future of the EU and the economic impacts of the recent political developments in the US while developing countries become increasingly more important in terms of global balance due to their increasing population and growing economies. Brexit is expected to slow down growth in the European Union in 2017 whereas the US economy might grow a little faster. Hence, the average growth performance of developed countries is expected to be similar to 2016 in 2017 while developing countries are expected to make progress in terms of growth to a certain extent.

The referendum to be held for constitutional change in April is of critical importance for the markets in Turkey. Another factor that will influence the financial markets in the new year will be the decisions and actions to be made by FED. In that respect, the actions taken by Turkish Central Bank, which maintained the interest rates fixed in the latest meeting to demonstrate an action that is in parallel with the inflation, will have determining power in the financial statement for 2017. The deferred f/x influence, elimination of base effect and impact of interests on prices will most probably lead to an increase in interests in the first months of the year.

Although the position of Istanbul as a preferential investment area has deteriorated in the short-term owing to the saddening terrorist attacks during the last year, the city remains a developing market with a high potential. Meanwhile, Akmerkez GYO increased its profit and continues to promote its success through new investments notwithstanding the challenges that the country and industry underwent. We are determined to increase our product and service quality standards of our brand regardless of the external conditions. We wish our colleagues who take pains for Akmerkez and our valuable shareholders a successful year full of profitable business partnerships.

BOARD OF DIRECTORS

Message from the General Manager

Dear Shareholders,

2016 was home to the unexpected rather than the expected in that both political and economic balance went upside down. Forecasts for 2017 imply that we should expect low growth ratios worldwide. It is a matter of concern how the US, China and EU, the leading actors of global economy, will be affected from the economic slowdown. And what should we expect for the future of real estate industry under the light of such developments?

As Brexit decision alters the balance in the European real estate market, it creates new opportunities for several other markets. Prepared based on the opinions of more than 800 international real estate professionals including investors, developers, creditors, brokers and consultants, Emerging Trends in Real Estate: Europe 2017 Report holds that Istanbul is no longer considered a first choice for investors in the short term. The report anticipates that international corporate investments will drop in the short term adding that Middle Eastern individual investors who expect high yields may still prefer Istanbul. It is pointed out that development may continue based on consumption expenditures owing to various factors such as high domestic demand, young population, fast emerging middle class and young professionals joining business world in addition to the fact that Turkey is not dependent on foreign countries in real estate industry.

As real estate markets are especially susceptible to security concerns, international investors take into account physical and social infrastructure, life quality, demographic diversity, visions of local administrations, sustainability and similar points while choosing the location for any investment. Migration and terrorism, on the other hand, are matters of concern. Besides, the changes in technology and life styles of new generations make it imperative to consider real estate not only a need and product but a creative service package. Conventional real estate approach is replaced with a more innovative business approach.

We, Akmerkez, continued to make investments notwithstanding all the problems affecting the world and Turkey throughout 2016. We realized many innovations which, we believe, will add further value to Akmerkez brand. After renovating the interior spaces completely, we varied the cultural and artistic events organized for our visitors. Took steps to renovate the façade and continued to organize cultural and artistic events for the visitors. We reinforced our privileged position in competition with the ever developing and changing shopping routes in Istanbul based on the mission to create a living environment rather than just a shopping center.

All those new exciting developments have been noticed by other eyes, as well! International prestige awards we received during the year turned out to be a source of pride and motivation for us. In 2016, we had the honor to add 10 prestigious awards to more than 60 awards that we had already received.

Another leap forward in 2016 was to add new brands to our portfolio. Wepublic, a new department store that brings together more than 500 brands including global brands, introduced a brand-new shopping experience to not only Akmerkez visitors but also to the industry at large. We believe such organizations and alternative ideas which attract those who follow global shopping trends to Akmerkez will give us inspiration about shopping center structures of the future in the upcoming periods. Another important step was to increase the F&B and outdoor spaces in the relevant period. Akmerkez redesigned the existing spaces in order to provide different architectural solutions based on its mission to increase the number of options provided to its visitors at all times. The results were satisfactory for both visitors and customers.

2016 turned out to be a year during which we continued to make efforts hopefully no matter what happened outside and we were lucky enough to be rewarded for those efforts. We increased our profit when compared to the previous year. We added power and value to Akmerkez brand.

We are aware that we welcomed 2017 with negative developments for urban life and in the midst of regional turmoil. Yet, we are hopeful for the new year as a fully renovated Akmerkez regardless of the conditions. Because we know that our success is not mere chance but the outcome of a strong financial structure and robust corporate culture. We will remain dedicated to being a brand contributing to life quality with new developments to be undertaken for the shopping center as well as social responsibility projects meant to add value to our society.

Murat KAYMAN

Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş.

General Manager

Management of the Shopping Center

Akmerkez: Center of Change in 2016!

Meeting residence, office and shopping mall functions under the same roof at the heart of Istanbul, Akmerkez is known as the ideal address for free, enjoyable and valuable breaks at spaces offering fashion, entertainment, food and social life since 1993. It has become the center of change by adding a new energy to shopping center industry with its new leading projects undertaken in 2016.

In 2016, Akmerkez took great steps to keep up with contemporary trends and invest in the future. The most significant development was that Wepublic preferred Akmerkez for opening its first store in Turkey. Wepublic consists of collections of 520 brands to offer an unprecedented shopping experience. Situated on 4 floors, the store soon became one of the most popular spots in Akmerkez.

Another development was Take a Seat, designed after seven different concepts at food court floor of Akmerkez. Take a Seat was one of the most important F&B investments with its brand-new outlook to restaurant services in 2016.

As one of the symbols of Istanbul, Akmerkez will continue to offer comfort and distinction to its visitors so as to add value to the industry without sacrificing its classical line known for 23 years.

Wepublic Opens at Akmerkez to Offer a New Generation Shopping Experience

Wepublic, the latest brand of Boyner Group, opened its first store in Akmerkez. As a brand attracting the attention of media during its design process since 2013, Wepublic is not only the meeting point of more than 500 brands of which over 100 are totally new to consumers but also full of different spaces including but not limited to Petra Coffee, Chado Tea, Giano Chocolate, Audio Book, Charging Station, iPad zone, Water Bar and continuously renewed Pop-Up spots in addition to a slide 14 meters high promising a lively, dynamic and extraordinary world.

Creating a brand new world that is free, creative, sincere, dynamic and inspiring, Wepublic has opened the doors of a different world in Akmerkez thanks to various new brands launched for the first time in Turkey and special experiences offered to visitors. As a shopping center that has been keen to undertaking groundbreaking projects to surprise and satisfy its visitors, Akmerkez is proud of being home to Wepublic, which is acknowledged for the new generation shopping experience it provides in Turkey.

Take A Seat Introduces a Different Concept at Akmerkez

Take a Seat was opened at the food court floor of Akmerkez with indoor-terrace alternative and 7 different restaurant options based on an extraordinary concept that is different from its peers designed for food courts at shopping centers.

Distinguished for its comfortable spaces in addition to comfort, Take a Seat was opened as the latest venue adapting to the speed of life with 7 different F&B zones.

Take a Seat will be an indispensable meeting point at Akmerkez thanks to its different concepts, namely Chet, Filozofi, Meal Tray, Village, Papa Forni, Fine Kids and Take me Home.

A Refined Venue for Refined Pleasures: Akmerkez Kings Club Opens

Developing special experience zones for its visitors such as YLZ and Üçgen Teras, Akmerkez also created Kings Club for the service of solely male visitors. As a special experience zone for male visitors to have a good time, give shopping breaks, meet friends and hold business meetings, Kings Club offers various functions from relaxation area to working zone, hairdresser and style workshops. Kings Club is open between 11.00 and 21.00 every day for providing full service to its members. Membership is free of charge.

Kings Club makes suggestions to males about trends, healthcare, music etc. on social media and blog in addition to offering practical and useful hints by explaining relevant applications visually step by step.

Akmerkez Receives the Most Respectable Awards in the Industry in 2016

Recognized with the most prestigious awards of the world since its opening, Akmerkez adds new projects to its portfolio awarded by various prestigious international organizations such as IPRA, Marcom Awards, Hermes Creative Awards, and Stevie Awards. Akmerkez received 18 international awards in total in 2016.

Young Lions Zone (YLZ), the meeting zone designed specifically for the youth and young professionals between 18 and 39 years of age, was awarded Golden Globe in “New Service Launching” category in Golden World Awards which is recognized as the most prestigious public relations award in the world by International Public Relations Association (IPRA). While YLZ received Golden Awards in “Marketing Plan” and “PR Communication” categories in Hermes Creative Awards, it was recognized as the Bronze Winner in “Re-Branding / Brand Renovation of the Year” category in Stevie Awards and Golden Winner in “Best Marketing Campaign” and “Public Relations / Communication” categories in Marcom Awards.

Offering a special outdoor space to its visitors following the renovation of Üçgen Teras project, Akmerkez received 2 golden awards in Hermes Awards while it became Platinum Winner in Marcom Awards, Golden Winner in 2 categories, namely “Communication / Marketing Plan” and “Public Relations”, in Hermes Creative Awards, and Golden Winner in “Marketing Campaign of the Year” in Stevie Awards.

Award Ceremony of the GQ “Men of the Year” which has been realized for 20 years throughout the world was organized in December 2015 in Turkey under the sponsorship of Akmerkez. Acting as the main sponsor of the event in which celebrities recognized for their success and style in 2015 were rewarded, Akmerkez received 3 awards in Platinum category of Hermes Award, “Special Event”, “PR Program of the Year”, “Media Reflection” and Other categories in Marcom Awards, Golden Award in “Communication & PR Campaign of the Year” category in Stevie Awards and Silver Award in “Brand Experience of the Year” category.

Connoisseurs Lectured at Akmerkez Life Academy and Live Experience Talks

In 2016, Live Experience events welcomed connoisseurs to Akmerkez to make an enjoyable talk in which they shared their life stories and experience, answered questions and provided information about their expertise areas.

In addition, Akmerkez became home to the Life Academy series in which the “best” of any category in life was selected and prominent figures shared their life experience with participants. The series continued throughout the year in Akmerkez to enable participants to meet prominent figures on various subjects and talk to and learn from them.

Emre Kongar, Metin Hara, Atilla Dorsay, Ayşegül Aldinç, Metin Uca, Serra Yılmaz, Gülse Birsell, Ayşe Arman, Eralp Caner, Ufuk Çakmakçı, Alegra Benardete, and Hande Kazanova were among the lecturers who took part in the event.

7 Life Academy talks and 5 Live Experience events were organized in total in 2016.

2016 – 2017 Season of Metropolitan Operas at Movie Theatres of Akmerkez

Akmerkez resumed the opera shows under “The Met: Live In HD” project of the Metropolitan Opera, the largest classical music and arts organization in the world, in October. In that respect, Akmerkez CinemaPink presents worldwide famous performances such as Tristan and Isolde, Don Giovanni, Romeo & Juliette, and La Traviata, selected from the program of the Metropolitan Opera which is known stage almost 250 performances a year, and the spectators get the chance to watch those performances concurrently with the audience in the world.

5 opera shows organized since October were watched by almost 600 spectators during the program which will continue till May.

Young Lions Competed at Akmerkez

Turkey Eliminations of the Cannes Lions Young Lions Competition sponsored and hosted by Akmerkez were held for the 5th time this year. The competition was sponsored by Doğan Burda, Advertising Foundation and Getty Images Turkey while Tempo Magazine acted as the press sponsor. The winning teams of press, film, cyber, media, marketing categories as well as PR category which was organized for the first time this year represented Turkey in Cannes.

Winners of Cannes Lions Turkey Eliminations received mentorship from the jury and prominent figures from the industry at Young Lions Zone, which is at disposal of the young creative minds in Akmerkez, before going to Cannes.

In the Turkey eliminations of Young Lions realized in Turkey, 25 teams in the young marketers category, 51 teams in the press category, 30 teams in the film category, 32 teams in the media category and 22 teams in the cyber category amounting to 172 teams and 344 young professionals in total competed in 6 categories.

Vodafone team, which was the winner of the challenging Turkey elimination in April 2016, received Bronze Medal in Young Lions Competition. The team made preparations for the competition with the support of the leading figures in the industry following the eliminations held at Akmerkez Young Lions Zone in Akmerkez.

Akmerkez Üçgen Teras Summer Program

Akmerkez added Üçgen Teras to its outdoor spaces after Food Court Terrace. Designed as a modern and special outdoor oasis at the heart of the city, Üçgen Teras became home to various summer events this year in addition to receiving several awards from globally recognized organizations.

Personal journey with Metin Hara and analogue photography workshops with Lomography Turkey were among the events that were organized. LomoWall exhibition was displayed in the outdoor space of Akmerkez Üçgen Teras for the first time in Turkey after being exhibited in elegant museums and squares in London, New York, Hong Kong etc.

Üçgen Teras Outdoor Cinema turned out to be an enjoyable summer activity for Istanbulians. 7 movies were displayed to almost 2,700 spectators in total. Üçgen Teras closed the summer season with Swing dancing group Istanbul Lindy Hopper’s dance show and performance of Uninvited Jazz Band.

Creative Youth Meets Creative Minds in Young Lions Zone by Akmerkez

Established for fuelling creative minds of the youth in 2015, Young Lions Zone continues to provide the youth and young professionals with a new generation working area in Akmerkez. Designed as a meeting venue that will meet all the requirements of the youth and young professionals for their business projects in Akmerkez, Young Lions Zone has received various prestigious international awards since it was opened as a special working zone created in a shopping center for the first time. This special working zone was recognized with four important awards in 2016.

Acting as the birthplace of creative and inspiring ideas, the working zone was home to more than 100 meetings and several events during the year. As part of the Live Experience events, founders of Sofar Istanbul Sounds, the most popular event chain with the youth in the world and Istanbul, told their success story while Ezgi Aktan, a new generation musician popular with the young, staged a live performance. Ayşe Arman and Gülse Birsal met their fans in Out-of-the-Box Talks event in addition to various other prominent figures such as directors of the movie “Kötü Kedi Şerafettin”, Emre Kongar and Atilla Dorsay who inspired the youth by telling their success story at Young Lions Zone.

Special Days

Akmerkez continued to provide its visitors with special moments on special days as in the previous years. During the traditional 29th of October Republic Day celebrations, Republic Band staged an exhilarating performance whereas Meral Azizoğlu gave a concert to commemorate Atatürk on 10th of November. Visitors making shopping on Mother’s Day and Father’s Day received a special gift from Akmerkez in collaboration with Bee Goddess and Edwards respectively.

St. Valentine’s Day – Social Responsibility Project “Tell Your Love in a Different Language”

Akmerkez organized a special event for all visitors who wanted to express their love to one another in addition to all lovers on 14th of February, St. Valentine’s Day. Visitors of Akmerkez translated the words of affection to sign language and presented the video footage to their loved ones on 12-13 February. The project “Tell Your Love in a Different Language” was organized in collaboration with Dem Association. The event also contributed to creation of awareness about individuals with hearing impairment and Turkish Sign Language as a social responsibility project.

New Year Excitement at Akmerkez

Akmerkez reflected the excitement of entering a new year with special new year decorations and events. 2017 was welcomed with Frozen Land, the ice rink established at the main entrance, New Year Fair at the event area, gift packaging booth and special new year surprises.

“Frozen Land” Ice Rink Opens in Akmerkez

‘Frozen Land’ ice rink, established at the main entrance, remained at disposal of visitors every between 11:00 and 21:00 during the winter.

Sid and Scrat, characters of Ice Age, staged special performances for kids every weekend in December.

‘Akmerkez New Year Fair’ with Countless New Year Gifts

Akmerkez organized a “New Year Fair” between 24th and 28th of December for visitors who made haste to buy gifts before entering 2017.

Akmerkez New Year Fair, organized in collaboration with Zubizu and Canan&İris Pop Up Event, welcomed thousands of Akmerkez visitors. Various booths were available in different categories including food, decorations, arts and accessories. The booths reserved by 15 select brands offered the gifts with special discounts. The visitors also had the opportunity to benefit from various privileges and surprises designed by Zubizu.

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

The rate of publicly held shares of stock pertaining to Akmerkez GYO A.Ş. is 50.82% as of 31.12.2016.

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

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

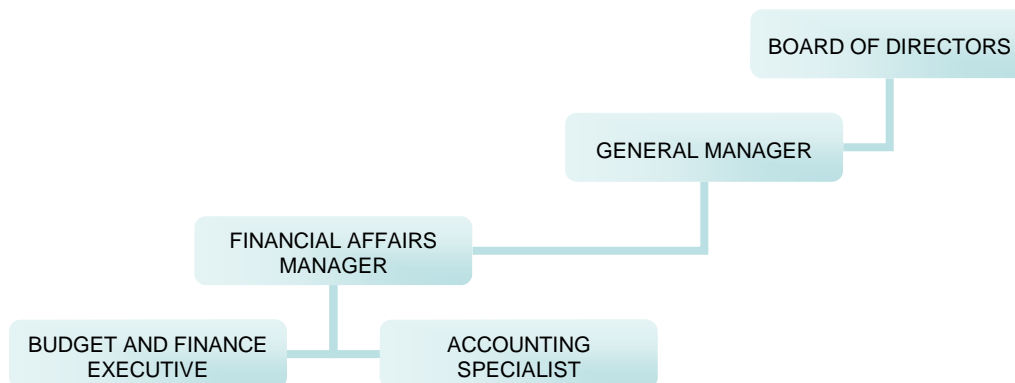
List of the shareholders who own 5% and more of the capital of the Company as of 31.12.2016 is as follows:

Tradename/Name-Surname of the Shareholder	Nominal Value (TL)	Share in the Capital (%)	Rate of Voting Right (%)
KLEPIERRE S.A.	11.729.129,60	31,48	31,48
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	8.295.110,54	22,26	22,26
TOTAL	37.264.000,00	100,00	100,00

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:



No change has occurred in the shareholding structure, capital-stock and organizational structure of the Company in 2016.

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	:	DAVİT BRAUNŞTAYN
Member	:	SİNAN KEMAL UZAN
Member	:	ALİZE DİNÇKÖK EYÜBOĞLU
Member	:	AHMET CEMAL DÖRDÜNCÜ
Member	:	FREDERIC YVES MARCEL FONTAINE
Member	:	LİNA FİLİBA
Member	:	ATİLLA ALTINORDU
Member	:	F. DİLEK BİL*

The Members of the Board of Directors that were elected at the annual general meeting held on 30.03.2016 for an office term of three years are RAİF ALİ DİNÇKÖK, AHMET CEMAL DÖRDÜNCÜ and ALİZE DİNÇKÖK EYÜBOĞLU who were proposed by majority of the Class (A) registered shares; MURAT GİGİN and SİNAN KEMAL UZAN who were proposed by majority of the Class (B) registered shares; DAVİT BRAUNŞTAYN who was proposed by majority of the Class (C) registered shares; REMZİYE ASLI KARADENİZ*, LİNA FİLİBA and ATİLLA ALTINORDU who were nominated and proposed to be elected based on the joint proposal of the shareholders of the Classes (A), (B) and (C) within the framework of the principles regarding the independency of the Board members as provided for in the Corporate Governance Principles of the Capital Market Board and FREDERIC YVES MARCEL FONTAINE who was nominated by majority of the Class (D) bearer shares subject to public offering and participating in the general assembly meeting.

* REMZİYE ASLI KARADENİZ, an Independent Director, resigned on 22.04.2016 as a result of which FATMA DİLEK 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.

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

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

General Manager of the Company is MURAT KAYMAN.

Number of employees of the Company, including the general manager, is four.

The Members of the Board of Directors that were elected at the annual general meeting held on 31.03.2015 for an office term of one year were RAİF ALİ DİNÇKÖK, MEHMET ALİ BERKMAN 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; LÜTFÜ ÜNVER, SELÇUK YENER and ROBER FİLİBA 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. The mentioned elected board members worked until the annual general meeting held on 30.03.2016.

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 2016. 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 'Communiqué on the Independent Audit Standards in the Capital Market' of the Capital Market Board and the Turkish Commercial Code, 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 30.03.2016 that PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., which was recommended by the Committee in charge of audit, be elected as the independent audit firm for audit of the Capital pursuant to the "Communiqué on the Independent Audit Standards in the Capital Market" of the Capital Market Board and the Turkish Commercial Code during the accounting period of the activity year 2016.

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 4.100,00-TL per person until the end of March and 4.450,00-TL per person after March monthly as decided at general assembly meeting on 30.03.2016, making gross 677.337,48-TL in total and the top level executive was paid gross 430.580,00-TL in total during 2016. 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 16.500,00 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 Company made infrastructure and equipment investments worth 17.739.913-TL in total for renovation of existing investment property during the respective accounting period. The tangible fixed assets increased by 1.101.732-TL owing to the ornaments purchased for the new year.

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

The existing internal control system 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, the Board of Directors determined to receive services from KPMG Akis 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.

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 2016.

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 Dinçök, 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 2016.

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:

Donations made by the Company during the year 2016 amounted to TL 100.000 and there is isn't any expense incurred within the scope of the social responsibility projects within 2016.

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 2016.

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:

Net sales of the Company increased by 9,36% and its net profits increased by 6,13% when compared to the previous year.

Primary financial indicators:

Balance-Sheet Items (Million TL)	31.12.2016	31.12.2015
Current assets	22,91	44,82
Fixed assets	210,21	189,61
Total assets	233,11	234,42
Short term liabilities	5,73	8,17
Long term liabilities	1,65	1,45
Shareholders' equity	225,73	224,81
Total Shareholders' equity	233,11	234,42
Income Statement Items (Million TL)	2016	2015
Net sales	114,92	105,09
Cost of sales (-)	-33,50	-30,29
Gross profit	81,42	74,80
Operating profit	74,94	68,71
Net Profit for the Year	77,82	73,33
Financial Indicators (Million TL)	2016	2015
Gross Profit Margin	70,85%	71,18%
Net Profit Margin	67,72%	69,77%
Debt-Equity Ratio	3,27%	4,28%
Total Debts/Total Assets	3,17%	4,10%

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):

	31.12.2016	31.12.2015
Less than 1 Year	113.395.108	103.335.322
Between 1 and 5 Years	605.559.975	495.694.188
Over 5 Years	453.735.208	215.302.448
	1.172.690.291	814.331.958

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 2017, 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 every two months and issued six (6) reports in the year 2016.

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

Increasing exchange rates positively affect the rent revenues, but since it may negatively affect the payment power of the tenants, it entails a financial risk for the Company. 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:

The Board of Directors has resolved that the tenants of AKMERKEZ TRADE CENTRE who will be selected arbitrarily from among those paying the rental fees in due time in line with the provisions of the rental contracts will be entitled to benefit from a discount for January – August 2016 which shall be provided in the form of fixing the currency rate as 1 USD = 2,70 TL provided that this shall not be considered as a reduction of rental fees and/or amendment to the rental contracts and the rental fees have been collected in line with the relevant resolution.

In addition, as a result of the voluntary assessment made by the company, it is resolved that among the existing tenants, those who pay exclusively the rental fees regularly without any delay within the duration and principles specified in their lease contracts and who do not have any legal conflict with our Company shall benefit from the fixed foreign exchange which shall be USD 1 = TRY 3,10 for the period from 01.12.2016 till 31.03.2017 provided that they agree to pay turnover rental fee in addition to the fixed rental fee for the period from 01.12.2016 till 31.03.2017 or else they consent to the application of increase on the ratio specified for the existing turnover rental payments, the rental fees shall be collected from the

tenants based on the aforementioned exchange rate and a protocol shall be executed with our tenants so as to document the agreement to that end.

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 30.12.2016 (Excluding 18% VAT): TL 1.571.500.000.

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

The infrastructure and equipment projects for renovation of the existing property were completed in 2016.

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 2016" 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:

No security issue has been done by the Company.

Finance sources of the Company consist of rental revenues.

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

There isn't any amendment made to the Articles of Association of the Company in 2016.

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 complied 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. 1.3.11 of the Corporate Governance Communiqué: Although there isn't a provision in the Articles of Association, the General Assembly Meetings are held publicly.

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. 3.2.1 of the Corporate Governance Communiqué: A model or mechanism has not been established for participation of the shareholders in the management. However, the independent members in the Board of Directors make representation of all shareholders as well as the Company and the shareholders in the

management possible. The Company takes into account the views and recommendations of the employees, suppliers, various non-governmental organizations and all other shareholders, and the customer satisfaction surveys.

About the Principle 4.2.5 of the Corporate Governance Communiqué: The Chairman of the Board of Directors and the general manager of the Company are not the same person and their duties have been segregated. Nobody in the Company has unlimited authority to make decision by him(her)self.

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, it is decided to amend article 3 of the Articles of Association concerning "Objective, Activity Field, Activity Prohibitions and Investment Restrictions" as well as article 6 concerning "Capital and Shares", article 14 concerning "Specific Resolutions and Compliance with Corporate Governance Principles", article 17 concerning "General Manager and Managers", article 21 concerning "Audit" and article 22 concerning "General Assembly Meetings and Quorum" and replace article 19 with another article 19 concerning "Supporting Participation of Beneficiaries to Company Management" for the purpose of extension of the validity period of registered equity ceiling of the Company based on the provisions of the "Communiqué on Real Estate Investment Partnerships" numbered (III-48.1) and "Corporate Governance Communiqué" numbered (II-17.1) of the Capital Market Board according to which the amendment draft to be approved by the Capital Market Board and Turkish Ministry of Customs and Trade.

In addition, a compensation policy has been established for employments within the period and the number of female directors has been increased from one to three.

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

The Persons Performing Duty in the Investor Relations Department:

Hilal Kayalar

Budget and Finance Executive

(Investor Relations Department Manager)

+90 (212) 282 01 70 / 222

hilal@akmerkez.com.tr

Öznur Tutkun

Accounting Specialist

(Investor Relations Department Employee)

+90 (212) 282 01 70 / 228

oznur@akmerkez.com.tr

Fax: +90 (212) 282 01 15

E-mail: gvo@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

09.01.2017

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 Finance Executive

Corporate Governance Committee Member

Öznur TUTKUN

Accounting Specialist

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.

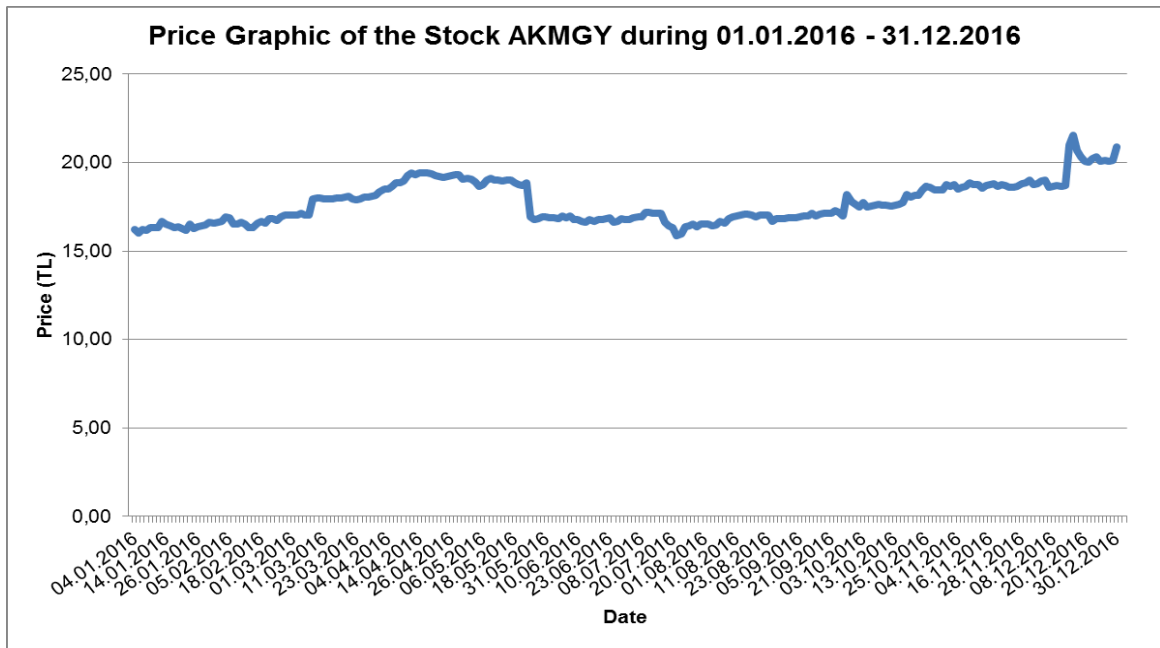
The basic working principles adopted by the Investor Relations unit include accessibility, quick response to shareholders, transparent, consistent and timely informing and ensuring the up-to-dateness of the Company's website. Care is given to making sure that the staff of the department is formed by 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 2016

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 Dividend 25
- BIST Real Estate Investment Partnerships



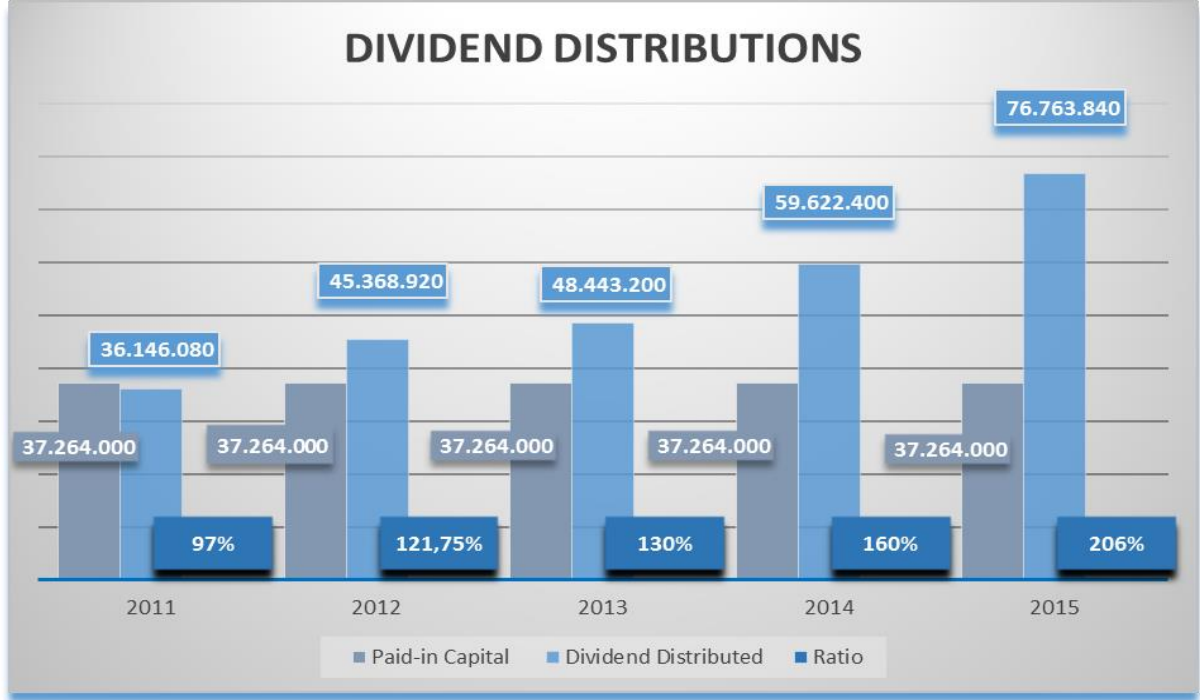
Shares of the Company have been traded in the Istanbul Stock Exchange and Borsa İstanbul since 2005. Performance of the shares of the Company in the exchange during the last five (5) years is summarized in the following table:

Share Data	2012	2013	2014	2015	2016
Lowest Price (TL)	16,10	14,00	15,45	15,49	15,61
Highest Price (TL)	27,90	24,70	19,00	20,50	20,60
Year-End Closing Price (TL)	22,30	15,10	16,25	16,60	20,60
Issued Capital (TL 1.000)	37.264	37.264	37.264	37.264	37.264
Market Value (TL 1.000)	830.987	562.686	605.540	618.582	767.638

2) Dividend

Distribution of the profit share pertaining to the activity period of 2015 and retained earnings was approved by the annual general meeting held on March 30, 2016, and the amounts of the profit shares decided to be distributed were paid in cash to the shareholders of the Company on May 25, 2016 and August 24, 2016.

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:

- Forty seven (47) special situation disclosures through the public disclosure platform;
- Giving answers through email to questions of three (3) local investors and one (1) foreign investor;
- Teleconference meeting with 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

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 2016, 4 written applications were made to the Investor Relations Department and all applications 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, 47 special situation disclosures were made in 2016.

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 09.01.2017.

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.

Information regarding the lawsuits 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 2015 of the company was held on 30.03.2016. Notice for the meeting was advertised on the corporate Internet site of the company (www.akmgvyo.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 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 Internet site. In addition, the Minutes of the General Meeting are made available to the information of investors on the Internet site.

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 2015, which any shareholder submitted in writing to the Investor Relations Department for its inclusion in the agenda.

2.3.3. The annual general meeting 2015 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 30.03.2016, and 97% 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 March 30, 2016, 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 2016. 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 2015 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 2015 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 2015 pursuant to the Capital Market Law and the Profit Share Communiqué (II-19.1) of the Capital Market Board.

2.3.11. The General Assembly meetings of the Company are publicly held, although there is no provision in this respect in the articles of association.

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, and maximum care is given in this regard.

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 2016 for the year 2015, a resolution was passed for the distribution of the profit as follows: of the dividend in the amount of TL 76.763.840,00, the amount of TL 66.702.560,00 was distributed to the shareholders in cash on May 25, 2016 and the amount of TL 10.061.280,00 was distributed to the shareholders in cash on August 24, 2016.

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, 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.

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 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 2016.

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. Although such models which support participation of the stakeholders, primarily the employees of the Company, in the management of the Company are not provided in the articles of association, they are tried to be developed in a manner not to interfere with the activities of the Company.

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 good manners 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. It 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 2016.

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 recognised throughout the world.

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 of Board of Directors at Ak-Pa, Dinkal and Akasya Çocuk Dünyası / roles in Boards of Directors of various Group Companies of Akkök and Akış GYO.		
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 of Akmerkez Lokantacılık gıda San. ve Tic. A.Ş. / roles in Boards of Directors of various Group Companies of Akkök and Akış GYO.		Early Risk Detection Committee Member
Ahmet Cemal Dördüncü	Male	Board Member	Manager	-	Chairman in Akenerji, Akcez, Akış GYO, Akyaşam and Gizem Frit/ roles in Boards of Directors of Akkök Holding A.Ş. and us 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 Sanayii A.Ş. and International Paper Co.		
Frederic Yves Marcel Fontaine	Male	Board Member	Manager	Board Member	Chief Development 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	-	Founding partner and Vice President of Turkish Financial Literacy and Inclusion Association (FODER)/ the Member of High Advisory Council 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 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 2016.

There is 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.

DECLARATION FOR INDEPENDENT BOARD MEMBERSHIP

REPUBLIC OF TURKEY
9th Notary Public of Bodrum
Journal Entry Date: 3rd March 2016
Journal Entry No.: 01295

DECLARATION OF INDEPENDENCE

I hereby declare that I am a candidate to perform duty as "Independent Member" in the Board of Directors of AKMERKEZ 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 9th Notary
Aynur Erdoğan
Represented by
Chief Clerk
Şaban Şanda

(official seal and signature)

DECLARATION FOR INDEPENDENT BOARD MEMBERSHIP

REPUBLIC OF TURKEY
16th Notary Public of Üsküdar
Journal Entry Date: 3rd 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 16th Deputy Notary
Talat Günay

(official seal and signature)

DECLARATION FOR INDEPENDENT BOARD MEMBERSHIP

REPUBLIC OF TURKEY
28th Notary Public of Beşiktaş
Journal Entry Date: 6th 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 İstanbul. 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 Dünyası as well assuming roles in the boards of directors of various companies of Akkök Group.

Murat GİGİN **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 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 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, Akyaşam 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.

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.

Frederic Yves Marcel FONTAINE
Board Member

Mr. Fontaine was born in Tours, France in 1958. After having graduated from Nantes University of Commerce in 1981, he started his career at France Construction in 1983. Thereafter, he worked at Copra, Trema and Hammerson, respectively. He has worked as general manager in Corio France and member of the board of directors and CDO of Corio N.V. during May 2003 - January 2015. He has been continuing his career as Chief Development Officer of Klepierre S.A. France since January 2015. Mr. Fontain is married with two children.

Atilla 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 (ODTÜ), and received a master degree from ODTÜ ve 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 Boğasiçi 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 and French.

Fatma 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 which underwent a transformation process. 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. Dilek Bil 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.

Dilek Bil focused on NGO activities with KAGİDER (Turkish Women Entrepreneurship Association) of which she acted as the President. 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).

Dilek Bil is also known to have cooperated with CNBC-e for “Dilek Bil ile, Sürsün Bu Dünya!”, a TV show meant 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.

Dilek Bil is one of the founding partners of Sustineo Istanbul Sustainability Business Platform which provides support to the business world in order to perform activities that would produce concrete results on sustainability. Dilek Bil is a member of the Board of Trustees of WWF (World Wildlife Fund).

Dilek Bil also acted 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 to Chaine des Rotisseurs and Accademia Italiana della Cucina in addition to being a founding partner and board member 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 Akiş 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. Although it is not set out in the articles of association, the powers of the chairman of the board of directors and the general manager have been segregated. 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 2016, the Board of Directors convened four (4) times and a participation of about 95% was ensured as an average. In 2016, totally 37 resolutions were passed by the Board of Directors, and 6 of these resolutions were passed by holding meeting and the other 31 resolutions were passed by in accordance with the provision of paragraph 4 of article 390 of the Turkish Commercial Code. In 2016, all of the Board resolutions requiring were passed unanimously. No Board member raised an objection to the resolutions passed in 2016.

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 2016. 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. No such service was purchased in 2016.

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 7 (seven) times in 2016 and wrote the outcomes of the meetings into the minutes and submitted the decisions taken to the general meeting. 7 (seven) reports were submitted by the committee in charge of audit to the board of directors during the accounting period 2016. 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 6 (six) times in 2016 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.

In that respect, Early Risk Detection Committee convened every two months and issued six reports in 2016.

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, the Board of Directors determined to receive services from KPMG Akis 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 2016 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 4.100 TL per person until the end of March, 2016 and 4.450 TL per person after the general assembly meeting on 30.03.2016, monthly and annual gross benefits provided to Board of Directors amounting to TL 677.337,48-TL in total and benefits provided to the top level executive amounted to 447.080,00-TL in 2016. 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 2016.

DIRECTOR	AMOUNT TL
Raif Ali Dinçök	68.686,74
Alize Dinçök Eyüboğlu	68.686,74
Murat Gigin	68.686,74
Davut Braunştayn	68.686,74
Frederic Yves Marcel Fontaine	68.686,74
Sinan Kemal Uzan	68.686,74
Lina Filiba	51.660,39
Atilla Altınordu	51.660,39
Ahmet Cemal Dördüncü	51.660,39
Fatma Dilek Bil	46.044,49
Remziye Asli Karadeniz	5.282,46
Mehmet Ali Berkman	14.727,23
Selçuk Yener	14.727,23
Lütfü Ünver	14.727,23
Rober Filiba	14.727,23
TOTAL	677.337,48

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 2016 are given hereinbelow:

As of 31st December 2016, although there is no receivable from the related parties, the debts to the related parties are as follows:

Debts to the related parties	31st December 2016
Akkök Holding A.Ş.	3.777
Aktek Bilgi İletişim Teknoloji San. ve Tic. A.Ş.	2.973
Dinkal Sigorta Acenteliği A.Ş.	237
	6.987

Advances given	31st December 2016
Üçgen Bakım ve Yönetim Hizmetleri A.Ş.	11.228
	11.228

Purchases from and sales to the related parties during the year ending on December 31, 2016 are as follows:

Sales made to the related parties:	31st December 2016
Akmerkez Lokantacılık Gıda San. Tic. A.Ş.	2.329.450
Tekfen Turizm İşletmeleri A.Ş.	917.013
Akkök Holding A.Ş.	1.927
	3.248.390

Purchases made from the related parties:	31st December 2016
Üçgen Bakım ve Yönetim Hizmetleri A.Ş.	28.549.528
Akkök Holding A.Ş.	434.219
Dinkal Sigorta Acenteliği A.Ş. (*)	216.988
Aktek Bilgi İşletişim ve Teknoloji Sanayi ve Ticaret A.Ş.	21.387
Akhan Bakım Yönetim Servis Hizmet Güvenlik Tic. A.Ş.	80
	29.222.202

(*) 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 TL-28.549.528 comprise of management expenses, renovation expenses and other expenses provided by Üçgen Bakım ve Yönetim Hizmetleri A.Ş. ("Üçgen"). The Company provides common areas services like car park, valet and apart hotel rent incomes from the related party Üçgen, in addition to these the Company has cinema and office floor rent incomes from the related party Üçgen to whom the Company charged TL-10.037.678 regarding the revenue collected on behalf of the Company for 2016.

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:

Following the election made for the Chairman and Board members in accordance with the Corporate Governance Principles, the Board of Directors resolved:

- To elect the Independent Board Member Fatma Dilek BİL as President of the Early Risk Detection Committee, Alize DİNÇKÖK EYÜBOĞLU and Sinan Kemal UZAN as Members in this Committee;
- To elect the Independent Board Member Atilla ALTINORDU as President of the Committee in Charge of Audit, and Fatma Dilek BİL as Member in this Committee;
- To elect the Independent Board Member Atilla ALTINORDU as President of the Corporate Governance Committee and the Board Member David BRAUNŞTAYN and Finance Manager and Manager of Investor Relations Department Zeynep Yıldırım GÜNDOĞDU as Members in this Committee;
- To empower the Corporate Governance Committee to perform the tasks of the Candidate Nomination Committee and Wage Committee due to the organizational structure of our Board of Directors.

Since employment of Finance Manager Zeynep Yıldırım Gündoğdu was terminated during the year, Ayşegül Canbaz was assigned as the Finance Manager.

Following the assignment, the Board of Directors resolved:

- To assign Independent Board Member Fatma Dilek BİL, Finance Manager Ayşegül Canbaz and Manager of Investor Relations Department and also Budget and Finance Executive Hilal Kayalar as the members of the Corporate Governance Committee in addition to Independent Board Member Atilla Altınordu and Board Member David BRAUNŞTAYN,
- To maintain Atilla ALTINORDU's position as the President of the Committee,
- To ascribe the tasks of Nomination Committee and Wage Committee to the Corporate Governance Committee as per the organizational structure of the Board of Directors.

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 internet site of our Company and in the Public Disclosure Platform.

In 2016, 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 2016, 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 7 (seven) times,
- Early Risk Detection Committee convened 6 (six) times, and
- Corporate Governance Committee convened 6 (six) 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). The grading report was disclosed to the investors by means of the Special Condition Disclosure dated 06.12.2016.

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 with the supplier of rating services. The Company did not receive any service in the areas such as investment consultancy and rating in 2016.

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 2016 within the duties and authority set out in the Corporate Governance Communiqué.

The committee in charge of audit met 7 (seven) times in 2016 and the results of the meeting were written to the minutes and the decisions taken were submitted to the board of directors. 7 (seven) reports were submitted by the committee in charge of audit during the accounting period 2016. The Committee proposed that a service should be received from the independent auditing company PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. in 2016 and stated that the annual and interim financial statements and the footnotes thereof were in compliance with the relevant legislation and principles.

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 2016 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	MEHMET BOZKURT	AKMERKEZ GYO A.Ş.	ACTION FOR DAMAGES Claim: 41.000 TL (Theft in Carpark)	The lawsuit was denied in favor of the company. The lawsuit was appealed by the Plaintiff and the 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.
4	İSTANBUL CIVIL COURT OF PEACE NO. 14	2013/956 New Case No: 2015/351	SEVİL PARFÜMERİ (STORE NO: 322-323)	AKMERKEZ GYO A.Ş.	RENT DECLARATORY ACTION (for reduction of the monthly rental fee to 55.000 TL)	Settlement was made.
5	İSTANBUL CIVIL COURT OF PEACE NO. 14	2013/957 New Case No: 2015/352	SEVİL PARFÜMERİ (STORE NO: 221)	AKMERKEZ GYO A.Ş.	RENT DECLARATORY ACTION (for reduction of the monthly rental fee to 25.000 TL)	Settlement was made.
6	İSTANBUL 4. ASLİYE TİCARET MAHKEMESİ	2014/128	ÖMER DİNÇKÖK	AKMERKEZ GYO A.Ş.	DECLARATORY ACTION	The action was concluded in favor of the Company.
7	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 and the file is pending before the Supreme Court of Appeals.
8	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.
9	İSTANBUL COMMERCIAL COURT OF FIRST INSTANCE NO. 14	2015/394	ÖMER DİNÇKÖK	AKMERKEZ GYO A.Ş.	DECLARATORY ACTION	The action was concluded in favor of the Company. The judgment was appealed by the Plaintiff and the file is pending before the Supreme Court of Appeals.
10	İSTANBUL CIVIL COURT OF PEACE NO. 10	2014/732	TUFAN SAAT	AKMERKEZ GYO A.Ş.	ACTION IN PERSONAM (400.000-TL)	The action was concluded in favor of the Company. The judgment was appealed by the Plaintiff and the file is pending before the Supreme Court of Appeals.
11	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.
12	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.
13	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.
14	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.
15	İSTANBUL CONSUMER COURT NO. 11	2016/779	HATİCE MERİH DÖNMEZER	AKMERKEZ GYO A.Ş.	ACTION FOR DAMAGES Total Claim: 20.000 TL	The case is pending before the court.
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 INITIATED BY 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. 12	2013/195	AKMERKEZ GYO A.Ş.	HOME STORE (STORE NO. 178)	ACTION FOR EVACUATION	Settlement was made.
2	İSTANBUL CIVIL COURT OF PEACE NO. 8	2015/392	AKMERKEZ GYO A.Ş.	HOME STORE (STORE NO. 178)	RENT DECLARATORY ACTION (Claim: 400.000 TL)	Settlement was made.
3	İSTANBUL ENFORCEMENT COURT OF PEACE NO. 21	2016/353	AKMERKEZ GYO A.Ş.	SİMURG (STORE NO. 132)	ACTION FOR CANCELLATION OF OBJECTION AND EVACUATION	The action was concluded in favor of the Company.
4	İSTANBUL CIVIL COURT OF PEACE NO. 1	2016/537	AKMERKEZ GYO A.Ş.	VESAİRE (GARAGE FLOOR STORE NO. 12)	ACTION FOR EVACUATION	The action was concluded in favor of the Company and the store has been evacuated.
5	İSTANBUL CIVIL COURT OF PEACE NO. 4	2016/287	AKMERKEZ GYO A.Ş.	DERKON DERİ (STORE NO. 249)	ACTION FOR EVACUATION	The action was concluded in favor of the Company.
6	İSTANBUL CIVIL COURT OF PEACE NO. 13	2016/667	AKMERKEZ GYO A.Ş.	VESAİRE (GARAGE FLOOR STORE NO. 12)	ACTION FOR EVACUATION	The action was concluded in favor of the Company and the store has been evacuated.
7	İSTANBUL CIVIL COURT OF PEACE NO. 3	2016/294	AKMERKEZ GYO A.Ş.	SİMURG (STORE NO. 132)	ACTION FOR EVACUATION	The action was concluded in favor of the Company and the store has been evacuated.
8	İSTANBUL CIVIL COURT OF PEACE NO. 3	2016/479	AKMERKEZ GYO A.Ş.	VESAİRE	ACTION FOR EVACUATION	The action was concluded in favor of the Company and the store has been evacuated.
9	İSTANBUL CIVIL COURT OF PEACE NO. 18	2016/559	AKMERKEZ GYO A.Ş.	KEREMCAN GIDA (MADO)	ACTION FOR CANCELLATION OF OBJECTION AND EVACUATION	Settlement was made.
10	İSTANBUL CIVIL COURT OF PEACE NO. 18	2016/560	AKMERKEZ GYO A.Ş.	KEREMCAN GIDA (MADO) STORAGE	ACTION FOR CANCELLATION OF OBJECTION AND EVACUATION	Settlement was made.
11	İSTANBUL CIVIL COURT OF PEACE NO. 10	2016/1353	AKMERKEZ GYO A.Ş.	ESSE (STORAGE)	ACTION FOR EVACUATION	The action was concluded in favor of the Company.
12	İSTANBUL CIVIL COURT OF PEACE NO. 10	2016/1354	AKMERKEZ GYO A.Ş.	ESSE (STORE NO. 122)	ACTION FOR EVACUATION	The action was concluded in favor of the Company.

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 GİĞİN	ACTION FOR DAMAGES (ARISING FROM RESPONSIBILITY OF COMPANY MANAGERS)	Combined with the case no 2014/1080 of Istanbul Commercial Court of First Instance No. 18