

2012

AKMERKEZ
GAYRİMENKUL
YATIRIM ORTAKLIĞI A.Ş.
ANNUAL REPORT





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AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

REPORT OF THE BOARD OF DIRECTORS

ON THE ACTIVITIES OF THE COMPANY IN 2012

Dear Shareholders,

We present our annual report covering the period of 01.01.2012-31.12.2012 on the activities of the Company, which fulfilled all of the corporate governance principles established by the Capital Market Board, over 2012.

MANAGEMENT AND BOARD OF DIRECTORS

Board of Directors:

Chairman	:	RAİF ALİ DİNÇKÖK
Vice Chairman	:	FEYYAZ BERKER
Member	:	DAVİT BRAUNŞTAYN
Member	:	ERHAN ÖNER
Member	:	ALİZE DİNÇKÖK EYÜBOĞLU
Member	:	MEHMET ALİ BERKMAN
Member	:	FREDERIC YVES FONTAINE
Member	:	LÜTFÜ ÜNVER
Member	:	SELÇUK YENER
Member	:	ROBER FİLİBA

The Members of the Board of Directors were elected by the shareholders at the annual general meeting held on 28.05.2012 for office term of 3 years.

The members are RAİF ALİ DİNÇKÖK, MEHMET ALİ BERKMAN and ALİZE DİNÇKÖK EYÜBOĞLU who were nominated by AKKÖK SANAYİ YATIRIM VE GELİŞTİRME ANONİM ŞİRKETİ, a company which holds majority of the Group (A) nominative shares; FEYYAZ BERKER and ERHAN ÖNER who were nominated by TEKFEN HOLDİNG ANONİM ŞİRKETİ, a company which holds majority of the Group (B) nominative shares; DAVİT BRAUNŞTAYN who holds majority of the Group (C) nominative shares and FREDERIC YVES FONTAINE who holds majority of the Group (D) nominative shares.

Of the members of the present board of directors, LÜTFÜ ÜNVER, SELÇUK YENER and ROBER FİLİBA are independent members of the board pursuant to the Communiqué on the Principles Applicable to Real Estate Investment Companies.

All members of the board of directors meet the qualifications required from them by the Communiqué on the Principles Applicable to Real Estate Investment Companies and, except for FREDERIC YVES FONTAINE, who is a national of France, are citizens of the Republic of Turkey.

Audit Board:

Lawyer SABİ RUSO
Lawyer İLKNUR BORACI
ALİ ŞEVKET TURSAN

General Manager:

MURAT KAYMAN

AGENDA OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS 2012 OF AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

1. Opening and formation of the chairing board;
2. Reading and discussion of the Annual Report issued by the Board of Directors;
3. Reading of the Auditors' Report;
4. Reading and approval of the financial statements;
5. Release of the Members of the Board of Directors from their respective obligations in respect of the operations of the Company in 2012;
6. Reading and submission to the approval of the General Meeting of the Profit Distribution Policy and the profit distribution proposal issued by the Board of Directors pursuant to the Capital Market Legislation.
7. Approval of the appointment made by the Board of Directors to vacant position in the Board occurred over the account year;
8. Submission to the approval of the General Meeting of the Independent Auditor selected by the Board of Directors pursuant to the "Communiqué on the Independent Audit Standards in Capital Market" issued by the Capital Market Board and the provisions of the Turkish Commercial Code applicable to the selection of Independent Auditor;
9. Providing that required permissions have been obtained from the Capital Market Board and the Ministry of Customs and Commerce of the Republic of Turkey, submission to the approval of the General Meeting of the draft amendments to the Article 4 of the Articles of Association of the Company, titled 'Head Office and Branch Offices of the Company', the Article 6, titled 'Capital and Shares of Stock', the Article 7, titled 'Transfer of Shares of Stock', the article 9, titled 'Borrowing Limit and Issue of Securities', the article 11, titled 'Board of Directors and Office Term', the Article 13, titled 'Meetings of the Board of Directors', the Article 14, titled 'Special Resolutions and Compliance with Corporate Governance Principles', the Article 15, titled 'Remunerations to the Members of the Board of Directors', the Article 16, titled 'Management and Binding of the Company', the Article 18, titled 'Bans on Executives', the Article 21, titled 'Independent Audit', the Article 22, titled 'General Meetings of Shareholders and Quorum', the Article 23, titled 'Place of Meeting', the Article 24, titled 'Presence of a Representative of the Ministry in the General Meetings', the Article 25, titled 'Appointment of Proxy', the Article 26, titled 'Voting Method', the Article 27, titled 'Announcements of the Company', the Article 28, titled 'Obligation to Give Information', the Article 30, titled 'Distribution of the Profit', the Article 31, titled 'Timing of Profit Distribution', and the Article 32, titled 'Dissolution and Liquidation' and of the proposal for deletion of the Article 19 of the Articles of Association, titled 'Auditors and Their Office Term', and the Article 20, titled 'Remunerations to the Auditors';
10. Release of the Statutory Auditors from their obligations;
11. Reading and submission to the approval of the General Meeting of the policy of the Company on the donations and charity aids pursuant to the corporate governance principles;
12. Reading and submission to the approval of the General Meeting of the 'Internal Guideline on the Principles and Procedures Applicable to the Working of the General Meeting of Shareholders' of the Company;
13. In the event that any shareholder controlling the management of the Company or any member of the Board of Directors or any executive of the Company as well as any of their spouse and blood and in-law relatives up to second kin has executive any transaction

of significant nature which may lead to conflict of interest with the Company or any affiliate of the Company and/or executed any transaction in the nature of a commercial business which falls within the business of the Company or any of the affiliates of the Company on his name and behalf or on the name and behalf of any third person or become a member of a commercial enterprise which is engaged in the same sort of business of the Company or any affiliate of the Company as a partner with unlimited liability, giving information to the General Meeting about such transactions pursuant to the Corporate Governance Principles of the Capital Market Board and giving of permission by the General Meeting to the members of the Board of Directors in respect of such transactions pursuant to the articles 395 and 396 of the Turkish Commercial Code;

14. Giving information to the General Meeting about the donations and charity aids made by the Company over 2012 pursuant to the Capital Market legislation and about the related party transactions of the Company which are of common and continuous nature pursuant to the regulations of the Capital Market Board;
15. Giving information to the General Meeting about the discounts made from the rents over 2012.
16. Wishes and Closing.

BOARD OF DIRECTORS

**AGENDA OF THE GENERAL MEETING OF HOLDERS OF GROUP (A), (B), (C)
and (D) PREFERENTIAL SHARES OF
AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ**

1. Opening and election of the Chairing Board of the General Meeting;
2. Giving authority to the Chairing Board to sign the minutes of the General Meeting;
3. Providing that required permissions have been obtained from the Capital Market Board and the Ministry of Customs and Commerce of the Republic of Turkey, submission to the approval of the General Meeting of the draft amendments to the Article 4 of the Articles of Association of the Company, titled ‘Head Office and Branch Offices of the Company’, the Article 6, titled ‘Capital and Shares of Stock’, the Article 7, titled ‘Transfer of Shares of Stock’, the article 9, titled ‘Borrowing Limit and Issue of Securities’, the article 11, titled ‘Board of Directors and Office Term’, the Article 13, titled ‘Meetings of the Board of Directors’, the Article 14, titled ‘Special Resolutions and Compliance with Corporate Governance Principles’, the Article 15, titled ‘Remunerations to the Members of the Board of Directors’, the Article 16, titled ‘Management and Binding of the Company’, the Article 18, titled ‘Bans on Executives’, the Article 21, titled ‘Independent Audit’, the Article 22, titled ‘General Meetings of Shareholders and Quorum’, the Article 23, titled ‘Place of Meeting’, the Article 24, titled ‘Presence of a Representative of the Ministry in the General Meetings’, the Article 25, titled ‘Appointment of Proxy’, the Article 26, titled ‘Voting Method’, the Article 27, titled ‘Announcements of the Company’, the Article 28, titled ‘Obligation to Give Information’, the Article 30, titled ‘Distribution of the Profit’, the Article 31, titled ‘Timing of Profit Distribution’, and the Article 32, titled ‘Dissolution and Liquidation’ and of the proposal for deletion of the Article 19 of the Articles of Association, titled ‘Auditors and Their Office Term’, and the Article 20, titled ‘Remunerations to the Auditors’;
4. Wishes and closing.

BOARD OF DIRECTORS

AKMERKEZ IN BRIEF

The best shopping mall of the world ...

Consisting of four floors, Akmerkez Shopping Center presents a safe, pleasant, and spotless environment complemented with a continuous music broadcast. It is air conditioned all year round. Furthermore, the building is armed with a fire warning siren as well as fire extinguishing systems, state-of-the-art security systems and these as well as impeccable building automation provides comfort and safety to its guests.

Its new decor allows Akmerkez to combine performance with aesthetics. Since the day it has opened its doors, Akmerkez has been more vibrant compared to ordinary shopping centers.

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 establishers 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 received many other awards in the international arena during its ten-year history. The latest award Akmerkez received 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, 14-story and 17-story office towers, 23-story Akmerkez Residence – Apartment Hotel building 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 345 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 vibrant experience that exceeds the shopping center concept...

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 hours of 10:00 am – 10:00 pm seven days a week. The fact that the cultural and arts events held make Akmerkez more than just a shopping center also helps continually increase the number of patrons visiting the center. The success of the cozy and fun atmosphere is reflected in both the number of visitors, which is calculated to be 1.2 million per month. 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, a popular district in Istanbul. Istanbulites watched the structural development with curiosity.

1993

Istanbulites meet their new vibrant 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

Increasing its success every year

The Jean Louis Solal Marketing Award is among the most significant European awards and is presented to world-prominent retail institutions evaluated by the ICSC. Professionalism and successful marketing projects in the advertisement of Akmerkez won the 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 its guests.

2005

We are publicly enlisted

Akmerkez was publicly enlisted 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 invest USD 25 million in a complete make-over. 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

With the restoration project initiated in 2008, Akmerkez aimed to provide its guests with a completely renewed vibrant space. Interior refurbishment within the scope of this project was deemed worthy of the “Interior Design 5 Star” award, accepted as the “Academy Awards of Property” at the Europe & Africa Property Awards which was organized as part of the International Property Awards.

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, 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.

New stores settled in our shopping mall in 2012

Owing to its proximity to downtown, favorable position, ease of access and care shown for positioning of stores, Akmerkez added important local and international brands, such as Bee Goddess, Victoria’s Secret, Bath and Bodyworks, Billstore, Imaginarium, Bobbi Brown, etc., to its portfolio in 2012.

Message from the Board of Directors

Dear Shareholders,

In 2012, a period when the world economy was shaken by uncertainty and newly emerging problems, Turkish economy exhibited a successful development and transformation performance based on courage and vision by preserving the confidence and discipline. Cautious, well-disciplined and long-sighted approach toward basic macroeconomic areas ensured achievement of such results in the areas of price stability, financial stability, public finance and unemployment which are noteworthy in global sense, despite a slowdown in growth resulting from efforts to balance the demand.

As confirmed by raising of the country rating of Turkey by the international rating agency Fitch from BB+ to BBB-, the investible country rating, on November 5, 2012, Turkish economy succeeded to mitigate her vulnerability to external shocks in 2012, despite the shrinkage in the export markets in Europe and the socio-economic problems in the neighboring regions with which the country has strong economic relations. It is expected that this performance will continue in 2013 with the assumption that the political stability remain intact.

Severely damaged by the economic crisis in 2001 as the data released by the OECD show, Turkish economy rapidly recovered afterward and exhibited a very successful performance during the last 10 years which is shown as an example all around the world. According to the data released by the OECD, with the data for 2012 being estimates, over the period of 2003-2012, the world economy grew by 3.5 percent and the OECD countries by 1.7 percent, but Turkish economy grew by 5.1 percent in average. When we look at the growth rate of each OECD country, we see that Turkey ranks first in the list. Growing at high rates except for the years of 2008 and 2009 when the global crisis that shook all countries, of which effects are still continuing, was experienced, Turkey, with a growth performance at the rate of 8.5 percent achieved last year, became the fastest growing country of the world after China. Turkey's Gross Domestic Production (GDP) reached around 775 billion US dollars over that period. According to the OECD estimation for 2012, Turkish economy grew by 2.9 percent, the OECD countries by 1.4 percent and the world economy by 2.9 percent in 2012. According to the analysis made in the light of these data, Turkey had grown more than all OECD countries over the last 10 years. Based on the average growth rate over the period of 2003-2012, Turkish economy is expected to reach a growth rate of 5.1 percent as of the end of 2012, while the growth rate of the world economy is expected to remain at 3.5 percent and the growth rate of the OECD countries at 1.7 percent.

The policies pursued by the Central Bank of Turkey over 2012 gave positive result on the current account balance side and the ration of current deficit to GDP, which exceeded 10 percent in the last year, decreased to a single digit rate in the year again.

Despite the slowdown of the economy in 2012, employment maintained its positive outlook. Unemployment decreased below 8% in June, which was the lowest rate over the last 11 years.

Closely monitoring the conditions in Turkey and the world and rapidly accommodating itself to changes owing to its dynamic structure, Akmerkez GYO maintained its leading position in the industry in 2012. Started its journey with the goal of becoming "the best shopping mall of the world" and reached the goal in its second year, Akmerkez Shopping Mall is proud for

having offered a comfortable living center which has caught the age with the completed interior space renovations to its guests in 2012. Prizes awarded by respectable organizations both in Turkey and in international platforms so far are an indicator of the sustainability of the success of the Company.

Contributions of our valuable employees who worked with self-sacrifice, care and confidence and of our esteemed guests, shareholders and management to the successful performance of Akmerkez GYO in 2012 are great. We thank all of them from the heart.

BOARD OF DIRECTORS

Message from the General Manager

Dear Shareholders,

Owing to lessening of the vulnerabilities in the Turkish economy, vigorousness in a number of industries continued. In parallel with this, demand for rental offices and investments in shopping centers have increased. As foreign retailers focused on the Turkish market after the crisis, the organized retail industry was positively affected from this and rents in the shopping centers continued to rise in recent years. In line with these developments, the real estate industry entered 2013 with positive expectations owing to the positive market conditions in 2012.

One of the most important issues in 2012 was the new regulations introduced by the new Turkish Commercial Code that came in effect during the year. The new Code, which introduces a number of novelties to the commercial life, contains certain mandatory regulations. With the new Code, especially the financial constructions of the companies are expected to achieve a transparent structure to international standards. The new regulations bring a new dimension to the lessor and lessee relationship.

Although the growth rate seemingly slowed down in 2012, stability in the economy led to positive developments in the construction industry, the shopping center investments and the retail industry.

Akmerkez GYO A.Ş. drew a sustainable success graph in 2012 as well owing to the renovated features of the shopping mall, the customer-focused arrangements, the ability of the company to adapt itself to ever changing trends and the dynamic structure of the company. By having been awarded with 11 prizes within just one year and attracted important brands of the world which opened their first stores in Turkey in Akmerkez, Akmerkez has proven once again that it is the leader of the shopping center industry of Turkey.

I thank all employees, tenants, esteemed shareholders and guests who have contributed to these successes.

Murat KAYMAN
General Manager

Activities in 2012

Developments in the Industry

Based on the data pertaining to the first 11 months of 2012, turnovers in the retail industry increased by 6%, as adjusted by the inflation rate, in 2012 compared with the same period of the last year. This data indicates that the industry grew by 4 times over the average growth rate of the country. The square meter index rose by 7% and the jobs increased by 8% on yearly basis over the last year. The growth in employment corresponds to 70,000 new jobs. The retail industry currently employs around 630,000 persons. As such, the retail industry is one of the top two industries which provide the most jobs in the country.

With 15 new shopping centers opened in 2012, total 502,000 m² was added to the industry and hence the total leasable area of the industry reached 8.1 million m². The leasable area per 1000 persons is now 103 m².

It is known that as of 2012, approximately 1.9 million m² leasable area is under construction due completion by the end of 2013. Upon completion of the projects under construction, total shopping center stock in Turkey will reportedly reach 9.9 million m². Currently 30 projects are under construction and 60 projects at the planning stage.

The retail outlet density in Turkey is expected to reach 129 m² as of the end of 2013. It is foreseen that the retail outlet density in İstanbul and Ankara will rise significantly and reach 308 m² and 264 m², respectively, and that İstanbul will remain as the city with the highest retail outlet density.

According to the data released by the Society of Shopping Center Investors, revenues of the shopping centers exceeded 48 billion U.S. dollars.

Shopping Center Management

As a brand which has made many “firsts” in Turkey so far, Akmerkez continued to be the pioneer in the industry and realized successful projects in 2012. Having introduced many “firsts” to its guests over the year, Akmerkez was the starter of new trends both in culture and art area and in digital applications.

Turkey’s First and Most Colorful Stretcher Room: BOYAMIKO

In collaboration with UNICEF, Akmerkez has created Turkey’s first and most colorful stretcher room where children can paint freely. The space called “Boyamiko”, fitted with painting stretchers and specially designed illustrations, was colored by children.

Walls of the Boyamiko room with a floor area of 40 m² were rigged with 19 stretcher boards, and stretchers with drawings of 3,420 cartoon characters, which were specially designed by a young artist, Asu Ceren, were placed on the boards to be painted by children freely. With this project, which aimed to allow the minor guests to reflect their imagination and develop their creativity, children were allowed to paint walls freely first time ever in Turkey. Stretchers on the walls of Boyamiko which drew great interest not of the minor guests only but also of the adults were replaced exactly 7 times in a very short time as one month.

For the project which was carried out from May 15 till June 15, a special collection signed by UNICEF and Boyamiko was prepared. Proceeds from the sale of this special collection, which comprised of bags and books which were replicas of the Boyamiko room minimized at the rate of three thousandth, were donated to UNICEF in order to support children living in disadvantageous regions.

Akmerkez ParkMe Ended Trouble of Finding a Parking Lot for Hours

Akmerkez ParkMe Application which has been introduced by Akmerkez first time ever in Turkey is a mobile solution developed against the parking space problem at shopping centers, which makes life easier and saves time. With the smart phone application called Akmerkez ParkMe, trouble of the guests who come to Akmerkez with their cars to find a parking lot at the entrance and to locate the car at the exit has been solved.

The Akmerkez ParkMe Application, which runs on the position data, both informs the empty parking space in the garage of Akmerkez and the route to that space and records the lot where the car was parked so as to allow the guests to locate their cars easily at the exit.

People Experienced the Joy of İstanbul Shopping Fest at Akmerkez

Akmerkez made guests experience the joy of festival with events held in the night of June 16 within the scope of the İstanbul Shopping Fest held over the period of June 9-29, hosted by Akmerkez.

Besides discounts of up to 50% as special for the festival, colorful concerts hosted by Akmerkez added extra joy to the joy of shopping. Seizing the opportunity to taste the foods and beverages offered by the restaurants free of charge at the shopping breaks, the festival participants experienced the enthusiasm of the İstanbul Shopping Fest with concerts that lasted till 02.00 am. In the night which started with the concert of Atiye and continued with the concert of Canan Anderson, also the Group Model took to the stage. The M.F.Ö, the legendary group of the Turkish Pop music, finalized that special and entertaining night.

In the lottery held special for the night when Akmerkez hosted the festival, one lucky guest of Akmerkez won Audi Q5 2.0 TDI Quattro.

Akmerkez was Awarded with 11 Prizes in Just One Year

Akmerkez was awarded with 11 prizes by 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 for four projects in 2012. The project “7 Elephants Wanted” was awarded with five prizes, while the “Young Mixed Exhibition” was awarded with three prizes, the project “FashionAir/Fashion Side Out” with two prizes and the “Opera Show” with one prize, from international organizations.

The project “FashionAir/Fashion Side Out”, which was realized at Akmerkez first time ever in Turkey in order to display the products of young designers, was rewarded with two awards by MarCom Awards, while the “Young Mixed Exhibition”, which presented the works of nearly seventy young artists which were not exhibited previously, to the guest of Akmerkez, was awarded with two prizes by MarCom and with one prize by ICSC Solal Marketing Awards.

The project “7 Elephant Wanted”, whereby the guests of Akmerkez tried to find the elephants hidden inside Akmerkez by means of an application downloaded into their smart phones, won prizes from MarCom, Hermes, ICSC Solal Marketing, IPRA and Stevie International Business.

A special event, the “Opera Show”, won the platinum award, the greatest award of the competition, from Hermes Awards.

Akmerkez Was the Center of Art in 2012 as well

In 2012, Akmerkez hosted exhibition of special parts in various art branches within the scope of “Art at Akmerkez” events. The exhibitions organized in collaboration with Tunca Art Gallery were met with great interest of the art lovers, the press, the society and the state officials.

Having introduced to its guests the most important works of the Ottoman calligraphy and the imperial orders that have existed till today in the “Hüsn-ü Hat” [*Beautiful Calligraphy*] Exhibition held in February, Akmerkez exhibited the works of the prominent artists of the Turkish painting like Bedri Baykam, Bedri Rahmi Eyübođlu, Burhan Dođançay, Mustafa Ata, etc.

During the summer, works of art students who were receiving training at the Painting Workshop of Düşler Akademisi, an art school which offers the opportunity of receiving art education to physically disabled and socially disadvantaged children and youngsters, were exhibited at the Art Gallery of Akmerkez under the auspices of Akmerkez.

As a dynamic art gallery developed from within a shopping center, “Art at Akmerkez” keeps drawing great interest from both artists and guests of Akmerkez.

Akmerkez Fashion Side Out

This year, Akmerkez carried on the path with ‘Fashion Side Out’, a different leg of the Project FashionAir, an awarded project which brought together the young designers who give direction to the Turkish fashion with their followers.

With the “3 dimensional open shop window” application, which was a ‘first’ in Turkey, within the scope of Fashion Side Out, attention was drawn to the shop window design. Besides, by creating a neutral ambiance inside, the designers were brought into the forefront.

Fashion Side Out met with guests of Akmerkez with 4 distinct concepts throughout the year.

PROFIT DISTRIBUTION PROPOSAL

Members of the board of directors of AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ met and took the following resolutions:

The Company's net profit for the year 2012 shown on the financial statements issued as per the provisions of the Communiqué Serial XI, No. 29 of the Capital Market Board is TL 54,321,987.00 and net profit for the year 2012 shown on the financial statements issued as per the provisions of the Code of Tax Procedure TL 52,347,919.50.

Present members of the Board resolved unanimously

1. That from the net profit in the period in the amount of TL 54,321,987.00 as shown on the financial statements issued as per the provisions of the Communiqué Serial XI, No. 29 of the Capital Market Board, the primary statutory reserve in the amount of TL 2,612,699.32 be set aside pursuant to the article 519 of the Turkish Commercial Code;
2. That the portion of TL1,863,200.00 out of TL 51,759,337.68 which was calculated by adding the donations amounting to TL 50,050.00 made over the year to the net distributable profit in the period of TL 51,709,287.68 be set aside for distribution to the shareholders in cash as the First Dividend;
3. That a share be set aside from the remaining profit to the Members of the Board of Directors as per the article 30(c) of the articles of association of the Company;
4. That the portion of TL 43,505,720.00 of the remaining profit be set aside for distribution to the shareholders in cash as the Second Dividend;
5. That TL 4,350,572.00, which is one tenth of the amount remaining after deduction of 5% of the paid-up capital from the dividends to be paid to the shareholders, be set aside as the secondary statutory reserve pursuant to the paragraph 2 of the article 519 of the Turkish Commercial Code;
6. That the remaining profit be not distributed but set aside as the extraordinary reserve;
7. That the distribution of the profit share in the amount of TL 45,368,920.00 as total sum of the First Dividend and the Second Dividend set aside from the net profit in the period for distribution to the shareholders to the shareholders at the rate of 121.75% of the paid-up capital of the Company in cash in the amount of TL 1.2175 gross (=Net) (TL 100 = TL 121.75) against the profit share coupons for the year 2012 held by the shareholders and that the making of the distribution of the profit share on 29.03.2013 be proposed to the General Meeting;
8. That this resolution of the Board regarding the profit distribution proposal and the Profit Distribution Statement 2012 issued as per the decrees of the Capital Market Board be disclosed to the public and one copy of the profit distribution statement be submitted to the Capital Market Board.

MEMBERS OF THE BOARD OF DIRECTORS

PROFIT DISTRIBUTION STATEMENT

1. Paid-up/Issued Capital	37,264,000.00		
2. Total Statutory Reserves (According to Statutory Records)	45,158,860.47		
Information regarding preference in profit distribution as per articles of association			
		According to the Capital Market Board	According to Statutory Records
3.	Profit in the Period	54,321,987.00	52,347,919.50
4.	Taxes Payable (-)	-	-
5.	Net Profit in the Period (=)	54,321,987.00	52,347,919.50
6.	Losses in Previous Years (-)	-	-
7.	First Order Statutory Reserve (-)	2,612,699.32	2,612,699.32
8.	Amount of Distributable Profit of the Consolidated Subsidiary (*) about which distribution resolution has not been taken (-)	-	-
9.	Net Distributable Profit in the Period excluding any Unrealized Capital Earnings (=)	51,709,287.68	49,735,220.18
10.	Unrealized Capital Rises (-)	-	-
11.	Unrealized Capital Decreases (-)	-	-
12.	Net Distributable Profit in the Period excluding any Unrealized Capital Earnings (=)	51,709,287.68	49,735,220.18
13.	Donations made during the year (+)	50,050.00	50,050.00
14.	Net distributable profit in the period including the donations based on which the First Dividend will be calculated	51,759,337.68	49,785,270.18
15.	First dividend to shareholders		
	- Cash	1,863,200.00	1,863,200.00
	- Gratis Shares		
	- Total	1,863,200.00	1,863,200.00
16.	Dividend to holders of preferential shares	Amount of dividend payable to holders of preferential shares as per the provisions of the articles of association	
17.	Dividend to members of the board of directors, employees, etc.	-	-
18.	Dividend to holders of redeemed shares	-	-
19.	Second Dividend to Shareholders	43,505,720.00	43,505,720.00
20.	Second Order Statutory Reserve	4,350,572.00	4,350,572.00
21.	Statutory Reserves	-	-
22.	Special Reserves	-	-
23.	EXTRAORDINARY RESERVE	1,989,795.68	15,728.18
24.	Other Resources Envisaged to be Distributed: - Profits in the Previous Years - Extraordinary Reserves - Other Reserves Distributable Pursuant to the Law and the Articles of Association	-	
(*) The Subsidiary includes subsidiaries and joint ventures of the Parent Company as well as partnerships in which a common management is used.			

INFORMATION ABOUT THE RATE OF DISTRIBUTED PROFIT SHARE (1)				
INFORMATION ABOUT THE DIVIDEND PER SHARE				
	GROUP	TOTAL AMOUNT OF DIVIDEND (TL)	DIVIDEND PER SHARE AT PAR VALUE OF TL 1.00	
			AMOUNT (TL)	RATE (%)
GROSS	A	4,962,225,630	1.2175	121.75
	B	3,459,380.15	1.2175	121.75
	C	2,920,624.22	1.2175	121.75
	D	34,026,690.00	1.2175	121.75
	TOTAL	45,368,920.00		
NET	A	4,962,225,630	1.2175	121.75
	B	3,459,380.15	1.2175	121.75
	C	2,920,624.22	1.2175	121.75
	D	34,026,690.00	1.2175	121.75
	TOTAL	45,368,920.00		
RATIO OF THE DISTRIBUTABLE PROFIT SHARE TO THE NET DISTRIBUTABLE PROFIT IN THE PERIOD INCLUDING THE DONATIONS				
AMOUNT OF PROFIT SHARE DISTRIBUTED TO THE SHAREHOLDERS (TL)	RATIO OF THE PROFIT SHARE DISTRIBUTED TO THE SHAREHOLDERS TO THE NET DISTRIBUTABLE PROFIT IN THE PERIOD INCLUDING THE DONATIONS (%)			
45,368,920.00	91.13%			
(1) If there is a group of shareholders owning preferential shares in respect of the profit distribution, the shareholder groups must be stated separately.				

Shareholding Structure and Shareholder Value

Akmerkez GYO A.Ş., a company registered with the İstanbul Trade Register Office (Trade Registration No. 260139) with offices at the address of Akmerkez Ticaret Merkezi E Kule Kat 1 Etiler, İstanbul, is a company whose 50.27% of its stocks are publicly held as of 31.12.2012.

One General Meeting of Shareholders was held as the Annual General Meeting held on 28.05.2012 in 2012. Rate of attendance at that meeting was over 90%.

All stocks representing the capital are listed in the İstanbul Stock Exchange (İSE).

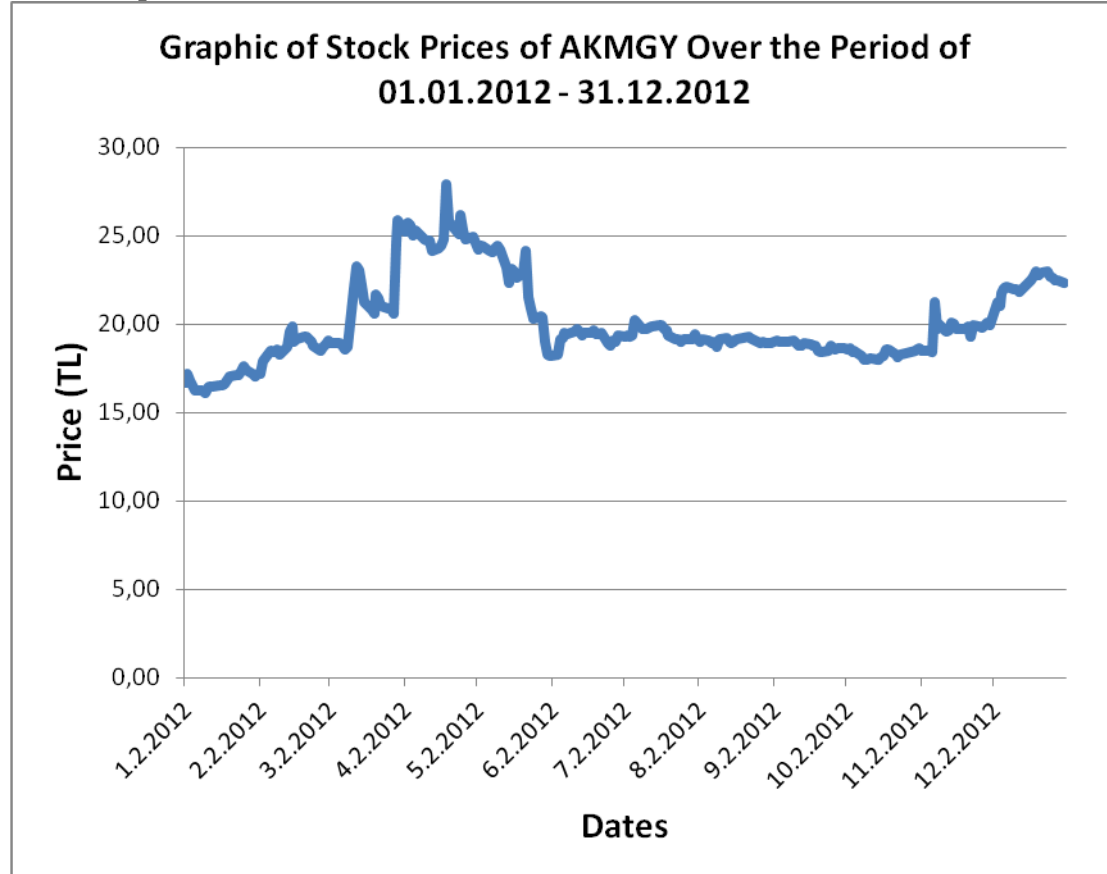
Capital and Shareholding Structure of Akmerkez GYO

The registered capital ceiling of Akmerkez GYO A.Ş. is TL 75,000,000 and the paid-up capital TL 37,264,000.

List of the shareholders who own 5% and more of the capital of the Company as of 31.12.2012 is as follows:

Trade Name/Name&Last Name of the Shareholder	Share in the Capital (TL)	Share in the Capital (%)
AKKÖK SANAYİ VE YATIRIM GELİŞTİRME A.Ş.	4,890,900.00	13.12
TEKFEN HOLDİNG A.Ş.	4,019,839.04	10.79
DAVİT BRAUNŞTAYN	2,559,403.42	6.87
PUBLICLY HELD STOCKS	18,732,612.80	50.27
OTHER	7,061,244.74	18.95
TOTAL	37,264,000.00	100.00

Stock Graphic



AUDITORS' REPORT SUBMITTED TO THE ANNUAL GENERAL MEETING OF SHAREHOLDERS FOR THE ACCOUNT PERIOD 2012 OF AKMERKEZ GYO A.Ş.

Trade Name of the Company	AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ
Head Office Address of the Company	Nispetiye Caddesi Akmerkez E-3 Blok Kat 1 Etiler, İstanbul
Capital of the Company	TL 37,264,000.00
Business of the Company	The Company has been established to engage in the objects and subjects specified in the regulations of the Capital Market Board concerning the investment companies.
Names and office terms of the auditors	SABİ RUSO, İLKNUR BORACI, ALİ ŞEVKET TURSAN - Their office term is one year. They are not shareholders of the Company.
Number of meetings of the board of directors and the board of auditors attended	The auditors attended three meetings of the board of directors. They held four meetings to inspect the books and transactions of the Company.
Dates of inspections of the accounts of the Company and the result of these inspections	In the audits made in April, July, October and December, it was found that the books of the Company were kept in compliance with the laws and were based on the evidencing documents.
Number and result of counts made at the treasury of the Company as per the article 353 of the TCC	In the treasure counts made bimonthly, 6 times in total over a year, it was found that the assets were consistent with the accounting entries.
Results of the inspections made pursuant to the article 353/4 of the TCC	In the inspections made once a month, it was found that there wasn't any commercial paper given to the Company as pledge, collateral or guarantee.
Received complaints and notification of corruption	No complaint and corruption notification was received by the auditors of the Company.

The balance sheet as of 31.12.2012 of Akmerkez Gayrimenkul Yatırım Ortaklığı Anonim Şirketi reflects the actual financial standing of the Company as of the said date and the Income Statement covering the period of 01.01.2012-31.12.2012 reflects the true results of the operations over the said period and the profit distribution proposal complies with the laws and the articles of association of the Company. We propose that the balance sheet and the income statement be approved and that the board of directors be relieved.

Yours sincerely,
SABİ RUSO

İLKNUR BORACI

ALİ ŞEVKET TURSAN

Corporate Governance Principles Compliance Report

Pursuant to the 3rd paragraph of the article 43 of the Communiqué Serial VI, No. 11 of the Capital Market Board Concerning the Principles Applicable to Real Estate Investment Companies, the information policy of Akmerkez Gayrimenkul Yatırım Ortaklığı Anonim Şirketi has been established as follows:

Information other than the information specified in the Communiqué on the Principles Applicable to Real Property Investment Companies, the Communiqué on the Principles Applicable to Disclosure of Special Situations to Public and the other relevant regulations is disclosed to the public in accordance with this information policy:

a. As subject to the rules and limitations set out in the aforesaid regulations, Akmerkez may take out ads and notices, hold press conferences, conduct public meetings, participate in fairs and similar events regarding its existing portfolio or new projects at hand and sales, leases and similar marketing activities related thereto.

b. Up-to-datedness of the technological infrastructure built in order to communicate the information of Akmerkez to the public and to inform the shareholders and the investors on every subject about the Company is ensured and the information is communicated through the following distribution channels:

Annual report: Annual report of Akmerkez is issued in Turkish and English and submitted to the investors fifteen days before the General Meeting and transmitted via electronic medium upon request.

Corporate web site: The portfolio value statement, the financial statements by periods, the stock performance, the annual report, the articles of association, the special situation disclosures and the documents related with the General Meeting of the Company are published in the web site of the Company.

Relations with the press: In order to inform the media about the current and future investment projects of the Company, the Company will hold press conferences. Dates of the press conferences will be notified to the concerned persons ten days before the conference. Press releases related with the conferences held will be distributed and interview requests will be evaluated.

Informing of the investors and specialists: How to respond to the questions and comment requests of shareholders, stakeholders, investors and financial analysts about Akmerkez is described in the third item below.

c. Questions asked and/or information and comments requested by the press, shareholders, stakeholders, investors, financial analysts and specialists about Akmerkez will be transmitted to the Company via the corporate web site, telephone and fax and the questions will be answered by the advisors of the board of directors, the General Manager, the finance manager, the company lawyers and the shareholder relations unit depending on the subject of such questions, within seven business days.

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

1. 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 Gayrimenkul Yatırım Ortaklığı A.Ş. has declared that it will observe the Corporate Governance Principles and introduce the regulations required by these principles in accordance with the current practices.

SECTION I - SHAREHOLDERS

All shareholders, including the minority and foreign shareholders, are treated equally.

Alongside the organs of the Company, the “Shareholder Relations Unit” which has been established as a requirement of the law reports directly to the General Manager. The Unit plays an active role in facilitating of the protection and use of the shareholding rights, mainly the right to be informed and the right to inspect.

Within this scope, questions forwarded to the unit are answered both by phone and in writing after they were discussed with the person having the highest authority on the respective subject matter, except for the information considered as confidential and trade secret.

No written application was made to the Shareholder Relations Unit over 2012.

Employees of the Company who are in charge of the Shareholder Relations are:

Murat Kayman
General Manager

0 212 282 01 70 / 235

murat@akmerkez.com.tr

Zeynep Yıldırım Gündoğdu

Finance Manager

0 212 282 01 70 / 228

zeynep@akmerkez.com.tr

Unit:

Fax: 0 212 282 01 65

e-mail: gyo@akmerkez.com.tr

Latest information and remarks which may affect the use of shareholding rights are published on the web site for use by the shareholders. In this context, 17 special situation disclosures were made in 2012.

3. Use of the Right to be Informed by the Shareholders

Each shareholder has the right to have access to and examine any information, except for trade secrets, in accordance with the regulations in effect. The right to be informed and the right to inspect have not been revoked or limited by the articles of association or a resolution of one of the organs of the Company.

Although there isn't a provision in the articles of association to the effect that each shareholder is entitled to personally demand from the general meeting to make a special audit for investigation of particular incidents even if it is not included in the agenda, no application was made to the general meeting in this regard.

No application was made for appointment of a special auditor over the period.

The management of the Company refrains from taking any action which makes it difficult to make a special audit.

4. General Meetings of Shareholders

One annual general meeting was held in 2012 and no media member attended the general meeting. The shareholders didn't use their right to ask question and didn't propose any issue to be discussed at the general meeting. Attendance at the general meeting was over 90%.

Besides the methods provided in the legislation, notice for the general meeting is made via the web site www.akmgyo.com and "KAP", the Platform for Public Disclosure, so as to ensure notification of the meeting to as many shareholders as possible, at latest three weeks before the meeting and is published in the Turkish Trade Register Gazette and two daily newspapers circulating across Turkey.

On the Internet site of the Company, besides the notice for the general meeting and other notices and disclosures of the Company which must be made pursuant to the law, the general meeting information section, which is prepared so as to include the matters specified in the article 1.3.2 of the Communiqué of the Capital Market Board Concerning the Establishment and Application of Corporate Governance Principles, was published.

On the agenda of the general meeting, each proposal is stated under a separate heading and clearly.

If there is an issue on the agenda of the general meeting which has been forwarded by the shareholders to the Shareholder Relations Unit of the Company in writing for inclusion on the agenda, it is evaluated by the Board of Directors. If the Board of Directors does not accept the agenda recommendations of the shareholders, unaccepted recommendations and reasons for rejection are announced at the general meeting.

Annual general meetings of shareholders are held in İstanbul with the aim of increasing the attendance of the shareholders in a manner that will not lead to inequality between the

shareholders and that will ensure attendance of the shareholders at the meeting with minimum cost, in accordance with the relevant article contained in the articles of association.

Questions asked by the attendants at the general meeting, which are not considered as trade secret, are answered by the Board of Directors and top executives.

At the annual general meeting 2011, necessary permissions were granted to the shareholders who held majority in the management, the members of the board of directors, the top executives and their blood and in-law relatives up to second kind to execute any transaction which may lead to conflict of interest with the Company or its affiliates, to compete with the Company or its affiliates, to engage in any business which is included in the subject of the Company personally or through others and to become partners of any companies which are engaged in such business and to carry out other transactions pursuant to the Corporate Governance Principles of the Capital Market Board and also necessary permissions were given to the members of the Board of Directors as per the articles 395 and 396 of the Turkish Commercial Code, and no problem was experienced in respect of the approval given over that period.

No privilege was granted to any person or entity regarding access to the proprietary information of the Company.

The members of the board of directors who are concerned with any special issues on the agenda, any other related persons, the executives and auditors who were in charge of preparation of the financial statements attend the annual general meeting to provide the required information and to answer the questions.

In 2012, matters related with transactions of significant nature in terms of application of the Corporate Governance Principles were addressed in the articles of association with the amendments made to the articles of association in 2012 and nothing was done in this regard in 2012.

Donations made by the Company during the year are informed to the shareholders as a separate issue on the agenda at the annual general meetings and in the annual report.

General meetings are held open to public, including the beneficiaries and media members, without right of speech, though it has not been provided in the articles of association.

5. Voting Rights and Minority Rights

The Company refrains from any action which may make it difficult to use the voting right. Including the cross-border, each shareholder is given the opportunity to use the voting right in an easiest and appropriate manner.

There isn't any privilege for the voting right.

There isn't a company with which the Company has a mutual subsidiary relationship.

Maximum care is given to using of minority rights.

Regarding the minority rights, compliance with the relevant legislation is assured.

6. Right to Profit Share

Profit share distribution policy of the Company is available on the Internet site of the Company.

Profit distribution policy of the Company contains the minimum information with such clarity that will enable investors to foresee the procedures and principles to be applied to the distribution of the profits earned by the Company in the future periods.

The resolution taken by the Board of Directors regarding distribution of the profits in 2012 in accordance with the articles of association of the Company will be submitted to the approval of the general meeting.

In the distribution of the profits, a balanced policy is pursued between the interests of the shareholders and the interests of the Company. There isn't any privilege for distribution of the profit share.

7. Transfer of Shares

All groups A, B and C shares in the stock of the Company are nominative shares and all group D shares bearer shares. All shares are listed in the İstanbul Stock Exchange. There is a restrictive provision in the Articles of Association regarding the transfer of the groups A, B and C shares.

SECTION II - PUBLIC DISCLOSURE AND TRANSPARENCY

8. Information Policy

Information policy of the Company addresses such issues, apart from the ones specified in the legislation, as which information will be disclosed to public, in what manner, in which frequency and by which ways such information will be disclosed to public, in which frequency the board of directors or executives will make interviews with the press, in which frequency meetings will be held to inform the public, and which method will be used for answering of the questions asked to the Company, and similar issues.

Information of the Company required to be disclosed to public is made available to the public accurately and in complete in a manner that can be understood, interpreted and easily accessible with low cost and on a timely manner, in a manner that will assist those individuals and entities who and which will make use of such disclosures to take a decision, via the "Public Disclosure Platform" (www.kap.gov.tr) and on the Internet site of the Company. In addition, the "e-YÖNET: Corporate Governance and Investor Relations Portal" of the Central Registry Agency will be used for keeping of the shareholders of the Company informed directly and efficiently.

Information about the future, assumptions and data on which such assumptions are based are disclosed as well and care is given to ensure that they do not contain any baseless, exaggerated forecast and are not misleading. Furthermore, care is given to ensure that assumptions are consistent with the financial standing and operational results of the Company.

If any forecast and basis contained in the information about the future disclosed to the public has not come true or is understood to be wrong, the information is updated.

The Company's information policy is available in the "investor relations" section on the web site at www.akmgyo.com.

The employee who is in charge of the implementation of the information policy of the Company is:

Zeynep Yıldırım Gündođdu
Finance Manager
0 212 282 01 70 / 228

zeynepg@akmerkez.com.tr

9. Company's Internet Site and Its Content

For public disclosures, the web site of the Company at www.akmgyo.com is used actively. The letterhead of the Company states the address of the Internet site of the Company.

The Internet site of the Company is issued in accordance with the article 2.2.2 of the Communiqué of the Capital Market Board Concerning the Establishment and Application of the Corporate Governance Principles. In addition, those stakeholders who want to get more information about the Company can reach the representatives of the Company via the electronic mail address, gyo@akmerkez.com.tr, of the Company.

The shareholding structure of the Company and the names of shareholders and the quantity and rate of shares held by them are disclosed to public on the Internet site of the Company.

International investors wanting to have more information about the Company can reach the representatives of the Company via the electronic mail address, gyo@akmerkez.com.tr, of the Company.

The annual reports and the independent audit reports are published in English, too, on the Internet site of the Company, and preparations for publication of other information in English are in progress.

10. Annual Report

The board of directors of the Company has prepared the annual report in such detail that will enable the public to have access to full and accurate information about the activities of the Company, in accordance with the Turkish Commercial Code and the regulations of the Capital Market Board. The annual report contains information in the headings related with the Corporate Governance Principles.

SECTION III - STAKEHOLDERS

11. Keeping the Stakeholders Informed

Stakeholders of the Company are such persons, entities or interest groups as employees, creditors, clients, suppliers, various non-governmental organizations, etc., who and which have an interest in achievement of the targets, or in the operations, of the Company. In cases when the rights of the stakeholders are not protected by the legislation and mutual agreements, interests of the stakeholders are protected in accordance with the rules of goodwill, to the extent that the capabilities of the Company allow. Within this scope, ethical values of the Company have been established and published on the Internet site.

In the event of breach of the rights of the stakeholders which are protected by laws and agreements, an efficient and fast means of remedy is provided. The Company provides the facility necessary for resorting to mechanisms such as compensation which are made available to stakeholders by laws. There isn't a special compensation policy applicable to the employees of the Company and compensation rights of the employees are observed under the relevant regulations.

The Company policy regarding the protection of the rights of the stakeholders is announced to the public via the Internet site of the Company.

Stakeholders can notify any transaction of the Company which is contrary to the statutory regulations or the ethical rules to the Corporate Governance Committee or the Audit Committee of the Company.

In the event that conflict of interest occurs between stakeholders or that one stakeholder takes part in more than one interest group, a policy as much balanced as possible is pursued in order to protect the rights of the stakeholders and to protect each right independently of other rights.

12. Participation of Stakeholders in the Management

Although the articles of association does not specify any model which supports participation of stakeholders, mainly the employees, in the management of the Company, works on the development of a model of participation which will not impede the operations of the Company are continuing.

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

The Company takes into account the views and recommendations given by other stakeholders as well.

13. Human Resources Policy of the Company

The Company carries on a management system which gives value to human beings and encourages the creativity, the communication and the participation of the employees. The Company knows that creation of an open, intimate and uninterrupted communication line between the management and the employees is very important for the motivation and productivity of the employees.

The management of the Company endeavors to actualize such Human Resources practices in which internationally recognized models and integrated systems are used. The Company targets the use of modern and integrated systems in all human resources processes from recruitment to performance management system, to personal development, to determination of salaries, to termination of employment contracts, etc.

In the recruitment and appointment process, the human resources policy of the Company seeks attraction of candidates who have such knowledge, skills, experience and competencies required by a job/position and who fit to the culture and values of the Company, so that the strategies and targets of the Company can be fulfilled. Modern assessment systems which support taking of the most objective decisions in the recruitment and appointment processes are used with the principle of selecting the correct employee for the correct job.

In pursuance of its continuous learning, development and business results achievement approach, the Company targets to implement development programs relevant with the targets of the Company and the knowledge, skills, experience and competencies of the employees on the one hand to set aside funds for programs supporting the development of the employees in social and cultural areas. In the development plans, training and development solutions in congruent with the current circumstances are offered by taking into account the needs of the Company and the employees.

The Performance Management System is a structure aiming at owning of the corporate targets by the individuals and strengthening of the common corporate culture. By means of the transparency afforded by the system, the employees can clearly see their individual contributions and the impact of their contributions on the corporate dimension. Outcomes of the Performance Management System are used in the development planning, talent management, career and alternate planning, salary determination and rewarding processes of the Human Resources, so that a structure under which all these processes are supported by and integrated with each other is created. Incentives aiming at strengthening the high performance culture of the Company are established in order to support orientation of the employees to the same purpose. In this way, competencies that will carry the Company forward and serve to the reputation and sustainability of the Company are strengthened and implemented by means of the same system.

The Company uses a Job Assessment and Salary model the validity and reliability of which has been proven across the world. It is an objective, transparent salary and benefits determination model reflecting the realities of the national and international business world, based on the principle of equality and fairness, predicating the salary on the job performed.

Job descriptions of the employees and distribution of the jobs by the employees as well as the performance and rewarding criteria are communicated to the employees.

No complaint was received from the employees on the matter of discrimination in 2012.

The representative employee who is in charge of the relations with the employees is:

Zeynep Yıldırım Gündođdu
Finance Manager

0 212 282 01 70 / 228

zeynepg@akmerkez.com.tr

14. Ethical Rules and Social Responsibility

Activities of the Company are carried out in accordance with the ethical rules announced to public on the Internet site of the Company.

Maximum care is given to finding, developing, adapting and applying innovative and environmental friendly technologies in accordance with the environment policy and quality policy of the Company.

SECTION IV - BOARD OF DIRECTORS

15. Structure and Formation of the Board of Directors

The board of directors administers and represents the Company with strategic resolutions taken by it by protecting the long term interests of the Company in the first instance and by maintaining the risk, growth and yield balance of the Company at the optimum level by pursuing a rational and cautious risk management policy.

The board of directors establishes the strategic targets of the Company, identifies the human and finance resources needed by the Company and oversees the performance of the management.

The board of directors oversees the compliance of the activities of the Company with the articles of association, the internal regulations and the established policies.

The board of directors is formed by 10 members in total, 3 of whom are independent members.

Name and Last Name	Function	Occupation	Positions Undertaken in the Company over the Last 5 Years	Duties Undertaken Outside of the Company Currently	Rate of Share Held in the Company (%)	Representing Group of Shares	Independent Member or Not	Participated Committees and Duty Undertaken
Raif Ali Dinçkök	Chairman of the Board	Business Admin.	Member of the Board	Chairman / Vice Chairman of the Boards of Directors of Akkök and Akkök Group of Companies		Group A	Not Independent Member	
Feyyaz Berker	Vice Chairman of the Board	Engineer	Vice Chairman of the Board	Chairman and Member of the Boards of Directors of other companies he owns	1.36	Group B	Not Independent Member	
Davit Braunştayn	Member of the Board	Industrial Engineer	Member of the Board	Chairman and Member of the Boards of Directors of other companies in which he owns shares	6.87	Group C	Not Independent Member	
Erhan Öner	Member of the Board	Engineer	Member of the Board	Chairman and Member of Bords of Directors of other companies in which he owns shares	0.2	Group B	Not Independent Member	
Alize Dinçkök Eyübođlu	Member of the Board	Manager	Member of the Board	Member of the Boards of Directors of Akkök and Akkök Group of Companies		Group A	Not Independent Member	
Mehmet Ali Berkman	Member of the Board	Manager	Member of the Board	Advisor of Akkök Executive Committee		Group A	Not Independent Member	
Frederic Yves Fontaine	Member of the Board	Business Admin.	Member of the Board	CEO of Corio N.V. France and Assistant General Manager of Corio Group in Charge of Development		Group D	Not Independent Member	
Lütfü Ünver	Independent Member of the Board-Member of Board of Auditors	Architect, MsC	Independent Member of the Board-Member of Board of Auditors	Lecturer at Architecture Faculty of Yıldız Technical University and Co-manager of İltay Mimarlık Dek. İnş. ve Tur. Ltd. Şti.			Independent Member	Member of Corporate Governance Committee / Member of Audit Committee

Rober Filiba	Independent Member of the Board of Directors- Member of the Board of Auditors	Engineer	Independent Member of the Board of Directors- Member of the Board of Auditors	General Coordinator of the Foundation of Ulus Jewish High School			Independent Member	Chairman of Corporate Governance Committee / Member of Audit Committee
Selçuk Yener	Independent Member of the Board of Directors- Member of the Board of Auditors	Business Engineer	Independent Member of the Board of Directors- Member of the Board of Auditors	-			Independent Member	Chairman of the Audit Committee / Member of the Corporate Governance Committee

There isn't a member of the board of directors who is in an executive position in the Company. A member of the board of directors who is not in an executive position in the Company is a person who does not hold any administrative office and does not interfere with daily work flow and regular activities of the Company, other than membership in the board of directors.

Among the members of the board of directors who do not hold any executive office, there are independent members who are capable of performing their duties without being under any influence.

Office term of the independent members of the board of directors is maximum three years. Independent members can be re-nominated and re-elected at the end of their office term.

No event took place which affected the independency of the independent members in 2012.

There is one woman member in the board of directors of the Company.

The Company is administered and represented before and committed against third persons by the board of directors formed by members elected by the general meeting for maximum 3 (three) years in accordance with the Turkish Commercial Code and the capital market legislation, who meet the qualifications specified in the Turkish Commercial Code and the capital market legislation, majority of whom are members who do not hold any executive office in the Company. The board of directors elects among its members a chairman and a vice chairman who will act as chairman in his/her absence in its first meeting.

The board of directors is formed by 10 (ten) members, 4 of whom are elected among the candidates nominated by majority of the holders of Group (A) nominative shares, 3 by majority of the holders of Group (B) nominative shares, 2 by majority of the holders of Group (C) shares and 1 by majority of Group (D) bearer shares held by public who are present at the general meeting.

In the event that the holders of Group (D) bearer shares held by public who are present at the general meeting do not nominate and/or elect a candidate by majority of votes, the board of directors is formed by 9 (nine) members elected by the General Meeting, 4 of whom among the candidates nominated by majority of the holders of Group (A) nominative shares, 3 by majority of the holders of Group (B) nominative shares and 2 by majority of the holders of Group (C) nominative shares.

Independent members in sufficient number, which may not be less than 2, are elected by the general meeting to the board of directors pursuant to the principles as to the independency of

the members of the board of directors as set forth in the Corporate Governance Principles of the Capital Market Board.

Number and qualifications of the independent members of the board of directors are determined as per the regulations of the Capital Market Board concerning the corporate governance.

Declarations of Independency of the Independent Members of the Board of Directors

I hereby declare that I am independent, in the meaning of the word as defined in the paragraph (g) of the article 4 of the Communiqué Concerning Real Estate Investment Companies, of other shareholders who own shares or have voting right at the rate of 10% in the Company, of those shareholders of the Company who have preferential right to nominate candidates to the Board of Directors of the Company, of any company from which consultancy services are purchased, of any company providing operating services to the Company, of those persons specified in the paragraphs (a) and (b) of the article 18 of the Communiqué Serial IV, No. 11 of the Capital Market Board on the Principles Applicable to Real Estate Investment Companies, who own a share or have a voting right at the rate of 10% or above in the Company, and of any subsidiary of the Company.

Lütfü ÜNVER

Rober FİLİBA

Selçuk YENER

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

Raif Ali DİNÇKÖK

Chairman of the Board of Directors

After graduating from the Business Administration Department of Boston University in 1993, he started his career at Akkök Group of Companies. He worked at the Purchasing Department of Ak-Al Tekstil San. A.Ş. during 1994-2000 and worked as coordinator at Akenerji during 2000-2003. Raif Ali Dinçkök, the Chairman of the Board of Directors of Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş., is also the Chairman of the Boards of Directors of AK-AL Tekstil Sanayii A.Ş., Aktek Bilgi İletişim Teknolojisi Sanayi ve Ticaret A.Ş., AK-PA Tekstil İhracat Pazarlama A.Ş. and Dinkal Sigorta Acenteliği A.Ş. Raif Ali Dinçkök is a member of the Board of Directors and Executive Committee of Akkök Sanayi Yatırım ve Geliştirme A.Ş. and of the Boards of Directors of Akkök Group of Companies.

Feyyaz BERKER

Vice Chairman of the Board of Directors

Feyyaz Berker, born on October 7, 1925, Civil Engineer, MSc, studied at Robert College and Michigan University. Currently acting as the Chairman of the Board of Directors of Tekfen Holding A.Ş., Mr. Berker is the founder and Honorary President of the Turkish Industry & Business Association (TÜSİAD). Actively carrying out duties at various foundations such as TAPV, HEV, TEMA, TEGV, TTGV, Mr. Berker has received Honorary Title of Doctor from the Bosphorus University. Mr. Berker is married with two children and two grandchildren.

Davit BRAUNŞTAYN
Member of the Board of Directors

Born in İstanbul in 1964, Davit Braunştayn was graduated from the Industrial Engineering Department of the Bosphorus 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.

Erhan ÖNER
Member of the Board of Directors

Born in İzmir in 1946, Erhan Öner received bachelor's degree from the Middle East Technical University and from the Mechanical Department of Miami University and post-graduation degrees in Pipeline Engineering from Texas University, in business administration from Cornell University and in finance and business administration from Urwick and Ashridge Colleges. He joined Tekfen Group as project engineer in 1969, worked there in various positions and was appointed as the general manager of Toros Gübre ve Kimya Endüstrisi A.Ş. in 1980. Afterward, he acted as the chairman, vice chairman, delegate member and member of the board of directors of Tekfen Group. Appointed as the CEO OF Tekfen Holding A.Ş. Group of Companies in 2000, Mr. Öner is a member of TUSİAD and married with two children. Mr. Öner speaks English.

Alize DİNÇKÖK EYÜBOĞLU
Member of the Board of Directors

Born 1983, İstanbul, Alize Dinçkök Eyüboğlu graduated from the Business Administration Department of Sawyer School of Management of Suffolk University in 2005. She started her career at Ak-Al Tekstil Sanayi A.Ş. as the Strategic Planning Specialist in 2005. In 2006, she joined the newly established Akiş Gayrimenkul Yatırım A.Ş. and worked there as the Project Coordinator, the Sales and Marketing Manager and the Assistant General Manager in charge of Sales and Marketing, respectively. Alize Dinçkök Eyüboğlu currently has seats at boards of directors of Akkök Group of Companies.

Mehmet Ali BERKMAN
Member of the Board of Directors

Mehmet Ali Berkman was born in Malatya in 1943. After he was graduated from the Industrial Administration program of the Business Administration department of the Middle East Technical University, he received MBA degree in the Operational Research from Syracuse University in the United States with the scholarship awarded by TEV. He joined Koç Group in 1972. He worked as General Manager of Mako, Döktaş, Uniroyal and Arçelik companies of the group. He was appointed as the Head of Strategic Planning of Koç Holding A.Ş. in 2000. Besides this duty, he acted as the Head of Human Resources in 2001. He was retired in early 2004 pursuant to the policy of the group. He has been acting as the member of the Board of Directors and Chairman of the Executive Committee of Akkök Sanayi Yatırım ve Geliştirme A.Ş. since September 2005. Having undertaken the role of Chairman of the Boards of Directors of Aksa Akrilik Kimya Sanayi A.Ş. and Akenerji Elektrik Üretimi A.Ş., Mr. Berkman has been acting as Member and Chairman of the Boards of Directors of the

other group companies. Mr. Berkman is currently working as Advisor to the Executive Committee of Akk k Holding.

Frederic Yves Fontaine
Member of the Board of Directors

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

L tf n  NVER
Independent Member of the Board of Directors

Born in Kayseri in 1953, L tf   nver was graduated from the Faculty of Architecture of İstanbul Technical University and then completed his post-graduation study in İstanbul Technical University. Starting his career at Ayyıldız Engineering and Consultancy, Mr.  nver then worked at Cemtay Construction Co. and İltay Architecture Co., respectively. He is currently working as a lecturer at Yıldız Technical University.

Sel uk YENER
Independent Member of the Board of Directors

Born in K tahya in 1960, Mr. Yener was graduated from the Business Engineering Department of İstanbul Technical University. He gained broad experience at various industries in Turkey and worked as top executive in various companies like Mis S t, Karaca Giyim and İstanbul Cerrahi Hastanesi.

Rober FILIBA
Independent Member of the Board of Directors

Born in 1951, Rober Filiba completed his high school education at Robert College and university education at the Chemical Engineering Department of Bosphorus University. He achieved Master's degree at Massachusetts Institute of Technology. In later years he worked as Technical Marketing Engineer at İnterkem Koll. Őti., as Process Engineer at Vanik y Starch and Glucose Factory and as Vice Chairman of the Board of Directors at Plastikap A.Ő. Mr. Filiba is currently acting as the General Coordination of the Foundation of Ulus Jewish High School. Married with two children, Mr. Filiba speaks English, French and German.

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 AkiŐ GYO A.Ő. Married with two children, Mr. Kayman speaks English and German.

16. Working Principles of the Board of Directors

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

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

The Board of Directors met 30 times over 2012 and took resolutions in compliance with the requirements for quorums for meeting and resolution as specified in the articles of association of the Company.

Although it is not provided in the articles of association, powers of the Chairman of the Board of Directors and the Chief Executive Officer/General Manager have been defined clearly and 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 established by means of the organization chart.

General Manager of the Company is not a member of the Board of Directors.

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, the Corporate Governance Committee and the Shareholder Relations Unit are working together.

The Board of Directors meets at such frequency as needed to fulfill its duties efficiently.

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 CEO/General Manager. Other members can propose changes to the agenda of the meeting. Each member of the board of directors endeavors to be present at and prepared for the meetings of the board of directors by examining the information and documents about the issues in the agenda of the meeting and to express his/her views on such issues during the meeting.

Each member of the board has one vote. Regarding the quorums for the meetings and resolutions of the board of directors, the provisions of the Turkish Commercial Code apply as provided in the articles of association.

There isn't any internal regulation as to how the meetings of the Board of Directors will be made, but the provisions of the relevant statutory regulations are applied in this regard.

Issues on the agenda are openly discussed from all angles. The Chairman does his best to ensure active attendance of the non-executive members of the Board to the meetings of the Board. No member of the Board cast vote against any resolution at the meetings in 2012.

No related-party transaction which required resolution of the board of directors was executed.

No guarantee, pledge or mortgage was given in favor of any third person.

Provisions as regards to such issues were set forth in the articles of association in 2012 pursuant to the relevant articles of the Corporate Governance Principles.

Each member of the Board of Directors spares adequate time for the business of the Company. If a member of the Board of Directors is working as an executive at or acting as a member of the board of directors of another company or is providing consultancy services to another company, it is essential that this does not cause a conflict of interest and does not impede the performance by that member of his/her duties at the Company. No specific rules and limitations have been established regarding undertaking by members of the Board of Directors of positions or jobs outside of the Company.

17. Number, Structure and Independency of Committees Formed Under the Board of Directors

The board of directors has been establishing internal control systems comprising of risk management and information systems and processes so as to minimize the risks that may affect the stakeholders, mainly the shareholders, of the Company, by taking into account the views of the concerned committees of the board of directors. To this end, an Early Detection of Risks Committee has been established within the body of the Audit Committee and the Corporate Governance Committee.

The board of directors has formed the Audit Committee and the Corporate Governance Committee. Duties and responsibilities of the Nomination Committee, the Early Detection of Risks Committee and the Salary Determination Committee are fulfilled by the Corporate Governance Committee.

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

All members of the Audit Committee and the Corporate Governance Committee have been elected among the independent members of the board of directors.

The General Manager does not undertake any duty in any committee.

The Audit Committee is formed by three independent members, one being the chairman and two being the members of the Committee. One member of the Audit Committee is at the same time the chairman of the Corporate Governance Committee.

All resources and support needed by the committees to perform their duties are provided by the board of directors. The committees can invite such executives as they deemed necessary to the committee meetings and obtain their views.

The committees can obtain opinions from independent experts on issues needed by them in connection with their functions. Cost of consultancy services needed by the committees is paid by the Company.

The committees keep a written record of all works carried out by them. The committees meet at such frequency as deemed necessary in order to ensure efficiency of the works and as set

forth in the working principles. The committees report the information about their works and the results of their meetings to the board of directors.

The Corporate Governance Committee, which has been established to monitor the compliance of the Company with the corporate governance principles and to carry out improvement works and submit proposals to the board of directors in this regard, has three members, all of who are non-executive members of the board of directors.

Besides the duties specified in the legislation, the Corporate Governance Committee fulfills also the duties and responsibilities of the Nomination Committee, the Early Detection of Risks Committee.

The Nomination Committee of the Corporate Governance Committee fulfilled its duty by nominating Rober Filiba, Selçuk Yener and Lütfü Ünver in 2012.

Board of Auditors

Name and Last Name	Title
Sabi RUSO	Auditor
İlknur BORACI	Auditor
Ali Şevket TURSAN	Auditor

Audit Committee

Name and Last Name	Title
Selçuk YENER	Chairman
Lütfü ÜNVER	Member
Rober FİLİBA	Member

Corporate Governance Committee

Name and Last Name	Title
Rober FİLİBA	Chairman
Selçuk YENER	Member
Lütfü ÜNVER	Member

18. Risk Management and Internal Control Mechanism

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

The current internal control system is audited, with the issues of raising the efficiency and productivity of the activities of the Company, ensuring reliability of the financial reporting and compliance with the laws and regulations on the top, in accordance with the annual internal audit plan and the results of the audit are reported to the Audit Committee. In the annual internal audit plant, priority is given to such risks highlighted in the course of corporate risk management. Efficiency of the internal audit activities is reviewed by the Audit Committee at minimum 4 meetings held during the year. In these meetings, opinions of the

internal auditors, external auditors and other managers of the Company are obtained when deemed necessary.

19. Strategic Targets of the Company

Business of Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş. is to create value by means of the real properties it owns.

Akmerkez GYO A.Ş. is the leader of the shopping center industry and has been able to preserve this position for many years and aims at maintaining it. Besides its financial and brand strengths, the Company has targeted and succeeded to be a significant value for its stakeholders.

Akmerkez GYO A.Ş. has adopted the principle of being a powerful, respectful, hardworking and sharing company for the benefit of both its shareholders and investors and clients and employees.

From this standpoint, the Company has been adopting the Corporate Governance Principles established by the Capital Market Board.

The Company has achieved its operational and financial targets as of the end of 2012.

Strategic targets of the Company are established by the Board of Directors by five-year plans. The Board of Directors periodically reviews the degree of achievement of strategic plans, the works carried out in this regard and the past performance in meetings held at least 4 times in a year.

20. Financial Benefits Provided to the Members of the Board of Directors and the Top Executives

The Board of Directors is responsible for achievement of the operational and financial performance targets established by the Company and announced to the public.

Remunerations to the members of the Board of Directors have been written and submitted to the information and view of the shareholders under a separate issue on the agenda at the general meeting. The salary policy issued to this end is available on the Internet site of the Company.

The Company has authorized the Corporate Governance Committee regarding fulfillment of the duties of the salary committee as specified in the legislation.

Remunerations to the independent members of the Board of Directors do not comprise share options or a bonus plan based on the performance of the Company. Remunerations to the independent members are so fixed by the general meeting as to ensure that they remain independent.

The Company does not borrow money, extend loan or give surety to any member of the board of directors or any top executive.

Remunerations, salaries and other benefits paid to the members of the board of directors and top executives are stated collectively in the annual report and announced to the public in the footnotes to the financial statements.

Equal remuneration is paid to the members of the board of directors. In 2012, total TL 599,945 has been paid as remuneration to the members of the board and TL 465,645 as salary to the top executives.

SECTION V - OTHER INFORMATION

The Company has 4 employees.

No conflict of interest has occurred between the Company and the firms from which the Company purchases services in various areas such as investment consultancy and rating.

There isn't any legislation amendment that may affect the operations of the Company significantly.

No significant administrative sanction and penalty has been imposed on the Company and members of the board of directors for any violation of the legislation.

The Company does not have any subsidiary and affiliate.

No security has been issued by the Company, except for the stocks sold to the public.

Our Legal Status and Disputes

The Company does not have any dispute with any public authority regarding tax and similar obligations or with any third person or employee, except for the disputes with such real persons and legal entities as stated in the following table. The Company has not incurred or paid any damages arising from any tort.

The lawsuits filed against the Company with the courts in İstanbul are still pending. Information about these lawsuits is given in the attached table.

LAWSUITS FILED BY AKMERKEZ GYO A.Ş.

	Court	Case File No.	Plaintiff	Defendant	Subject Matter	Last Status
1	3 rd ADMINISTRATIVE COURT IN İSTANBUL	2007/979 E. 2007/ 781 K.	AKMERKEZ GYO	İSTANBUL METROPOLİTAN MUNICIPALITY	ACTION FOR NULLITY OF DECISION ON UKOME	Lawsuit was dismissed by the court. Judgment was appealed to the State Council for issuing of a stay order. Appeal was dismissed by the 8 th Law Department. Return of the case from the State Council is waited.
2	6 th LAW COURT OF FIRST INSTANCE IN İSTANBUL	2010/87	AKMERKEZ GYO	AVRUPA SANDVIÇ	ACTION FOR RESTORATION	We won the case. The defendant appealed the judgment. The Court of Appeals reversed the judgment of the local court. The local court honored the reversal decree and rendered decision of lack of jurisdiction. Decision of lack of jurisdiction has been appealed. Return of the file from the Court of Appeals is awaited.
3	2 nd LAW COURT ON INTELLECTUAL AND INDUSTRIAL PROPERTY RIGHTS IN İSTANBUL	2010/163	AKMERKEZ GYO	1- İSTANBUL ARAŞTIRMA HİZ. 2- ÇAĞLA GÜRDAL	INFRINGEMENT OF TRADEMARK (e-akmerkez)	The court rendered its judgment in favor of us. The judgment has been finalized.
4	8 th COMMERCIAL COURT OF FIRST INSTANCE IN İSTANBUL	2007/635	AKMERKEZ GYO	ANC GIDA	ACTION OF DEBT	Original action has been sustained in part. Counter action has been in part as well. Serving of the judgment to us is awaited.
5	3 rd LAW COURT ON INTELLECTUAL AND INDUSTRIAL PROPERTY RIGHTS IN İSTANBUL	2011/3	AKMERKEZ GYO	ÖZYURLAR İNŞAAT	ACTION FOR DAMAGES IN THE AMOUNT OF TL 70,000 (AK&NMERKEZ)	The dispute has been settled by agreement between the parties.
6	5 th LAW COURT OF EXECUTION IN İSTANBUL	2012/87	AKMERKEZ GYO	DEMİRBAŞ	ACTION FOR EVACUATION	We won the action. Judgment was executed.
7	13 th LAW COURT OF EXECUTION IN İSTANBUL	2012/240	AKMERKEZ GYO	DÜKKAN BURGER	ACTION FOR EVACUATION	We won the action.
8	13 th LAW COURT OF EXECUTION IN İSTANBUL	2012/498	AKMERKEZ GYO	DÜKKAN BURGER (STORAGE)	ACTION FOR EVACUATION	We won the action.
9	16 th LAW COURT OF PEACE IN İSTANBUL	2012/193	AKMERKEZ GYO	MELDA GÜMÜŞ	ACTION FOR REMISSION OF OBJECTION	The proceedings are still pending.

10	4 th LAW COURT ON INTELLECTUAL AND INDUSTRIAL PROPERTY RIGHTS IN İSTANBUL	2012/126	AKMERKEZ GYO	GENÇ ARSLANLAR İNŞAAT	PREVENTION OF ENCROACHMENT - TRADEMARK DISPUTE (BURSA- AKMERKEZ)	The action is still pending.
11	2 nd LAW COURT ON INTELLECTUAL AND INDUSTRIAL PROPERTY RIGHTS IN İSTANBUL	2012/193	AKMERKEZ GYO	ARSLANLAR İNŞAAT	PREVENTION OF ENCROACHMENT - TRADEMARK DISPUTE (BURSA- AKMERKEZ)	The proceedings are still pending.

LAWSUITS FILED AGAINST AKMERKEZ GYO A.Ş.

	Court	Case File No.	Plaintiff	Defendant	Subject Matter	Last Status
1	9 th COMMERCIAL COURT OF FIRST INSTANCE IN İSTANBUL	2009/636	ÇAKIR GIDA (former tenant of the store no. 420)	AKMERKEZ GYO A.Ş.	REPLEVIN Claimed Sum: TL 19,700	We lost the action. We paid TL 32,850 as a result of the action.
2	14 th COMMERCIAL COURT OF FIRST INSTANCE IN İSTANBUL	2009/674	ÇAKIR GIDA (former tenant of the store no. 420)	AKMERKEZ GYO A.Ş.	ACTION FOR DAMAGES Claimed Sum: TL 10,000	The action was dismissed by the court in favor of us. Return of the case from the Court of Appeals is awaited.
3	2 nd LAW COURT OF PEACE IN İSTANBUL	2009/742 - Case no. 2011/124 E with the new court having jurisdiction	BERKAY İNCE İNTERVO (1 st Office floor in the Tower B3)	1- AKMERKEZ GYO A.Ş. 2- ÜÇGEN BAKIM	ACTION FOR DAMAGES Claimed Sum: TL 100,000	The court rendered decision of lack of jurisdiction in favor of us. The plaintiff appealed the judgment. The Court of Appeals approved the judgment in favor of us. The opponent party submitted the case to the court having jurisdiction. The proceedings are still pending.
4	14 th CONSUMER COURT IN İSTANBUL	2004/355	ERMES İNŞAAT	AKMERKEZ GYO A.Ş.	ACTION OF DEBT Claimed Sum: TL 11,105,234.29	We lost the action. We paid TL 1,968,680.50 to Ermes İnşaat. We applied to the Court of Appeals for correction of the judgment. Return of the case file from the Court of Appeals is awaited.
5	2 th CONSUMER COURT IN İSTANBUL	2009/295	ALBER RIFAT BAYRAKTAR	AKMERKEZ GYO A.Ş.	ACTION FOR DAMAGES Claimed Sum: TL 10,000 (theft at the garage)	We lost the action. We paid TL 79,507.40, including the interest, to the plaintiff. We applied to the Court of Appeals for correction of the judgment. The judgment was reversed by the Court of Appeals in favor of us. The action is being retried.
6	1 st CONSUMER COURT IN İSTANBUL	2007/53	MEHMET BOZKURT	AKMERKEZ GYO A.Ş.	ACTION FOR DAMAGES Claimed Sum: TL 41,000 (theft at the garage)	The proceedings are still pending.
7	44 th COMMERCIAL COURT OF FIRST INSTANCE IN İSTANBUL	2010/521 - New Case No. 2011/279	AVRUPA SANDVIÇ (STORE NO. 414)	AKMERKEZ GYO A.Ş.	REPLEVIN Claimed Sum: TL 32,846.29	The proceedings are still pending.
8	11 th COMMERCIAL COURT OF FIRST INSTANCE IN İSTANBUL	2010/758	ATM DIŞ TİCARET (STORE NO. 445)	AKMERKEZ GYO A.Ş.	ACTION FOR DAMAGES Claimed Sum: TL 525,000	The dispute has been settled by agreement between the parties.
9	5 th LOW COURT OF PEACE IN İSTANBUL	2012/202	MAVİ JEANS (NO: 235)	AKMERKEZ GYO A.Ş.	ACTION FOR FIXING OF RENT	The dispute has been settled by agreement between the parties.

10	5 th LAW COURT OF PEACE IN İSTANBUL	2012/203	MAVİ JEANS (NO: 238)	AKMERKEZ GYO A.Ş.	ACTION FOR FIXING OF RENT	The dispute has been settled by agreement between the parties.
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AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**CONVENIENCE TRANSLATION OF
THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2012
TOGETHER WITH AUDITOR'S REPORT**

(ORIGINALLY ISSUED IN TURKISH)



**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH**

INDEPENDENT AUDITOR'S REPORT

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

1. We have audited the accompanying financial statements of Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş. (the "Company"), which comprise the balance sheet as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting standards issued by the Capital Markets Board of Turkey ("CMB"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the auditing standards issued by the CMB. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the



purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

4. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş. as of 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with financial reporting standards endorsed the by the Capital Markets Board of Turkey (Note 2).

Additional paragraph for convenience translation into English

5. The financial reporting standards described in Note 2 (defined as “CMB Financial Reporting Standards”) to the financial statements differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between 1 January - 31 December 2005. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with IFRS.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

Cansen Başaran Symes, SMMM
Partner

Istanbul, 15 February 2013

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

FINANCIAL STATEMENTS AT 31 DECEMBER 2012

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AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AT 31 DECEMBER 2012 AND 2011

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

	Notes	31 December 2012	31 December 2011
ASSETS			
Current assets		44,756,503	26,509,293
Cash and cash equivalents	3	44,185,898	25,689,014
Trade receivables	4	557,985	813,643
Other current assets	7	12,620	6,636
Non-current assets		137,985,191	139,998,478
Investment properties	5	135,512,851	139,271,229
Property and equipment		167,366	1,452
Intangible assets		6,640	4,620
Other non-current assets	7	2,298,334	721,177
Total assets		182,741,694	166,507,771
LIABILITIES			
Current liabilities		3,255,171	5,099,886
Trade payables			
-Due to related parties	4	8,476	2,108
-Other trade payables	4	160,885	144,400
Other payables	4	905,987	759,960
Provisions	6	646,382	3,012,160
Other current liabilities	7	1,533,441	1,181,258
Non-current liabilities		142,245	239,514
Provision for employment termination benefits	9	25,342	74,624
Other non-current liabilities	7	116,903	164,890
Equity		179,344,278	161,168,371
Share capital	8	37,264,000	37,264,000
Adjustment to share capital	8	27,745,263	27,745,263
Restricted reserves	8	41,150,403	35,622,015
Retained earnings	8	18,862,625	18,523,535
Net income for the year	8	54,321,987	42,013,558
Total liabilities and equity		182,741,694	166,507,771

These financial statements for the year ended 31 December 2012 have been approved by Board of Directors on 15 February 2013 and signed by Murat Kayman, General Manager and Zeynep Yıldırım Gündoğdu, Director of Finance. These financial statements will be approved by the General Assembly.

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

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**CONVENIENCE TRANSLATION OF THE STATEMENTS OF COMPREHENSIVE
INCOME FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011**

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

	Notes	2012	2011
CONTINUING OPERATIONS:			
OPERATING INCOME			
Net sales	10	73,558,271	62,753,678
Cost of sales (-)	10	(23,907,352)	(21,936,225)
Gross profit		49,650,919	40,817,453
Marketing, selling and distribution expenses (-)	11	(27,860)	(38,449)
General administrative expenses (-)	11	(3,568,424)	(3,529,406)
Other income	13	5,007,579	4,971,443
Other expense (-)	13	-	(570,833)
Operating profit		51,062,214	41,650,208
Financial income	14	3,361,440	3,423,036
Financial expenses (-)	14	(101,667)	(3,059,686)
Profit before tax from continuing operations		54,321,987	42,013,558
Tax expense from continuing operations		-	-
Profit for the year from continuing operations		54,321,987	42,013,558
Other comprehensive income		-	-
Total comprehensive income		54,321,987	42,013,558
Earnings per share	15	1.46	1.13

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**CONVENIENCE TRANSLATION OF THE STATEMENTS OF COMPREHENSIVE
INCOME FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011**

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

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

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**CONVENIENCE TRANSLATION OF THE STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011**

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

	Notes	Share capital	Adjustment to share capital	Restricted reserves	Retained earnings	Net profit for the year	Total equity
1 January 2011		13,700,000	27,745,263	33,334,115	15,139,347	29,236,088	119,154,813
Transfers		-	-	-	29,236,088	(29,236,088)	-
Capital increase		23,564,000	-	2,287,900	(25,851,900)	-	-
Net profit for the period		-	-	-	-	42,013,558	42,013,558
31 December 2011	8	37,264,000	27,745,263	35,622,015	18,523,535	42,013,558	161,168,371
1 January 2012		37,264,000	27,745,263	35,622,015	18,523,535	42,013,558	161,168,371
Transfers		-	-	5,528,388	36,485,170	(42,013,558)	-
Dividends paid		-	-	-	(36,146,080)	-	(36,146,080)
Net profit for the period		-	-	-	-	54,321,987	54,321,987
31 December 2012	8	37,264,000	27,745,263	41,150,403	18,862,625	54,321,987	179,344,278

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**CONVENIENCE TRANSLATION OF THE STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011**

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

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

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**CONVENIENCE TRANSLATION OF THE
STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED
31 DECEMBER 2012 AND 2011**

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

	Notes	2012	2011
Cash flows from operating activities:			
Profit before tax		54,321,987	42,013,558
Adjustments to reconcile net cash generated from operating activities to income before tax:			
Depreciation and amortisation	12	3,773,744	3,831,138
Provision for employment termination benefits	9	18,224	28,435
Debt provision	6	117,902	93,900
Provision for doubtful receivables	4,11	354,598	138,728
Reversal of provisions	6	(423,225)	(42,103)
Rediscount on notes receivable and post-dated cheques			- (2,393)
Interest income	14	(3,263,111)	(1,169,583)
Expense accruals	7	140,607	35,645
Interest expense	14	45,899	603,305
Net cash before changes in net working capital:		55,086,625	45,530,630
(Increase) / decrease in trade receivables		(116,323)	280,967
(Increase) / decrease in other receivables		(1,583,141)	1,515,461
Increase / (decrease) in trade payables		22,853	(22,137)
Increase in other payables		98,040	709,607
Doubtful receivables collection	4	17,383	-
Litigation provisions paid	6	(2,079,638)	-
Increase in other liabilities		211,576	493,816
Employment termination benefits paid	9	(67,506)	-
Net cash provided by operating activities		51,589,869	48,508,344
Interests received		3,096,876	1,104,246
Decrease in other long-term assets		-	5,189,808
Purchase of tangible and intangible assets		(183,300)	-
Net cash used for investment properties	5	-	(11,053,116)
Net cash used in investing activities		2,913,576	(4,759,062)
Cash outflows related to short and long term borrowings			- (26,550,600)
Interest paid		(26,716)	(480,679)
Dividends paid		(36,146,080)	-
Net cash used in financing activities		(36,172,796)	(27,031,283)
Increase in cash and cash equivalents		18,330,649	16,717,999

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

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

Cash and cash equivalents at the beginning of the period			25,613,500
Cash and cash equivalents at the end of the period	3	43,944,149	25,613,500

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

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

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

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

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

The Company’s shares have been quoted on the Istanbul Stock Exchange (“ISE”) since 15 April 2005 and as of 31 December 2012 50.27% of these shares are publicly quoted.

The shareholding structure as of 31 December 2012 and 2011 is as follows:

Shareholders	31 December 2012	31 December 2011
Akkök Sanayi Yatırım ve Geliştirme A.Ş.	13.12%	13.12%
Tekfen Holding A.Ş.	10.79%	10.79%
Public offering	50.27%	50.04%
Other (*)	25.82%	26.05%
Total	100.00%	100.00%

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

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

	31 December 2012	31 December 2011
Administrative	4	4

**CONVENIENCE TRANSLATION OF THE NOTES TO THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012**

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Accounting standards

The financial statements of the Company have been prepared in accordance with the accounting and reporting principles published by the Capital Markets Board (“CMB”), namely “CMB Financial Reporting Standards”. CMB regulated the principles and procedures of preparation, presentation and announcement of financial statements prepared by the entities with Communiqué Serial XI No. 29, “Principles of Financial Reporting in Capital Markets” (“the Communiqué”). The Communiqué is effective for the annual periods starting from 1 January 2008 and supersedes Communiqué Serial XI No. 25, “The Accounting Standards in the Capital Markets”. According to the Communiqué, entities shall prepare their financial statements in accordance with International Financial Reporting Standards (“IAS/IFRS”) endorsed by the European Union. Until the differences of the IAS/IFRS as endorsed by the European Union from the ones issued by the International Accounting Standards Board (“IASB”) are announced by Turkish Accounting Standards Board (“TASB”), IAS/IFRS issued by the IASB shall be applied. Accordingly, Turkish Accounting Standards/Turkish Financial Reporting Standards (“TAS/TFRS”) issued by the TASB which are in line with the aforementioned standards shall be considered.

As the differences of the IAS/IFRS endorsed by the European Union from the ones issued by the IASB have not been announced by TASB as of the date of preparation of these financial statements, the financial statements have been prepared within the framework of Communiqué Serial XI No. 29 and related promulgations to this Communiqué as issued by the CMB, in accordance with the CMB Financial Reporting Standards which are based on IAS/IFRS. The consolidated financial statements and the related notes to them are presented in accordance with the formats recommended by the CMB, with the announcements dated 14 April 2008 and 9 January 2009, including the compulsory disclosures.

The Company maintains its books of account and prepare its statutory financial statements in accordance with the Turkish Commercial Code (“TCC”), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance and accounting principles issued by the CMB. These financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the CMB Financial Reporting Standards. These financial statements have been prepared in Turkish Lira by taking into consideration the historical costs except for the financial assets and liabilities which are accounted for at their fair values.

The Board of Directors of the Company and the CMB retain the power to amend the interim financials whereas the annual financial statements can be amended by the General Assembly and the CMB.

Adjustment of financial statements during hyper-inflationary periods:

With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with CMB Financial Reporting Standards. Accordingly, IAS 29, “Financial Reporting in Hyperinflationary Economies”, issued by the IASB, has not been applied in the financial statements for the accounting year commencing 1 January 2005.

**CONVENIENCE TRANSLATION OF THE NOTES TO THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012**

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

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

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The Company’s functional and presentation currency is TL.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Going concern

The Company has prepared the financial statements for the period 1 January - 31 December 2012 in accordance with the going concern principle.

Compliance with portfolio restrictions

The information included in Note 22, “ Supplementary Note : Control of Compliance with Portfolio Restrictions” represent a condensed information based on the figures extracted from the financial statements that are prepared in accordance with the Communiqué Serial XI, No: 29 “Principals of Financial Reporting in Capital Markets” of the CMB. This condensed information has been prepared in accordance with the requirements of Communiqué Serial VI, No: 11 “Principals of The Real Estate Investment Trusts” of the CMB particularly relating to the principles regarding the control of compliance to portfolio restrictions.

2.2. Summary of Significant Accounting Policies

Significant changes in accounting policies or material errors are corrected, retrospectively; by restating the prior period financial statements.

Comparative figures and the reclassification to the financial statements of the prior period

The Company complies with the principles and articles of valid commercial laws and regulations and Communiqués announced by CMB in the accounting records and the preparation of the financial statements.

In order to determine the financial status and performance trends, the financial statements of the Company have been prepared in comparison with the financial statements of previous periods. The Company prepared its balance sheet as of 31 December 2012 in comparison with the balance sheet prepared as of 31 December 2011; prepared the statement of income, statement of changes in shareholders’ equity and cash flow statement between 1 January - 31 December 2012 in comparison with 1 January - 31 December 2011. Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current period

**CONVENIENCE TRANSLATION OF THE NOTES TO THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012**

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

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

2.2.1 Changes in standards and interpretations

The standards listed below and the changes and comments introduced to the prior standards have been enforced as of 1 January 2012:

- IFRS 7 (amendment), “Financial instruments: Disclosures on transfers of assets”, is effective for annual periods beginning on or after 1 July 2011. This amendment will promote transparency in the reporting of transfer transactions and improve users’ understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity’s financial position, particularly those involving securitisation of financial assets.
- IFRS 1 (amendment), “First-time adoption of IFRS”, is effective for annual periods beginning on or after 1 July 2011. These amendments include two changes to IFRS 1. The first replaces references to a fixed date of 1 January 2004 with ‘the date of transition to IFRSs’, thus eliminating the need for entities adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs.
- IAS 12 (amendment), “Income taxes” on deferred tax, is effective for annual periods beginning on or after 1 January 2012. This amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, “Income taxes - recovery of revalued non-depreciable assets”, will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. Early adoption is permitted.

Standards, amendments and interpretations not yet effective as of 31 December 2012 and not early adopted by the Company:

- IAS 19 (amendment), “Employee benefits”, is effective for annual periods beginning on or after 1 January 2013. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis.
- IAS 1 (amendment), “Presentation of financial statements”, regarding other comprehensive income is effective for annual periods beginning on or after 1 July 2012. The main change resulting from these amendments is a requirement for entities to group items presented in ‘other comprehensive income’ (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).
- IFRS 10, “Consolidated financial statements”, is effective for annual periods beginning on or after 1 January 2013. The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.
- IFRS 11, “Joint arrangements”, is effective for annual periods beginning on or after 1 January 2013. IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures.
- IFRS 12, “Disclosures of interests in other entities”, is effective for annual periods beginning on or after 1 January 2013. The standard includes the disclosure requirements for all forms of

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**CONVENIENCE TRANSLATION OF THE NOTES TO THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012**

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

interests in other entities, including joint arrangements, associates, special purpose vehicles and
other off balance sheet vehicles.

**CONVENIENCE TRANSLATION OF THE NOTES TO THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012**

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

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

- IFRS 10, 11 and 12 on transition guidance (amendment), is effective for annual periods beginning on or after 1 January 2012. The amendment also provide additional transition relief in IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period.
- IFRS 13, “Fair value measurement”, is effective for annual periods beginning on or after 1 January 2013. The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.
- IAS 27 (revised), “Separate financial statements”, is effective for annual periods beginning on or after 1 January 2013. The standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.
- IAS 28 (revised), “Associates and joint ventures”, is effective for annual periods beginning on or after 1 January 2013. The standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.
- IFRS 7 (amendment), “Financial instruments: Disclosures”, on offsetting financial assets and financial liabilities”, is effective for annual periods beginning on or after 1 January 2013. The amendment reflects the joint IASB and FASB requirements to enhance current offsetting disclosures. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements and those that prepare US GAAP financial statements.
- IAS 32 (amendment), “Financial instruments: Presentation”, on offsetting financial assets and financial liabilities”, is effective for annual periods beginning on or after 1 January 2014. The amendment updates the application guidance in IAS 32, ‘Financial instruments: Presentation’, to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.
- IFRS 1 (amendment), “First time adoption”, on government loans”, is effective for annual periods beginning on or after 1 January 2013. The amendment addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRS.
- Annual Improvements to IFRSs 2011 is effective for annual periods beginning on or after 1 January 2013. Amendments effect five standards: IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34.
- IFRS 9, “Financial instruments: Classification and Measurement”, is effective for annual periods beginning on or after 1 January 2015. The standard addresses the classification, measurement and recognition of financial assets and financial liabilities.
- IFRIC 20, “Stripping costs in the production phase of a surface mine” is effective for annual periods beginning on or of 1 January 2013.

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**CONVENIENCE TRANSLATION OF THE NOTES TO THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012**

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

Abovementioned amendments to the standards have no material effect on the financial statements.

**CONVENIENCE TRANSLATION OF THE NOTES TO THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012**

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

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

2.3 Restatement and the errors in the accounting estimates

Material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period financial statements. The effect of changes in accounting estimates affecting the current period is recognised in the current period; the effect of changes in accounting estimates affecting current and future periods is recognised in the current and future periods. For the period 1 January - 31 December 2012 there has been no change in the accounting estimates.

2.4 Summary of Significant Accounting Policies

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

Cash and cash equivalents

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

Related parties

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

Trade receivables and payables

Trade receivables are financial assets created by the Company through selling services directly to the tenants. Trade receivables of the Company are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method. Short term receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant.

An impairment provision for trade receivables is established if there is objective evidence that the Company will not be able to collect all amounts due in accordance with the original agreement terms. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

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

**CONVENIENCE TRANSLATION OF THE NOTES TO THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012**

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

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

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

Financial liabilities and borrowing costs

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method in financial statements. Starting from 1 January 2009 "Borrowing Costs" IAS 23 (revised) requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset, removing the option of immediately expensing borrowing costs.

Current and deferred income taxes

The Corporate Tax Law No: 5520 was amended on 21 June 2006 with the Law announced in the Official Journal No 26205. The majority of the clauses of Law No 5520 are effective as of 1 January 2006. The corporation tax rate of the fiscal year 2012 is 20% (2011: 20%). Corporation tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, and investment allowance, etc) and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed.

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

The Company is exempt from corporate income tax in accordance with paragraph 4-d of Article 8 of the Corporate Income Tax Law and in accordance with paragraph 6-a of Article 94 of the Income Tax Law, the earnings of the real estate investment trusts are subject to withholding taxes, According to the Council of Ministers decision, No: 93/5148, the withholding tax rate is determined as "0". Therefore, the Company has no corporate tax obligation.

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

**CONVENIENCE TRANSLATION OF THE NOTES TO THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012**

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

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

Employment termination benefits

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

The amount payable consists of one month’s salary limited to a maximum of TL3,033.98 (TL in full) as of 31 December 2012.

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

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

The principal actuarial assumption is that the maximum liability will increase in line with inflation. Thus the effective discount rate applied represents the expected real interest rate after adjusting for the effects of future inflation. As the maximum liability amount is revised semi-annually by the authorities, the maximum amount of TL3,129.25 (TL in full) which is effective from 1 January 2013 has been taken into consideration when calculating the liability (1 January 2012: TL2,805.04).

Provisions, contingent assets and liabilities

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

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

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

Property and equipment and related depreciation

Property and equipment are carried at cost less accumulated depreciation and provision for impairment, if any. Any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement.

Depreciation is calculated over of the cost of property and equipment using the straight-line method based on expected useful lives.

The expected useful lives are stated below:

	Years
Machinery, plant and equipment	5
Furniture and fixtures	5

Subsequent costs incurred for tangible assets are included in the asset's carrying amount or recognized as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statements during the financial period in which they were incurred.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount and the provision for impairment is charged to income statement.

Gains and losses on the disposal of property and equipment are determined by deducting the net book value of the property and equipment from its sales and are included in the related income and expense accounts, as appropriate.

Investment properties

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

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

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

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

Impairment of assets

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

Revenue recognition

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

Rent income from investment properties

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

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

	31 December 2012	31 December 2011
Within 1 year	69,973,027	69,387,549
1 to 5 years	198,554,387	203,218,918
Over 5 years	190,353,745	160,688,494
	458,881,159	433,294,961

Interest income and expense

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

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

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CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

Paid-in capital

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

Earnings per share

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

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

Reporting of cash flows

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

Subsequent events

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

NOTE 3 - CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents as of 31 December 2012 and 2011 are as follows:

	31 December 2012	31 December 2011
Cash	4,153	4,219
Banks		
- TL time deposit	44,074,749	25,075,514
- TL demand deposit	75,496	523,577
- Foreign currency denominated demand deposit	31,500	85,704
	44,185,898	25,689,014

As of 31 December 2012, the interest rate on TL deposit accounts at banks is between 7,6% and 7,9% and the accrued interest is TL241,749 (31 December 2011: the interest rate on TL deposit accounts at banks is 12.25% and the accrued interest is TL75,514). The maturity of time deposits is less than one

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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month (31 December 2011: less than one month).

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CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

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

	31 December 2012	31 December 2011
Cash and cash equivalents	44,185,898	25,689,014
Less: accrued interest	(241,749)	(75,514)
	43,944,149	25,613,500

NOTE 4 - TRADE AND OTHER RECEIVABLES AND PAYABLES

Short-term trade receivables

	31 December 2012	31 December 2011
Trade receivables	3,923,561	3,983,985
Notes and post-dated cheques receivable	141,981	-
	4,065,542	3,983,985
Less: Provision for doubtful receivables	(3,507,557)	(3,170,342)
	557,985	813,643

	2012	2011
1 January	3,170,342	3,031,614
Provisions made during the period	354,598	138,728
Doubtful receivables collections	(17,383)	-
31 December	3,507,557	3,170,342

	31 December 2012	31 December 2011
Short-term trade payables		
Trade payables	160,885	144,400
Due to related parties (Note 17)	8,476	2,108
	169,361	146,508

	31 December 2012	31 December 2011
Short-term other payables		
Taxes payable	901,823	755,176
Social security's payable	4,164	4,784

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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

905,987

759,960

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**CONVENIENCE TRANSLATION OF THE NOTES TO THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012**

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

NOTE 5 - INVESTMENT PROPERTIES

Movement schedule of investment properties for the years ending on 31 December 2012 and 2011 are as follows:

	1 January 2012	Additions	Transfers	31 December 2012
Cost				
Buildings	174,404,180	-	-	174,404,180
Construction in progress	9,458,757	-	-	9,458,757
	183,862,937	-	-	183,862,937
Accumulated depreciation				
Buildings	44,591,708	3,758,378	-	48,350,086
	44,591,708	3,758,378	-	48,350,086
Net Book Value	139,271,229			135,512,851

	1 January 2011	Additions	Transfers	31 December 2011
Cost				
Buildings	172,387,423	-	2,016,757	174,404,180
Construction in progress	422,398,111	1,053,116	(2,016,757)	9,458,757
	172,809,821	11,053,116	-	183,862,937
Accumulated depreciation				
Buildings	40,843,834	3,747,874	-	44,591,708
	40,843,834	3,747,874	-	44,591,708
Net Book Value	131,965,987			139,271,229

The fair value of the Company's investment property based on the valuation report of EVA Gayrimenkul Değerleme Danışmanlık A.Ş. dated 31 December 2012 amount to TL944,653,000 (As of 31 December 2011, the fair value of the Company's investment property based on the valuation report of EVA Gayrimenkul Değerleme Danışmanlık A.Ş. amount to TL1,002,060,000).

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

NOTE 6 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Real rights on immovables are as follows:

- a) There is a rental restriction in favour of TEK (Turkish Electricity Institution) with registry dated 31 December 1992 No: 5538.
- b) There is a 5 year rental restriction in favour of Yapı Kredi A.Ş. on Çarşı Block 1 basement coded (4,60) at a land share of 76800/25600000 (independent component, no 89) registered on 17 April 1995, No: 1315.

Type of guarantees received	Currency of denomination	Amount	31 December 2012
Guarantee notes received	USD	2,202,047	3,925,369
Letters of guarantees received	USD	2,228,056	3,971,733
Guarantee cheques received	TL	581,000	581,000
			8,478,102

Type of guarantees received	Currency of denomination	Amount	31 December 2011
Guarantee notes received	USD	2,541,003	4,799,700
Letters of guarantees received	USD	1,993,045	3,764,663
Guarantee cheques received	TL	510,000	510,000
			9,074,363

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

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

	31 December 2012	31 December 2011
CPM's given by the company (Collaterals, Pledges, Mortgages)		
A, CPM's given for companies own legal personality	11,729	2,209,229
B, CPM's given on behalf of fully consolidated companies	None	None
C, CPM's given for continuation of its economic activities on behalf of third parties	None	None
D, Total amount of other CPM's		
i) Total amount of CPM's given on behalf of the majority shareholder	None	None
ii) Total amount of CPM's given to on behalf of other Group companies which are not companies which are not in scope of B and C	None	None
iii) Total amount of CPM's given on behalf of third parties which are not in scope of C	None	None
	11,729	2,209,229

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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The commitments given consist of letters of guarantees given for the cases.

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CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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NOTE 6 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Provision for lawsuits

The provision for the lawsuits against the Company as of 31 December 2012 is TL646,382 (31 December 2011: TL3,012,160). The movement of provision for lawsuits is as follows:

	2012	2011
1 January	3,012,160	2,802,063
Increase during the period	117,902	93,900
Foreign exchange differences and interests	19,183	158,300
Paid charges	(2,079,638)	-
Reversals during the period	(423,225)	(42,103)
31 December	646,382	3,012,160

NOTE 7 - OTHER ASSETS AND LIABILITIES

The details of other assets and other liabilities as of 31 December 2012 and 2011 are as follows:

Other current assets	31 December 2012	31 December 2011
Prepaid expenses	12,620	6,636
	12,620	6,636

Other non-current assets	31 December 2012	31 December 2011
Advances given (*)	2,298,132	720,975
Other	202	202
	2,298,334	721,177

(*) Consists of advances given for the renovation work on exterior side

Other current liabilities	31 December 2012	31 December 2011
Deferred income	1,111,903	1,052,465
Advances received	269,262	93,148
Expense accruals	140,607	35,645
Deposits and guarantees received	11,669	-
	1,533,441	1,181,258

Other long-term liabilities	31 December 2012	31 December 2011
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**CONVENIENCE TRANSLATION OF THE NOTES TO THE
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(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

Deposits and guarantees received	116,903	164,890
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CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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NOTE 8 - EQUITY

At 31 December 2012 and 2011 the issued and fully paid-in share capital held is as follows:

Shareholders	30 December 2012		31 December 2011	
	Share (%)	Amount	Share (%)	Amount
Akkök Sanayi Yatırım ve Geliştirme A.Ş.	13.12	4,890,900	13.12	4,890,900
Tekfen Holding A.Ş.	10.79	4,019,839	10.79	4,019,839
Quoted to İstanbul Stock Exchange	50.27	18,734,104	50.04	18,646,906
Other (*)	25.82	9,619,157	26.05	9,706,355
Total paid-in capital	100.00	37,264,000	100.00	37,264,000

(*) Represents individual shareholdings less than 10%.

At the Ordinary General Meeting of the Company dated 3 May 2011, it was decided to allocate bonus shares from the first and second dividend to be distributed to the shareholders from the profit of 2010 in line with the previous allocation of the issued shares and as per CMB Communiqué Serial I, No: 40 on Registration of Shares to Board Records and Disposal of Shares, to apply to the CMB in order to register the new issued bonus shares to the CMB Board records. After the increase in the issued shares, the capital will amount to TL37,264,000.

The Company's issued and fully paid share capital amounting to TL37,264,000 is represented by 3,726,400,000 shares of Krş1 nominal value of which 407,575,000 are Class A shares, 284,138,000 are Class B shares, 239,887,000 are Class C shares and 2,794,800,000 are Class D shares as of 31 December 2012 and 2011.

There are 10 members of the Board of Directors who are assigned by the General Assembly as follows; four members elected with the majority votes of Class A shares; three members elected with the majority votes of Class B shares; two members elected with the majority votes of Class C shares and one member elected with the majority votes of Class D shares which represent the publicly offered shares and subject to participation to the General Assembly.

According to compability of Articles of Incorporation to Communiqué No: IV-56 Determination and the Enforcement of the Corporate Governance Principles issued by CMB, the appeal of increasing the upper limit of registered capital from TL27,400,000 to TL75,000,000 is approved by CMB. The appeal of increasing the upper limit of registered capital and amendment of Articles of Incorporation are registered on 6 June 2012 and published at the Trade Registry Gazette on 12 June 2012.

Equity statement in accordance with the Communiqué Serial: XI, No: 29 is as follows:

	31 December 2012	31 December 2011
Share capital	37,264,000	37,264,000
Adjustment to share capital	27,745,263	27,745,263
Restricted reserves		
- Legal reserves	41,150,403	35,622,015
Retained earnings	18,862,625	18,523,535
Net income for the period	54,321,987	42,013,558

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179,344,278

161,168,371

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CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

NOTE 8 - EQUITY (Continued)

Retained earnings consist of the following (TL):

	31 December 2012	31 December 2011
Prior years' income	1,352,187	1,174,882
Extraordinary reserves	13,527,222	13,365,437
Inflation difference in extraordinary reserves	521,985	521,985
Inflation difference in legal reserves	3,461,231	3,461,231
	18,862,625	18,523,535

Profit distribution

Companies whose shares are quoted on the ISE are subject to profit distribution rules of CMB as follows:

In accordance with the decision of CMB on 28 January 2010, no obligation has been imposed for the minimum profit distribution of the incorporated companies whose shares are quoted in ISE, off the profits earned as a result of the operations in 2009. Additionally, pursuant to CMB Decision Serial IV No. 27, regarding profit distribution obligation, it has been made possible that shares, issued in cash or through the addition of dividend to the capital upon the decision of the Company's general assembly, can be distributed to the shareholders free of charge or that the distribution can be partly made in cash and partly through the free distribution of shares. It has been further made possible that initial dividend amount be left to the partnership without distribution, if such amount is lower than the 5% of the existing paid-up/issued capital amount.

Moreover, in accordance with the CMB regulations, in the event that the entire profit distribution amount calculated pursuant the minimum profit distribution amount calculated over the net distributable profit found in accordance with CMB regulations can be covered by the distributable profit in the statutory records, it shall be distributed completely, and if the relevant amount cannot be covered by that amount, all of the net distributable profit in the statutory records shall be distributed. In the event that there is any period loss in financial statements prepared in accordance with the CMB regulations or statutory records, no profit shall be distributed.

According to the articles of incorporation of the Company, after deducting the mandatory reserves in accordance with the TCC and CMB requirements and those distributable to the Board of Directors and certain foundations, the Company would distribute at least 80% of its profits as dividends to its shareholders. The distributable profit of Company calculated over profit of year 2012 is TL49,735,220.

NOTE 9 - EMPLOYEE BENEFITS

Liabilities related to employee benefits consist of provisions for employment termination benefits. The movements of the provision for 2012 and 2011 are as follows:

	2012	2011
1 January	74,624	46,189
Current year charge	18,224	28,435
Current year payment	(67,506)	-

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31 December

25,342

74,624

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NOTE 10 - OPERATING INCOME

Sales	31 December 2012	31 December 2011
Shops and warehouse rent income	71,090,791	60,303,144
Apart hotel rent income	2,467,480	2,450,534
	73,558,271	62,753,678
Cost of sales		
Cost of services	(20,137,019)	(18,188,351)
Depreciation expense	(3,770,333)	(3,747,874)
	(23,907,352)	(21,936,225)
Gross Profit	49,650,919	40,817,453

**NOTE 11 - MARKETING, SELLING AND DISTRIBUTION EXPENSES AND GENERAL
ADMINISTRATIVE EXPENSES**

	31 December 2012	31 December 2011
Marketing, selling and distribution expenses		
Advertisement expenses	27,860	38,449
	27,860	38,449
General administrative expenses		
Personnel expenses	1,359,615	1,092,852
Taxes, duties and funds	605,041	635,616
Legal expenses	598,180	1,078,688
Provision for doubtful receivables	354,598	138,728
Consultancy expenses	246,860	170,127
Provisions for litigations	117,902	93,900
Provision for employment termination benefits	18,224	28,435
Insurance expense	14,190	10,949
Depreciation and amortisation	3,411	83,264
Other	250,403	196,847
	3,568,424	3,529,406

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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NOTE 12 - EXPENSES BY NATURE

	31 December 2012	31 December 2011
Depreciation and amortisation		
Cost of sales	3,770,333	3,747,874
General and administrative expenses	3,411	83,264
	3,773,744	3,831,138

Allocation of depreciation and amortisation charges

	31 December 2012	31 December 2011
Investment properties (Note 5)	3,758,378	3,747,874
Tangible assets	13,406	79,370
Intangible assets	1,960	3,894
	3,773,744	3,831,138

NOTE 13 - OTHER INCOME/EXPENSES

	31 December 2012	31 December 2011
Other operating income		
Shopping Mall - shared area rent income	4,439,041	4,206,216
Reversals from provisions	440,607	42,103
Infrastructure service income	-	569,597
Other	127,931	153,527
	5,007,579	4,971,443

Other operating expense

Compensation expenses (*)	-	(569,841)
Other	-	(992)
	-	(570,833)

(*) Compensations paid to tenants discharged prior to their contract expiration dates.

NOTE 14 - FINANCIAL INCOME /EXPENSES

	31 December 2012	31 December 2011
Financial income		
Interest income	3,263,111	1,169,583
Foreign exchange gains	98,329	2,251,060
Rediscount interest income	-	2,393

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3,361,440

3,423,036

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CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

NOTE 14 - FINANCIAL INCOME /EXPENSES (Continued)

	31 December 2012	31 December 2011
Financial expenses		
Foreign exchange losses	(55,768)	(2,456,381)
Interest expense	(45,899)	(603,305)
	(101,667)	(3,059,686)

NOTE 15 - EARNINGS PER SHARE

The earning per share stated in income statement is calculated by dividing net income for the period by the weighted average number of Company's shares for the period.

The companies in Turkey are allowed to increase their paid-in capital by issuing "free shares" which represent the increases from retained earnings and revaluation funds. The issue of such shares is treated as the issuance of ordinary shares in the calculation of earnings per share. The weighted average number of shares includes such shares and their retrospective effects. The share capital amounting to TL13,700,000 within the registered capital limit of TL27,400,000 has been increased to TL37,264,000 from the dividend to be distributed to the shareholders over the profit of 2010 amounting to TL23,564,000. Based on the resolution issued by CMB Decision No. 20/626, dated 30 June 2011, the new issued shares have been registered at 8 July 2011 to İstanbul Commercial Office.

The earnings per share amount is calculated by dividing net income for the period by the weighted average number of Company's shares for the period.

	31 December 2012	31 December 2011
Weighted average number of shares as of the reporting date (per share of TL 1 nominal value)	37,264,000	37,264,000
Net profit	54,321,987	42,013,558
Earnings per share	1.46	1.13

NOTE 16 - TAX ASSETS AND LIABILITIES

The Company is exempt from corporate income tax in accordance with paragraph 4-d of Article 8 of the Corporate Income Tax Law and in accordance with paragraph 6-a of Article 94 of the Income Tax Law, the earnings of the real estate investment trusts are subject to withholding taxes, According to the Council of Ministers decision, No: 93/5148, the withholding tax rate is determined as "0". Therefore, the Company has no corporate tax obligation.

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CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

NOTE 17 - RELATED PARTY DISCLOSURES

- a) As of 31 December 2012 and 2011 there are no receivables from related parties, due to related parties as of the same dates are as follows:

	31 December 2012	31 December 2011
Due to related parties		
Akkök Sanayi Yatırım ve Geliştirme A.Ş.	7,053	744
Aktek Bilgi İletişim Teknoloji San. Ve Tic. A.Ş.	787	748
Due to shareholders	636	616
	8,476	2,108

	31 December 2012	31 December 2011
Advances given		
Üçgen Bakım ve Yönetim Hizmetleri A.Ş. (Note 7)	2,298,131	720,975

- b) As of 31 December 2012 and 2011, sales and purchases from related parties are as follows:

	31 December 2012	31 December 2011
Sales to related parties:		
Akmerkez Lokantacılık Gıda San. Tic. A.Ş.	1,117,166	937,069
Tekfen Turizm İşletmeleri A.Ş.	289,147	235,896
Akiş Gayrimenkul Yatırım Ortaklığı A.Ş.	-	108,942
	1,406,313	1,281,907

	31 December 2012	31 December 2011
Purchases from related parties:		
Üçgen Bakım ve Yönetim Hizmetleri A.Ş.	20,622,831	29,802,054
Ak Depo Lojistik ve Dış Ticaret A.Ş.	31,473	68,228
Akkök Sanayi Yatırım ve Geliştirme A.Ş.	30,033	4,984
Aktek Bilgi İşletişim ve Teknoloji Sanayi ve Ticaret A.Ş.	8,966	9,168
Akmerkez Lokantacılık Gıda San. Tic. A.Ş.	1,082	874
Akiş Gayrimenkul Yatırım Ortaklığı A.Ş.	409	-
	20,694,794	29,885,308

Purchases and sales consist of rent income, purchase and sales of services and similar items. The Company receives services like security, maintenance, repair, cleaning, and management from the related party Üçgen Bakım ve Yönetim Hizmetleri A.Ş. to whom the Company charged TL8,771,249 regarding the revenues collected on behalf of the Company (2011: TL8,146,112).

- c) Remuneration of key management:

31 December 2012	31 December 2011
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AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**CONVENIENCE TRANSLATION OF THE NOTES TO THE
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(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

Salaries	1,065,593	886,690
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AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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NOTE 18 -NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS

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

Liquidity Risk

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

Liquidity risk is the inability of the Company to match the net funding requirements with sufficient liquidity. As of 31 December 2012 the Company's current liabilities exceeded its current assets by TL41,501,332 (31 December 2011: TL21,409,407). The management does not anticipate any difficulty on the repayment of the short-term liabilities and continuity of the Company considering the cash that will be generated from rental operations and the ability to reach to the high quality borrowers.

The analysis of the Company's financial liabilities with respect to their maturities as of 31 December 2012 is as follows:

Expected Maturities	Booked value	Cash outflows expected	Shorter than 3 months	3-12 months	1-5 years	Longer than 5 years
Non-derivate financial liabilities						
Trade payables	169,361	169,361	168,725	636	-	-
Other payables and liabilities	1,034,559	1,034,559	905,987	11,669	61,200	-
	55,703					
	1,203,920	1,203,920	1,074,712	12,305	61,200	
	55,703					

The analysis of the Company's financial liabilities with respect to their maturities as of 31 December 2011 is as follows:

Expected Maturities	Booked value	Cash outflows expected	Shorter than 3 months	3-12 months	1-5 years	Longer than 5 years
Non-derivate financial liabilities						
Trade payables	146,508	146,508	145,892	616	-	-
Other payables and liabilities	924,850	924,850	759,960	-	105,865	-
	59,025					

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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1,071,358 1,071,358 905,852 616 105,865 59,025

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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NOTE 18 -NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Interest rate risk

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

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

The interest position as of 31 December 2012 and 2011 is set out in the table below :

31 December 2012 31 December 2011

Financial instruments with fixed interest

Time deposits	44,074,749	25,075,514
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As of 31 December 2012 and 2011, there are no financial instruments with variable interest.

Credit risk

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

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

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NOTE 18 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Credit risk disclosures

Credit and receivable risk of financial instruments as of 31 December 2012 is as follows:

31 December 2012	Receivables				Bank deposits	Other
	Trade Receivables		Other Receivables			
	Related party	Third party	Related party	Third party		
Maximum credit risk exposed as of the reporting date (A+B+C+D) (*)	-	557,985	-	202	44,181,745	-
-Secured portion of the maximum credit risk by guarantees	-	169,708	-	-	-	-
A. Net book value of financial assets that are neither overdue nor impaired	-	280,169	-	-	44,181,745	-
B. Book value of financial assets whose conditions are revised and which otherwise would be considered as overdue or impaired	-	-	-	-	-	-
C. Net book value of overdue assets that are not impaired	-	277,816	-	202	-	-
- Secured portion by guarantees, etc. (**)	-	169,708	-	-	-	-
D. Net book values of impaired assets	-	-	-	-	-	-
- Overdue (gross book value)	-	3,507,557	-	-	-	-
- Impairment (-)	-	(3,507,557)	-	-	-	-
- Secured portion by guarantees, etc.	-	-	-	-	-	-

(*) In determining the amount of credit risk exposed, factors that increase credit reliability, i.e. the guarantees received, are not taken into consideration.

(**) The amount, TL141,981 are cheques, TL14,161 are notes and TL13,566 are bank guarantee letters of overdue assets that are not impaired.

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**CONVENIENCE TRANSLATION OF THE NOTES TO THE
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NOTE 18 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Credit risk disclosures

Credit and receivable risk of financial instruments as of 31 December 2011 is as follows:

31 December 2011	Receivables		Bank deposits	Other		
	Trade Receivables	Other Receivables				
	Related party	Third party	Related party	Third party		
Maximum credit risk exposed as of the reporting date (A+B+C+D) (*)	-	813,643	-	202	25,684,795	-
-Secured portion of the maximum credit risk by guarantees	-	75,516	-	-	-	-
A. Net book value of financial assets that are neither overdue nor impaired	-	556,674	-	202	25,684,795	-
B. Book value of financial assets whose conditions are revised and which otherwise would be considered as overdue or impaired	-	-	-	-	-	-
C. Net book value of overdue assets that are not impaired	-	256,969	-	-	-	-
- Secured portion by guarantees, etc. (**)	-	75,516	-	-	-	-
D. Net book values of impaired assets	-	-	-	-	-	-
- Overdue (gross book value)	-	3,170,342	-	-	-	-
- Impairment (-)	-	(3,170,342)	-	-	-	-
- Secured portion by guarantees, etc.	-	-	-	-	-	-

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**CONVENIENCE TRANSLATION OF THE NOTES TO THE
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(*) In determining the amount of credit risk exposed, factors that increase credit reliability, i.e. the guarantees received, are not taken into consideration.

(**) The amount, TL74,289 are notes and TL1,227 are bank guarantee letters of overdue assets that are not impaired.

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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NOTE 18 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

As of 31 December 2012, aging of financial assets that are past due but not impaired is as follows:

	Trade receivables
0-1 months past due	174,160
1-3 months past due	100,088
3-12 months past due	36
1-5 years past due	3,532
More than 5 years past due	-
	<hr/>
	277,816

As of 31 December 2011, aging of financial assets that are past due but not impaired is as follows:

	Trade receivables
0-1 months past due	169,036
1-3 months past due	84,400
3-12 months past due	-
1-5 years past due	3,533
More than 5 years past due	-
	<hr/>
	256,969

Foreign Currency Risk

The Company’s foreign currency balances arising from operating, investment, and financial activities are disclosed below as of the reporting date. The Company may be exposed to foreign currency risk due to foreign exchange differences at the time its foreign currency receivables and payables are converted

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to Turkish Lira. The foreign currency risk is monitored through continuous analysis of the foreign currency position and measured on the basis of sensitivity analyses.

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012**

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

NOTE 18 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

As of 31 December 2012 and 2011 the assets and liabilities denominated in foreign currencies which do not bear guaranteed rates of exchange and foreign currency amounts stated in the assets are as follows:

31 December 2012	USD	TL Equivalent
Current assets		
Monetary financial assets	17,671	31,500
Total assets	17,671	31,500
Current liabilities		
Other monetary financial liabilities	(144,650)	(257,853)
Other non-monetary financial liabilities	(6,546)	(11,669)
Non-current liabilities		
Other non-monetary financial liabilities	(65,580)	(116,903)
Total liabilities	(216,776)	(386,425)
Net Foreign Currency Liability Position	(199,105)	(354,925)
Monetary Items Net Foreign Currency Liability Position	(126,979)	(226,353)
31 December 2011	USD	TL Equivalent
Current assets		

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**CONVENIENCE TRANSLATION OF THE NOTES TO THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012**

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

Trade receivables	50,000	94,445
Monetary financial assets	45,373	85,705
Total assets	95,373	180,150
Current liabilities		
Other monetary financial liabilities	(144,650)	(273,229)
Non-current liabilities		
Other non- monetary financial liabilities	(87,294)	(164,890)
Total liabilities	(231,944)	(438,119)
Net Foreign Currency Liability Position	(136,571)	(257,969)
Monetary Items Net Foreign Currency Liability Position	(49,277)	(93,079)

The table below shows the Company’s sensitivity for 10% fluctuation of USD. These amounts represent the effect on comprehensive income of 10% fluctuation of USD against TL. During this analysis all other variables especially interest rate are assumed to remain constant.

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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NOTE 18 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Foreign currency sensitivity analysis as of 31 December 2012 and 2011 are as follows:

31 December 2012	<u>Profit/loss</u>		<u>Equity</u>	
	Value increase in foreign currency	Loss in value of foreign currency	Value increase in foreign currency	Loss in value of foreign currency
When USD changes by 10% against TL:				
Net assets/(liabilities) in US	(35,493)	35,493	-	-
Hedged portion	-	-	-	-
USD Net effect	(35,493)	35,493	-	-

31 December 2011	<u>Profit/loss</u>		<u>Equity</u>	
	Value increase in foreign currency	Loss in value of foreign currency	Value increase in foreign currency	Loss in value of foreign currency
When USD changes by 10% against TL:				
Net assets/(liabilities) in US	(25,797)	25,797	-	-
Hedged portion	-	-	-	-
USD Net effect	(25,797)	25,797	-	-

Capital Risk Management

For proper management of capital risk, the Company aims;

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

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

	31 December 2012	31 December 2011
Total debt (*)	3,397,416	5,339,400
Less: cash and cash equivalents (Note 3)	(44,185,898)	(25,689,014)
Net asset	(40,788,482)	(20,349,614)
Total equity (Note 8)	179,344,278	161,168,371
Net debt (asset) / equity ratio	(23%)	(13%)

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

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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NOTE 19 -FINANCIAL INSTRUMENTS (DISCLOSURES RELATED TO FAIR VALUE AND HEDGE ACCOUNTING)

Fair value of financial instruments

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

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

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

Financial assets:

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

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

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

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

Financial liabilities:

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

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The fair value of the short term bank loans with fixed interest rate is assumed to be equivalent to the recorded values computed by adding the accrued interest liabilities calculated over the effective interest rate as of the reporting dates on the cost of the mentioned financial debts.

Employment termination benefits are accounted for at their discounted amounts.

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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NOTE 20 - SUBSEQUENT EVENTS

The ceiling for the employment termination benefit which amounted to TL3,033.98 as of 31 December 2012 has been increased to TL3,129.25 with effect from 1 January 2013 (31 December 2011: TL2,731.85).

As per the Board resolutions taken on 2 January 2013 decisions are made upon to make a 15% discount over the dollar-denominated rental fees of the tenants of Akmerkez Ticaret Merkezi. This resolution comprises the period January to February 2013 only for the tenants selected by the Company among those who have been paying their rental fees in accordance with the conditions suggested in their rental contracts on regular basis and provided that USD1 is not below TL1.55 in that the USD rate defined is not to be regarded as a reduction in rental fees and/or amendment of the rental contract.

NOTE 21 - OTHER ISSUES MATERIALLY AFFECTING THE FINANCIAL STATEMENTS AND REQUIRING DISCLOSURE FOR UNDERSTANDING OF THE FINANCIAL STATEMENTS

a) Insurance coverage on assets as of 31 December 2012 and 2011 is as follows;

31 December 2012 :	140,100,000	USD
31 December 2011 :	127,166,000	USD

b) As per the Board resolutions taken in the years of 2009 - 2012, decisions were taken with respect to evaluation of the effects on the real estate market of the unfavourable developments encountered in the financial markets, to make a discount over the USD-denominated rental fees of the tenants of Akmerkez Ticaret Merkezi. This resolution comprises the period March 2009 - September 2012 only for the tenants selected by the Company among those who have been paying their rental fees in accordance with the conditions suggested in their rental contracts on regular basis and provided that USD1 is not below TL1.1 for March 2009 to April 2011, USD1 is not below TL1.2 for May to September 2011, USD1 is not below TL1.35 for October 2011 to May 2012, USD1 is not below TL1.4 for June to July 2012, USD1 is not below TL1.45 for August to September 2012, USD1 is not below TL1.50 for October to December 2012 that the USD exchange rate defined is not to be regarded as a reduction in rental fees and/or amendment of the rental contract in that context, for the period between March 2009 - April 2011 35% discount, for the period between April - December 2011 25% discount, for the period between January to September 2012 20% discount, for the period between October to December 2012 15% discount was decided over the USD denominated rental fees of the tenants. For the period between January to February 2013, it has been decided to make a 15% discount over the USD denominated rental fees of the tenants provided that USD1 is not below TL1.55

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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c)

NOTE 22 - SUPPLEMENTARY NOTE: CONTROL OF COMPLIANCE WITH PORTFOLIO RESTRICTIONS

Explanations made in the framework of the Communiqué with Serial No: VI, No: 29 amending the Communiqué for Principles on Real Estate Investment Trusts”:

Consequent to the publication of the CMB’s Communiqué with Serial No: VI, No: 29 amending the Communiqué for Principles on Real Estate Investment Trusts” in the Official Gazette on 28 July 2011, CMB’s “Communiqué for Principles on Real Estate Investment Trusts” with Serial No. VI, No. 11 was subjected to modification, and in this framework real estate investment trusts have to comply with the provisions of CMB’s Communiqué with Serial No: XI, No: 29 for Principles on Real Estate Investment Trusts at the time of financial statement preparation and their disclosure to public, in addition to including in the financial statements the information relating to control of portfolio restrictions specified in CMB’s Communiqué with Serial No: VI, No: 29 amending the Communiqué for Principles on Real Estate Investment Trusts in the manner set out by the CMB by means of using non-consolidated financial statement account items.

In this scope, total assets, total portfolio and information relating to portfolio restrictions are as follows as of 31 December 2012 and 2011:

Non-consolidated (stand-alone)

financial statement accounts items	31 December 2012	31 December 2011
A Cash and capital market instruments	44,185,898	25,689,014
B Real estate, real estate-based project, Real estate-based rights	135,512,851	139,271,229
C Affiliates	-	-
Due from related parties (non-trade)	-	-
Other Assets	3,042,945	1,547,528
D Total Assets	182,741,694	166,507,771
E Borrowings	-	-
F Other financial liabilities	-	-
G Leasing obligation	-	-
H Due to related parties (non-trade)	636	616
I Equity	179,344,278	161,168,371

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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	Other Liabilities	3,396,780	5,338,784
D	Total Liabilities	182,741,694	166,507,771

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CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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NOTE 22 - SUPPLEMENTARY NOTE: CONTROL OF COMPLIANCE WITH PORTFOLIO RESTRICTIONS (Continued)

31 December 2012 31 December 2011

Other non-consolidated (stand-alone) financial information

A1	Portion of cash and capital market instruments reserved for three-year real estate payments	-	-
A2	TL/foreign currency denominated time/demand deposits	44,181,745	25,684,795
A3	Foreign capital market instruments	-	-
B1	Foreign real estates, real estate-based projects, real estate-based rights	-	-
B2	Lands on which no projects developed	-	-
C1	Foreign affiliates	-	-
C2	Participation in administrator companies	-	-
J	Non-cash loans	11,729	2,209,229
K	Encumbrance amounts of encumbered lands which do not belong to the Group and on which a project will be developed	-	-

Portfolio Restriction	31 December 2012	31 December 2011	Minumum / Maximum Rate	
1	Encumbrance amounts of encumbered lands which do not belong to the Group and on which a project will be developed (K/D)	-	-	<10%
2	Real estate, real estate-based project, Real estate-based rights (B+A1)/D)	74%	84%	>50%
3	Cash and capital market instruments and Affiliates (A+C-A1)/D)	24%	15%	<50%
4	Foreign real estates, real estate-based projects, real estate-based rights, Affiliates,			

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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	capital market instruments (A3+B1+C1/D)	-	-	<49%
5	Lands on which no projects developed (B2/D)	-	-	<20%
6	Participation in administrator companies (C2/D)	-	-	<10%
7	Borrowing ceiling (E+F+G+H+J)/İ	-	1%	<500%
8	TL/foreign currency denominated time/demand deposits (A2-A1)/D	24%	15%	<10%

(*) As of 31 December 2012, the fair value of the investment property amounts to TL944,653,000 (Note 5), however within the table above, the net book value of the investment property on the basis of the historical cost is stated which amounts to TL135,512,851 at the same date. When the fair value of the investment property is taken into consideration, the ratio of TL/foreign currency denominated time/demand deposit to total assets is 4.5% at 31 December 2012 (31 December 2011: 2.6%).

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