

AKFEN REIT 2016 ANNUAL REPORT

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From the Administration

Chairman's Message

Real estate and tourism industries are leverages for the Turkish economy with the added value and employment opportunities they create. However the tourism industry follows a fluctuating course for the last two years, in line with geopolitical developments in the region. Tourism industry received a negative impact, especially in 2016, due to the deceleration of the economy and terror attacks encountered in our country. On the other hand, increasing security concerns in Turkey with the effect of geopolitical risks created by the civil war in Syria led to a fall in the number of foreign tourists. As result of these risks, significant decreases in occupancy rates and room prices were experienced in hHotels. The numbers clearly reveal this situation.

Occupancy rates downtrend speed slowed down

According to the December 2016 Country Performance Report prepared by the global data and analysis company STR Global, average occupancy rates of hHotels in Turkey in general increased by 1.9%, in comparison to the previous year, reaching 49.2%.

However, hHotel investments increasingly continued, despite all the negativity experienced in the tourism industry. For example, according to the data of TophHotel Projects, a hHotel investments research company based in Germany, there are 57 hHotel projects in Turkey with 3, 4 and 5 stars, which are at the investment, project and planning phases in 2016. Majority of these 57 projects are located in Istanbul. As known, many multi-layered factors such as credit risk, currency risk, and financing risk play a role in real estate investments, besides cost-return analysis, purchase preferences, and general economic and social conditions. Therefore these factors and market conditions, both local and abroad, are determinants on financial values and performances of companies.

"REIT's position in Istanbul Stock Exchange (BIST) point to investment opportunities"

As result of all these developments, companies pursuing their activities as Real Estate Investment Trusts (REIT) especially are observed to receive many discounts in parallel to the conditions of the real estate industry. When the total of 31 REITs traded at the stock exchange are observed, it is seen that the exchange prices are at half of their net active values, and that the REIT index has depreciated by 28% on USD basis in the last 5 years.

"We have hope for the future"

Despite the fluctuations experienced in the markets, we should express our hope for the future. Because Turkey has a population of 80 million, and hosts millions of foreign tourists, visiting the country for business and vacation purposes every year. Therefore whatever the economic, social and political issues are experienced in the region, our country has the potential and the economic strength to overcome these problems. Both business and entertainment make the country a

preferred destination for tourism industries. For this reason, we expect 2017 to be the start of a period of new ascent for the Turkish real estate and tourism industries.

In 2017, we will have 20 active hHotels; and 3,628 rooms

As Akfen REIT, we are the first and sole real estate investment fund focused on city hHotel management in Turkey and Russia. Our investment strategy initially trusts the size and potential of Turkey. In scope of the strategic cooperation signed with Accor, the largest international hHotel franchise, we are developing city hHotel projects under the trademarks of Ibis and NovHotel. According to this, we have reached a portfolio consisting of 20 hHotels in the last 10 years, 19 active in Turkey, TRNC and Russia, and 1 to be opened in the following months in Istanbul, Tuzla. With the opening of Ibis HHotel Tuzla in the first months of 2017, the entirety of the hHotels in our portfolio will be in active operation, where our active hHotel numbers will reach 20, and number of rooms will increase from 3,428 to 3,628.

"Our rental incomes were horizontal compared to the previous two years"

The average occupancy rate of the currently active 18 hHotels in Turkey and Russia was 59.1% in 2016. Rental incomes obtained in 2016 from a total of 18 active hHotels managed by Accor, 14 in Turkey and 4 in Russia, were horizontal compared to the previous 2 years. The reason for this stagnation was the local and international developments experienced in the previous year. However Izmir Ibis and Trabzon NovHotel performed above the average of Turkey, with an average occupancy rate of 74.8%. In addition, Ibis HHotel Moscow, one of our investments in Russia, performed above expectations thanks to the positive bilateral relations between the two countries.

We, as the Company, believe that hHotels in our portfolio create added value to the time our guests spend in their corresponding cities. Whatever the conditions may be, we will continue to host millions in our hHotels. On this note, I would like to thank all our executives, staff and stakeholders once again for their sincere efforts they've put in for the company to achieve its goals in a very challenging year.



Ibrahim Süha GÜÇSAV

Chairman

General Manager's Message

Those who find value in evaluating the near past to plan the future, focus on economic declines and progress periods and dynamics. The question of whether we have reached the end of a period where real estate and hHotel management industries proceeded horizontally is a subject closely relevant to our industry and company. However whether it is the end or the middle of this period, the crucial point is how companies manage this challenging period.

Instead of being a company that decreases, halts or postpones its investments in a tightening and shrinking economic atmosphere, Akfen REIT chose to become a company that tries to maximize its benefits from its current resources and investments, manages its costs well, completing its investments to make ready for returns as preparation for the emergence and growth period ahead. Despite being located in the construction, real estate and hHotel management industries, which were the most negatively affected industries due to political and economical developments in our country in recent periods, our company has managed to overcome these threats with its sizable and reputable capital power, experience, dedication to corporate governance principles, and young and sustainable real estate portfolio.

Thus, the occupancy rates and returns of the hHotels of our company that works with industry leaders and prominent partners in its portfolio, continues to stay above the market averages despite its decline in parallel to general business cycle and industry. Despite Turkish Lira's significant depreciation threatening companies' profitability and capitals in real estate and hHotel management industries, Akfen REIT manages to overcome difficult periods with lesser losses due to its use of scalable leverages from the beginning.

Akfen REIT, which closed the year with a loss due to devaluation of Turkish Lira that was significantly affected by global and local political and economical developments, managed to refrain from decreasing its consolidated returns despite all negativity. With the devaluation of Turkish Lira, real estates in Turkey included in our portfolio experienced depreciation, where a significant currency loss was realized. However our company is able to keep risks at a manageable level by means of distributing its portfolio to 3 countries. Thus the returns from the hHotels in Russia resulted in a EUR based increase of 31%. Additionally, since TRNC returns did not experience any currency based losses, hHotels in TRNC contributed positively to our financials. Our hHotels located in Anatolian cities such as Izmir, Trabzon and Eskisehir, which achieved the highest occupancy rates in 2016, compensated to a level for the losses experienced in Istanbul due to terror incidents. Geographical distribution of our portfolio continues to support risk management.

I wish for the year 2017, where we expect the real estate and hHotel management industries' decline, which affects the entirety of our activities and returns besides creating uncertainties for global economies and our economy, to come to a halt, and even start emerging again, to be a more foreseeable and fruitful year for our company, our shareholders, employees and all stakeholders.

F. Sertac Karaagaoglu

Directorate General



Executive Board

İbrahim Süha Güçsav – Chairman



İbrahim Süha Güçsav graduated from Istanbul University, Faculty of Economics in 1992 and later received his MBA from Gazi University, Institute of Social Sciences. He began his professional career at Alexander & Alexander Insurance Brokerage in 1992 and joined the Akfen family in 1994. Mr. Güçsav served as the Head of the Financing Department at Akfen Holding and then as Chief Executive Officer. During his tenure, he assumed important roles in the privatizations of Vehicle Inspection Stations, Mersin International Port and İDO; the founding and investment stages of Akfen REIT; initial public offerings of Akfen Holding and Akfen REIT; share sales of subsidiaries and long-term project financing. Mr. Güçsav also held the position of Vice Chairman of the Board of Directors of Akfen Holding from 2003 to 2010. He was a member of the Board of Directors at Akfen Holding from March 2010 until May 2012. Having served as CEO of Akfen Holding since March 2010, Mr. Güçsav has also been Chairman of the Board of Directors at Akfen REIT and Akfen Water and is a member of the Board at Mersin International Port, AkfenHEPP Investments and Energy Production A.Ş. Mr. Güçsav is the Chairman of Turkey-Singapore Business Council, and in October 2014 he became Turkey Honorary Business Representative at the International Commerce and Investment Agency under the umbrella of the Ministry of Singapore and Commerce.

Mustafa Keten – Vice Chairman of the Board of Directors



Mustafa Keten graduated from the Istanbul Academy of Economics and Commercial Sciences, Department of Economic Administration in 1968. He began his professional career in 1970 as an Assistant Specialist in the State Planning Organization. In 1978, he earned an MA in Development Administration from the Institute of Social Studies in the Netherlands. From 1979 to 1983, Mr. Keten worked in the State Planning Organization as President of Priority Development Regions, the years between 1984-1999 as Undersecretary of Agriculture, Forestry and Village Affairs, Advisor to the Prime Minister, President of the Special Environmental Protection Board, President of Prime Ministerial Foundations and President of the Foundation's Board. During his time in the public sector, Mr. Keten also served on the Board of Directors at Petkim (petrochemicals) and Tamek Gıda (foods) and as the Chairman of the Board of Directors at Güneş Sigorta (insurance) and at Vakıfbank. Mr. Keten joined

Akfen Holding in 1999 as Vice Chairman of the Board of Directors. Currently, he also serves as a faculty member at a number of educational institutions. In addition, he has sat on the boards of the Eurasian Business Council, Turkish-Russian Business Council and Turkish-Georgian Business Council; he also served as the President of the Turkish- Moldovan Business Council. He is currently the Vice Chairman of the Turkish Tourism Investors Association (TYD) and President of the Tourism Assembly at TOBB and Board member of TMOK.

Pelin Akin Özalp – Board Member



Pelin Akin Özalp graduated from Surrey University (UK), Department of Business Administration in Spanish in 2010. She started her professional career in the Strategy Division of the Finance Department at Deutsche Bank Madrid. After returning to Turkey, she worked at TAV Airports and joined the Management Trainee (MT) program there. Ms. Akin currently serves as a

member of the Corporate Governance Committee at TAV Airports Holding, a member of the Board of Directors and Corporate Governance Committee at Akfen Holding, board member of IBS Insurance and Reinsurance Brokerage and a member of the Board of Directors at Akfen REIT. Ms. Akin has various responsibilities in different working groups within DEİK's Spanish Business Council and British Business Council. She is an active member of the Board of Trustees and a member of the Board of Directors at the Human Resource Education and Health Foundation of Turkey (TİKAV). In addition, Ms. Akin is the Vice President of the Duke of Edinburgh International Awards – Turkey Program. Since 2010, she has served as the President of the Advisory Committee for the Chair for Research in Turkish Studies at the London School of Economics. Ms. Akin is also responsible for organizing the Tatlı Dil Forum which was established in 2011 to improve Turkish-British relations in the fields of politics, economics and culture. She is a member of TÜSİAD, TİKAD, TÜRKONFED, Young Presidents Organization (YPO), B-20 Executive Board's Infrastructure and Investments Committee, TOBB Young Entrepreneurs Advisory Board and World Economic Forum Global Shapers. Ms. Akin was elected as a Substitute Member of TÜSİAD's Board of Directors, and board member at TÜRKONFED, PODEM and TAİDER at in January 2015.

Selim Akin – Board Member



Selim Akin graduated from Surrey University, Department of Business Administration in the United Kingdom in 2006. He was the president of the Surrey University Turkish Association during his years at the university. After his return to Turkey, he became a member of the Young Businessmen Association of Turkey (TUGİAD), where he currently serves as the Chairman of the Trade Committee. He is also a member of TÜSİAD and the Early Risk Detection Committee at TAV Airports. Mr. Akin began his professional career in the Accounting Department at Akfen Holding and also held positions in the Project Development and Finance Departments. Some of the projects in which he participated include the privatization and financing of Vehicle Inspection Stations, privatization and financing of Mersin Port and Akfen Holding's IPO and corporate bond issues. Mr. Akin is currently the Chairman of Akfen İnşaat ve Turizm A.Ş., Vice Chairman of Akfen Holding, and Board Member at various Akfen Holding subsidiaries.

Sıla Ciliz İnanç – Board Member



Sıla Ciliz İnanç graduated from Marmara University, Faculty of Law in 1995. After completing her internship, she joined Akfen Holding in 1997. She has worked in the areas of public-private partnerships, mergers and acquisitions, construction, energy and competition law, company and holding formations in Turkey. Ms. İnanç has actively participated in every aspect of build-operate-transfer, transfer of rights/ privileges and privatization projects, from tender offer to transfer; she also was active in the establishment of the project financing structure and loan agreements and IPO processes of Akfen Holding A.Ş. and Akfen REIT. Ms. İnanç currently serves as the Vice President of Akfen Holding A.Ş. and as a member of the Board of Directors at various Akfen Holding subsidiaries.

İrfan Erciyas – Board Member



İrfan Erciyas graduated from Gazi University, Department of Economics and Finance in 1977 and commenced his professional career at Türkiye Vakıflar Bankası. After working as Inspector and Branch Manager at Türkiye Vakıflar Bankası, he served as Executive Vice President from 1996 to 2002 and as CEO between 2002 and 2003. In 2003, he joined Akfen

Holding as Vice Chairman. Since that time, he has played a key role in Vehicle Inspection Stations; privatization of Mersin International Port and İDO; the founding and investment processes of Akfen REIT and Akfen Energy; the IPO of Akfen Holding and Akfen REIT; sales of subsidiaries' shares and long-term financing. Since March 2010, İrfan Erciyas has served as Executive Director at Akfen Holding. In addition, he is the Chairman, Vice Chairman and Board Member at a number of Akfen Holding affiliates and subsidiaries.

Ahmet Ertürk – Independent Board Member



Ahmet Ertürk was born in 1953 in Malatya and graduated from Ankara University, Faculty of Political Science in 1975. After working as Finance Auditor from 1976 until 1985, Mr. Ertürk conducted a study in London from 1984 until 1985 on the "British Privatization Experience" on behalf of the Ministry of Finance. Between 1986 and 1988, he was TÜSİAD's Deputy Secretary General. He took office as Assistant General Manager and Advisor to the General Manager at Turkish Maritime Lines from 1989 to 1991. From 1992 until 2002, he worked in the finance sector, joining Albaraka Türk as Assistant General Manager, before transitioning to the Capital Markets Board as Board Member in 2003. He was Chairman of the Savings Deposit Insurance Fund (TMSF) from 2004 until 2009, and Chief Advisor to the President of State from 2010 to 2014. Mr. Ertürk is married, has two children and is fluent in English. He currently serves as Independent Board Member at Akfen REIT.

Halil Eroğlu – Independent Board Member



Halil Eroğlu was born in 1952 in Karşıyaka and studied at seven different primary schools because his father was a public officer. He was a boarding student for seven years at İzmir Maarif High School (Bornova Anatolian High School – BAL). Mr. Eroğlu graduated from Ankara University, Faculty of Political Sciences in 1974. He started his professional career in banking at İşbank as an Auditor for 10 years; subsequently, he assumed various duties at the General Directorate and the branches. He served as General Manager at Dışbank for three years and was later General Manager at İş Leasing for three years. He became the General Manager at Industry Investment Bank in 2001. After the bank's merger with the Industrial Development Bank of Turkey (TSKB) in 2002, he served as General Manager for 10 years and retired in 2011. During his professional career and after his retirement, he has assumed duties as the Chairman and Member of the Board of Directors at various corporations. He currently serves as Independent Board Member at Akfen REIT.

Adnan Aydoğan – Independent Board Member



Adnan Aydoğan graduated from Diyarbakır Maarif High School in 1980, Elazığ High School in 1983, Gazi University, Faculty of Public Administration Department of Economics and Administrative Sciences in 1987. He assumed duties as Social Facilities Manager at Iron and Steel Establishments of Turkey; Research Assistant at Sakarya University; first Specialist (Project Coordinator) and then Project Monitoring and Financing Division Director and Head of Fund Management at the Undersecretariat for Defense Industries. Most recently, he worked as Head of Financial Affairs and Subsidiaries within TAİ before leaving in 2013. He currently serves as Independent Board Member at Akfen REIT.

Senior Management

Sertac Karaağaoğlu – General Manager



Mr. Sertac F. Karaağaoğlu, who started his professional carrier as assistant portfolio manager at Toprakbank in 1996, and worked at Kentbank between the years of 2000-2001, then continued his carrier in Fortis Bank (Dışbank) in March 2001. He served duties at various managerial positions as Portfolio Manager, Branch Manager, SME Banking Director of Anatolian Region, Regional Director for East Mediterranean Region and Director Responsible for Credits up to the year of 2011 in their respective orders. Mr. Karaağaoğlu, who continued his professional career as the Credits Director at TEB BNP Paribas between 2011-2012, worked as the Listing and Private Market Group Didektor at Borsa Istanbul in the fields of Corporate Finance (public offerings, bond issuances and m&a businesses) between 2012-2016. Mr. Sertac Karaağaoğlu, who graduated from tpe Political Sciences and Public Management of the Faculty of Economics and Administrative Sciences of the Middle-East Technical University (ODTÜ), completed his master degree course in 2015 on Business Management in Maltepe University.

Cüneyt Baltaoğlu – Russian Projects Coordinator



Cüneyt Baltaoğlu attended Istanbul Deutsche Schule and went on to graduate from Istanbul Technical University, Faculty of Architecture. He started his professional career in 1994 at Gama Construction's Russia-Tyumen HHotel project. Between 1995 and 1998, he worked at real estate development/investment projects by Moscow and Koray Construction Istanbul, a Koray-Enka joint venture. Subsequently, he received his MBA from Netherlands Erasmus University – Rotterdam School of Management, where he studied between 1999 and 2001. He then served as Lycos-Europe Founding General Manager at Bertelsmann AG in Moscow. In 2007, he joined Akfen REIT and is currently the Russian Investment Projects Coordinator

Memduh Okay Turan – Deputy General Manager, Operations



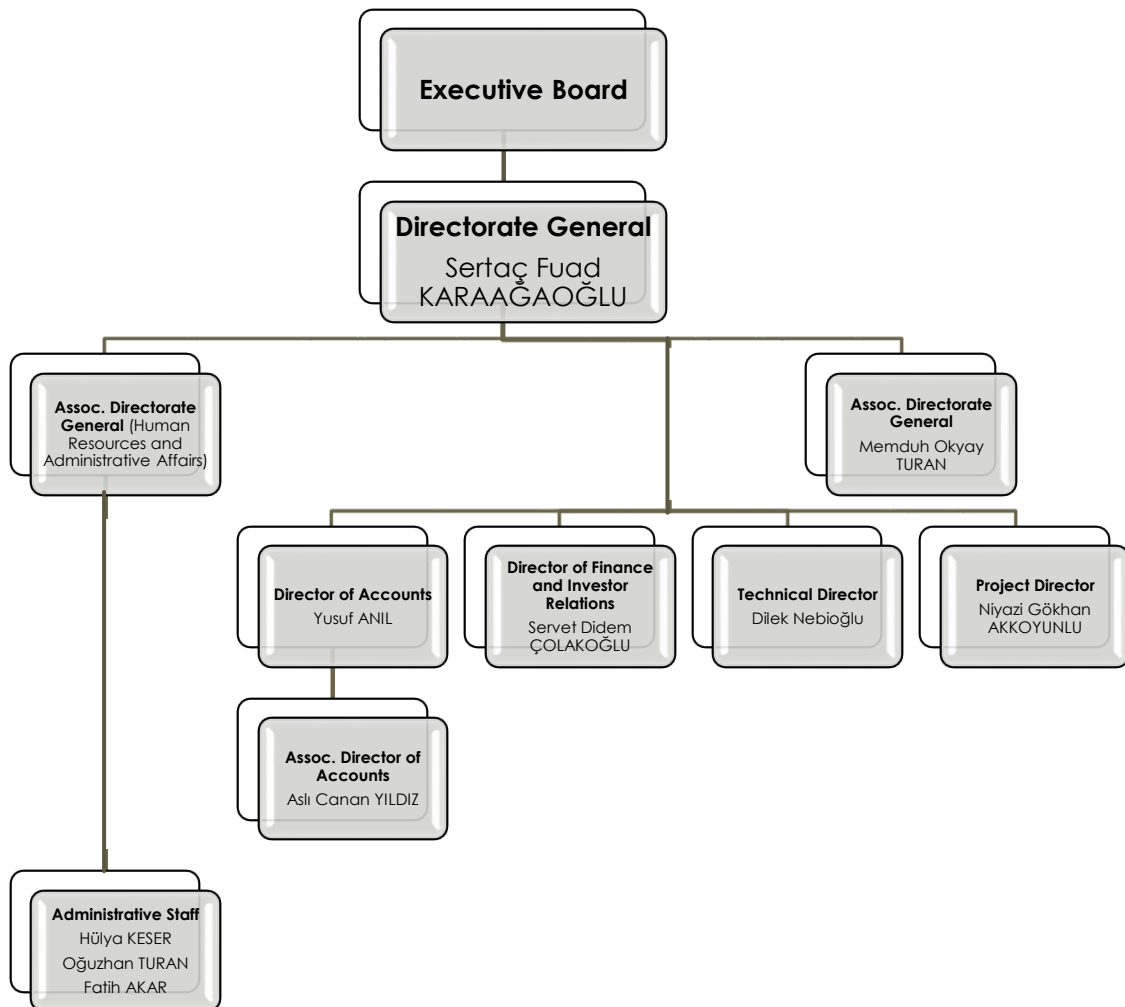
Memduh Okay Turan graduated from Bilkent University, Department of Tourism and HHotel Management in 1993. He began his professional career at Antalya Club HHotel Sera City & Resort and also at Antalya Dedeman Convention Center. He holds a Tourism Agencies Information Certificate granted by the Ministry of Tourism. Mr. Turan held managerial positions in the Front Office and Sales & Marketing Departments at Mega Residence HHotel and has served as the General Manager at St. Paul Tourism & Travel Agency and at the Mersin HHotel Chain Group. In addition, Mr. Turan served as General Coordinator at City Residence and at Kuşadası Mersin Beach Resort, both of which belong to the same group. Mr. Turan joined Akfen Group in June 2005 and has served as Deputy General Man.

Total of the economic benefits such as per diem, fees, premiums, bonuses, and dividends provided to company executives are listed below.

Benefits for Top Level Executives (thousand TRL]	2015	2016
Short Term Benefits	1.885	2.301

No other economic rights, payments, representation expense, in kind monetary right, insurance or similar warranties were granted. Total short terms benefits provided to top level executives of Akfen REIT and affiliates for the year ending on December 31, 2016 is TRL 2,301,154 (December 31, 2015: TRL 1,884,583 TL), where compliance with declarations made via legislation is maintained, and action is taken in line with company's wage policy.

Organization Chart



Akfen REIT Affiliates

Group Companies

Trade Name	Akfen Gayrimenkul Ticaret ve Insaat A.S.
Activity	Creating real-estate portfolios
Issued Capital	121.000.000,00
Company's Share in Capital	121.000.000,00
Currency	TRL
Company's Share in Capital (%)	100
Company's Relationship	Subsidiary

Trade Name	Russian HHotel Investment B.V.
Activity	Developing hHotel projects in Russia
Issued Capital	33.455.050,00
Company's Share in Capital	32.690.666,00
Currency	EUR
Company's Share in Capital (%)	97,72
Company's Relationship	Subsidiary

Trade Name	Russian Property Investment B.V.
Activity	Developing office and residence projects in Russia
Issued Capital	7.258.867,00
Company's Share in Capital	6.906.859,00
Currency	EUR
Company's Share in Capital (%)	95,15
Company's Relationship	Subsidiary

Trade Name	HHotel Development Investment B.V.
Activity	Developing hHotel projects in Russia
Issued Capital	8.510.640,00
Company's Share in Capital	8.510.640,00
Currency	EUR
Company's Share in Capital (%)	100
Company's Relationship	Subsidiary

Trade Name	Akfen Karaköy Gayrimenkul Yatırımları ve Insaat A.S.
Activity	Making real-estate investments
Issued Capital	34.400.000,00
Company's Share in Capital	24.079.312,00
Currency	TL
Company's Share in Capital (%)	69,99
Company's Relationship	Subsidiary

Akfen Gayrimenkul Ticareti ve İnşaat A.Ş. (Akfen GT)

Main activity fields of Akfen Gayrimenkul Ticareti ve İnşaat A.Ş., 100% subsidiary of Akfen REIT, are developing, managing and have manage real estate investments. Akfen GT has regular rental income from 5 stars Merit Park, located in TRNC since 2007.

Additionally the company has opened Ibis Hotel Yaroslavl, Ibis Hotel Samara, Ibis Hotel Kaliningrad and Samara Office among Akfen REIT's investments in Russia.

Akfen GT owns 97.72% of the shares of Russian HHotel Investments B.V. (RHI) and Russian Property Investment, and 95.15% of the shares of Russian Property Investment B.V. (RPI) established in the Netherlands.

Russian HHotel Investment B.V. (RHI)

RHI consolidates firms established in Russia to realize hHotel projects in this country. Active firms under the company are presented in the table.

Russian Property Investment B.V. (RPI)

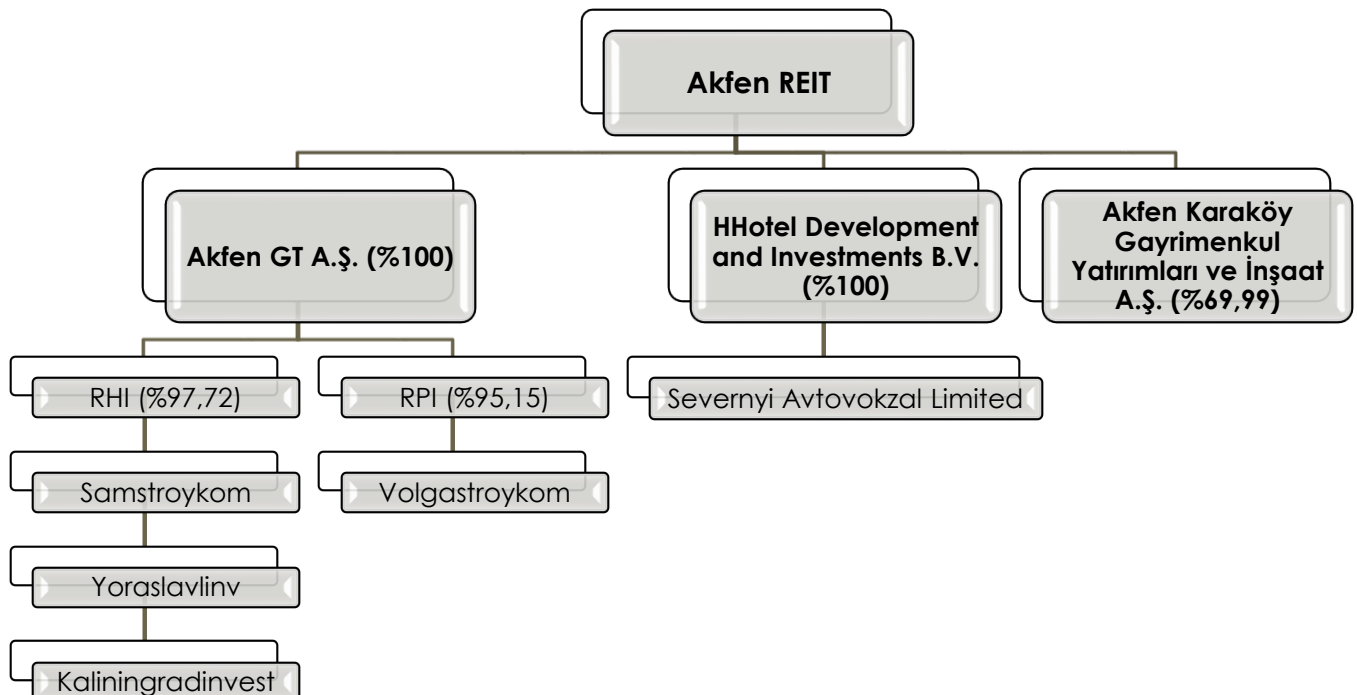
RPI consolidates project-based firms realizing projects in Russia excluding hHotel management projects.

HHotel Development and Investments B.V.

HHotel Development and Investments B.V, which Akfen REIT owns 100% of shares, was established with the purpose to develop hHotel projects in Russia. Based in the Netherlands, the company completed a hHotel project in Moscow.

Akfen Karaköy Gayrimenkul Yatırımları ve İnşaat A.Ş.

Karaköy Gayrimenkul Yatırımları ve İnşaat A.Ş., established by a shareholding of 69.99% with the purpose to develop projects in Karaköy, is a special purpose subsidiary. Planning, constructing and subcontracting, renting, managing and outsourcing management of tourism facilities, hHotels and real estate investments are among the operations of the Company. The Company currently conducts a hHotel project in İstanbul, Karaköy, operated by Accor.



Capital and Partnership Structure

31 December 2016 Partnership Structure

Shareholder	Group	Share Amount (TRL)	No. of Shares	Share %
Akfen Holding A.S.*	B	95.154.384	95.154.384	51,72%
Akfen Holding A.S.*	A	1.000	1.000	0,00%
Akfen Holding A.S.*	D	1.000	1.000	0,00%
Hamdi Akın	B	30.195.839	30.195.839	16,41%
Hamdi Akın	C	999	999	0,00%
Ibrahim Süha Güçsav	B	4.140.380	4.140.380	2,25%
Akınısı Makine Sanayi ve Ticaret A.S.	B	43.512	43.512	0,02%
Akınısı Makine Sanayi ve Ticaret A.S.	C	1	1	0,00%
Akfen İnşaat Turizm ve Ticaret A.S.	B	2	2	0,00%
Mehmet Semih Çiçek	B	1	1	0,00%
Mustafa Dursun Akın	B	1	1	0,00%
Ahmet Seyfi Usluoglu	B	1	1	0,00%
Public Shares**	B	54.462.880	54.462.880	29,60%
Total		184.000.000	184.000.000	100,00%

* Following the partial demerger agreement enacted between Akfen Holding A.S. and Akfen Mühendislik A.S., Akfen REIT shares were transferred to Akfen Mühendislik A.S. as of February 16th, 2017.

** 2,409,000 shares corresponding to 1.31% of the public shares were acquired in scope of the Akfen REIT A.S. Buyback program between 19.09.2016 and 31.12.2016.

Group A, C and D shares have the privilege to nominate Executive Board Members.

General Assembly elects Executive Board Members, two of which are nominated by Group A, two by Group C and two by Group D shareholders.

Hotels

Novotel and Ibis Istanbul

The land parcel for Novotel and Ibis Hotel İstanbul was granted to Akfen REIT by the State Treasury with a 49-year upper-right use agreement signed on December 4, 2003. The Hotel offers comfortable accommodation for commercial and leisure travelers with its convenient location just 10 km from the airport, 11 km from Taksim Square and its proximity to İstanbul's historic district and business centers. Guests can easily access a variety of activities from the Hotel, which is conveniently located 0.5 km from the Veliefendi Hippodrome and Abdi İpekçi Sports Hall and 6 km from the Olympic Stadium, 10 km from the Sultanahmet and Beyazıt districts, 10 km from CNR and the free zone and 27 km from the Tüyap Exhibition Center.

Area of Parcel	11.720 m ²
Construction Area	26.372 m ²
Novotel Number of Rooms	208 rooms
Ibis Hotel Number of Rooms	228 rooms
Opening Date	March 2007
Operated By	Tamaris Tourism (Accor)

Ibis Hotel Istanbul Esenyurt

Akfen REIT purchased the land for Ibis Hotel İstanbul Esenyurt. Having become operational on January 25, 2013, Ibis Hotel Esenyurt is located in Esenyurt, Büyükçekmece, one of İstanbul's rapidly growing areas, with many satellite town development projects. The Hotel is conveniently located facing the E-5 highway and near the Tüyap Exhibition and Convention Center.

Area of Parcel	1.755,37 m ²
Construction Area	7.331 m ²
Number of Rooms	156 rooms
Opening Date	January 2013
Operated By	Tamaris Tourism (Accor)

Novotel Istanbul Bosphorus (Karakoy)

The land parcel for Novotel Karaköy has been allocated for a period of 49 years by the General Directorate of Foundations. The tract is located where Kozluca Han formerly stood, on Karaköy's Rıhtım Avenue. Set to become the world's first five-star Novotel, the Hotel become operational on February 2016.

Area of Parcel	3.074,58 m ²
Construction Area	21.440 m ²
Number of Rooms	200 rooms
Opening Date	February 2016
Operated By	Tamaris Tourism (Accor)

Ibis Hotel Tuzla

Akfen REIT has purchased the land parcel for Ibis Hotel Tuzla. The construction permit for Ibis Hotel Tuzla, located in Tuzla on the Anatolian side of the city, was obtained on March 2, 2015; the Hotel is scheduled to become operational by 2017.

Area of Parcel	4.688 m ²
Construction Area	9.480 m ²
Number of Rooms	200 rooms
Opening Date	2017
Operated By	Tamaris Tourism (Accor)

Ibis Hotel Bursa

Conveniently situated in one of Turkey's largest industrial and commercial hubs, Ibis Hotel Bursa rises on a land parcel leased from Bursa International Textile Trade Center Cooperative on May 9, 2008, in close proximity to the city's main business centers. A permanent and independent right of tenancy on the land for a period of 30 years was granted to Akfen REIT and the title of deed was registered on August 7, 2008.

Area of Parcel	7.961,79 m ²
Construction Area	7.523 m ²
Number of Rooms	200 oda
Opening Date	November 2010
Operated By	Tamaris Tourism (Accor)

Ibis Hotel Alsancak

The land parcel was leased on August 25, 2010 by Akfen REIT from the General Directorate of Foundations for a duration of 49 years. Situated in the heart of İzmir, which makes significant contributions to Turkey's economy with the city's strategic location and workforce potential, Ibis Hotel İzmir Alsancak provides a relaxing and modern accommodation experience in a central urban location. The Hotel is located in the Alsancak district of Konak, in the vicinity of Alsancak Port and Alsancak Train Station.

Area of Parcel	629 m ²
Construction Area	5.555 m ²
Number of Rooms	140 rooms
Opening Date	June 2013
Operated By	Tamaris Tourism (Accor)

Ibis Hotel Eskişehir

Conveniently located right in the bustling city center, the landmark silo structure that now houses Ibis Hotel Eskişehir was leased from the Eskişehir Metropolitan Municipality and then retrofitted into a Hotel. The Hotel is located within walking distance to all major shopping, business and entertainment venues and near the Anadolu University campus, one of the most important focal points of the city. The Hotel's close proximity to the railway station provides guests with a convenient transportation option.

Area of Parcel	6.806 m ²
Construction Area	5.868 m ²
Number of Rooms	108 rooms
Opening Date	April 2007
Operated By	Tamaris Tourism (Accor)

Ibis Hotel Ankara Airport

The land parcel of Ibis Hotel Ankara Airport was acquired by Akfen REIT on July 21, 2011. At just 2 km from Esenboğa Airport, Ibis Hotel Ankara Airport is only 28 km from the city center.

Area of Parcel	7.134 m ²
Construction Area	9.506 m ²
Number of Rooms	147 rooms
Opening Date	September 2014
Operated By	Tamaris Tourism (Accor)

Ibis Hotel Adana

Akfen REIT purchased the land for Ibis Hotel Adana on August 3, 2010.

Ibis Hotel Adana is located in central Adana, one of the most important commercial and agricultural centers in Anatolia.

Area of Parcel	2.213 m ²
Construction Area	9.047 m ²
Number of Rooms	165 rooms
Opening Date	September 2012
Operated By	Tamaris Tourism (Accor)

Novotel Trabzon

Located on Turkey's Black Sea coast, the land parcel for Novotel Trabzon was leased from the Trabzon World Trade Center on December 9, 2005 for 49 years. A permanent and independent right of tenancy for a 49-year period was granted to Akfen REIT and the title of deed was registered on February 27, 2008.

Offering guests a transportation advantage with its close proximity to the airport and the city center, Novotel Trabzon is the first international Hotel chain in the city and the surrounding region. Situated adjacent to the World Trade Center, the Hotel is very popular in Trabzon thanks to its central location and unique architecture.

Area of Parcel	13.450 m ²
Construction Area	15.232 m ²
Number of Rooms	200 rooms
Opening Date	October 2008
Operated By	Tamaris Tourism (Accor)

Novotel and Ibis Hotel Gaziantep

The land parcel for Novotel and Ibis Hotel Gaziantep was leased from the Gaziantep Metropolitan Municipality for 30 years on May 31, 2007. A permanent and independent right of tenancy for a 30-year period was granted to Akfen REIT and the title of deed was registered on July 17, 2007.

The Hotel's location is quite close, only a 1 km walk, to Gaziantep city center, which is home to regional government and municipal institutions such as the Governor's Office, Metropolitan Municipality, Revenue Office, among others. The opening of Multi Turkmall's Gaziantep Forum Shopping Mall has made the district even more vibrant.

Area of Parcel	6.750 m ²
Construction Area	18.825 m ²
Novotel Number of Rooms	92 rooms
Ibis Hotel Number of Rooms	177 rooms
Opening Date	January 2010
Operated By	Tamaris Tourism (Accor)

Novotel and Ibis Hotel Kayseri

The land for Novotel and Ibis Hotel Kayseri was leased from the Kayseri Chamber of Industry and Commerce for 49 years on November 4, 2006. A permanent and independent right of tenancy for a period of 49 years on the land was granted to Akfen REIT.

Located in the city center, the Hotels are only 10 minutes from the airport.

Area of Parcel	11.035,4 m ²
Construction Area	11.064 m ²
Novotel Number of Rooms	96 rooms
Ibis Hotel Number of Rooms	160 rooms
Opening Date	March 2010
Operated By	Tamaris Tourism (Accor)

Merit Park Hotel Girne TRNC

The land parcel for Merit Park Hotel Kyrenia was granted by the Ministry of Finance of TRNC for a 49-year period. The Hotel, which is in the portfolio of the Akfen REIT subsidiary Akfen Real Estate Trading and Construction, was leased to Voyager Kıbrıs Ltd. on May 15, 2012, along with the casino and all outbuildings.

Area of Parcel	37.000 m ²
Construction Area	33.387 m ²
Number of Rooms	286 oda
Opening Date	Nisan 2007
Operated By	Voyager Kıbrıs Ltd. Şti.

Ibis Hotel Samara

Akfen REIT has two major development projects in Samara, one of Russia's largest cities. Ibis Hotel Samara and Samara Office are located on the main artery that intersects the road to the airport, two kilometers away from Samara city center, which has a population of about 1.2 million. Samara is also home to one of Russia's most important oil refineries.

Area of Parcel	4.803,66 m ²
Construction Area	11.749,25 m ²
Offices for Rent	4.637 m ²
Number of Rooms	204 rooms
Opening Date	March 2012
Operated By	Russian Management Hotel Company (Accor)

Ibis Hotel Kaliningrad

Ibis Hotel Kaliningrad is located 1.2 km outside Kaliningrad, a key transport hub by the Baltic Sea, and 450 meters from the Progolya River. The Hotel is located 20 km from the airport. Kaliningrad is home to one of Russia's major oil refineries.

Area of Parcel	5.099 m ²
Construction Area	6.322 m ²
Number of Rooms	167 rooms
Opening Date	August 2013
Operated By	Russian Management Hotel Company (Accor)

Ibis Hotel Yaroslavl

The 3-star Ibis Hotel Yaroslavl appeals to travelers with its high quality service in Yaroslavl, a popular destination of domestic and foreign tourists. The city of Yaroslavl, located within a periphery of 250 km from Moscow, is in a very vibrant area in terms of cruise tourism on the Volga River as well as business and cultural and tourism generated by international conferences.

Area of Parcel	4.432 m ²
Construction Area	7.916 m ²
Number of Rooms	177 rooms
Opening Date	September 2011
Operated By	Russian Management Hotel Company (Accor)

Ibis Hotel Moscow

Ibis Hotel Moscow is located around 200m southwest of Leningradsky Boulevard, next to the former bus terminal. The Hotel is on the most prominent political route in the city, which connects Red Square to Sheremetyevo Airport, and only four km from the Kremlin. Ibis Hotel Moscow is also in close proximity to tourist hotspots such as Petrovsky Park, CSKA Ice Place Arena and the city center. Upon completion, Accor will operate the 317-room Moscow Hotel under the Ibis brand.

Area of Parcel	2.010 m ²
Construction Area	13.250 m ²
Number of Rooms	317 rooms
Opening Date	July 2015
Operated By	Russian Management Hotel Company (Accor)

Overview of Akfen REIT

Financial Structure

TRL	2015	2016
Total Assets	1.616.985.920	1.498.018.392
Shareholder's Equity	804.106.256	560.795.264
Issued Capital	184.000.000	184.000.000
Revenue	53.533.927	54.180.018
Sale Costs	(7.468.913)	(9.503.784)
Real Operating Profit*	52.293.536	(202.125.460)
Loss for the Financial Year*	(53.900.669)	(217.142.116)
Net Loss for the Financial Year **	(46.983.079)	(256.908.907)
Investments	(71.572.133)	(22.870.323)

* Fixed asset increase revenue / losses are included in real operating profits and financial year profits.

** Net loss for the financial year pertaining to shares controlled by Akfen REIT.

Akfen REIT 2016	Akfen REIT 2016
Total Portfolio Value	Net Asset Value
1,098	619.6
(million TRL)	(million TRL)

Consolidated Rental Revenue

(million TRL)

2015	2016	Increase
53,53	54,18	%1

EBITDA

(million TRL)

2015	2016
39,63	37,12

2016 Regional Rental Revenue Distribution

(%)

Russia	TRNC	Turkey
%31,6	%29,9	%38,5

2016 Regional EBITDA Distribution (%)

Russia	TRNC	Turkey
%33	%42	%25

2016 Regional Real Estate Distribution (%)

Russia	TRNC	Turkey
3	8	%59

Portfolio

Status	Hotel	Take Up Date	City
Active Hotels	Ibis Hotel Istanbul	March 2007	Istanbul
	Novotel Istanbul	March 2007	Istanbul
	Ibis Hotel Eskisehir	April 2007	Eskisehir
	Merit Park Hotel Girne	April 2007	Girne – TRNC
	Novotel Trabzon	October 2008	Trabzon
	Ibis Hotel Gaziantep	January 2010	Gaziantep
	Novotel Gaziantep	January 2010	Gaziantep
	Ibis Hotel Kayseri	March 2010	Kayseri
	Novotel Kayseri	March 2010	Kayseri
	Ibis Hotel Bursa	November 2010	Bursa
	Ibis Hotel Yaroslavl	September 2011	Yaroslavl - Russia
	Ibis Hotel Samara	March 2012	Samara - Russia
	Ofis Samara	March 2012	Samara - Russia
	Ibis Hotel Adana	September 2012	Adana
	Ibis Hotel Istanbul Esenyurt	January 2013	Istanbul
	Ibis Hotel Izmir Alsancak	June 2013	Izmir
	Ibis Hotel Kaliningrad	August 2013	Kaliningrad – Russia
	Ibis Hotel Ankara Airport	September 2014	Ankara
	Ibis Hotel Moscow	July 2015	Moscow – Russia
	Novotel Istanbul Bosphorus	February 2016	Istanbul
Current Projects	Ibis Hotel Tuzla	April 2017	Istanbul

31.12.2016

No. of Active Hotels	Total No. of Rooms in Active Hotels	Hotels with Ongoing Investments	Total No. of Rooms in Ongoing Investments
19	3.428	1	200

Akfen Holding in Brief

Akfen Holding demonstrates rapid growth, thanks to accurate investment decisions made in industries with growth potential, adding vision to such industries with quality and unique projects it realizes.

Akfen, established in 1976, proved a consistent growth and reached Holding status in 1999. Akfen, being one of the prominent infrastructure holdings of Turkey, operates in the fields of airport management and operations, construction, seaport management, maritime transportation, water distribution and wastewater services, and energy and real estate.

In scope of the restructuring process initiated in 2016 and completed in February 2017, airports and seaport management, and renewable energy operations shall be conducted under Akfen Holding, where other affiliates shall continue their operations under Akfen Mühendislik A.S.

The Group, reflecting its innovative and dynamic approach to its business fields, demonstrates rapid growth in Turkey and international markets, thanks to its accurate investment decisions made in industries with growth potential, adding vision to such industries with quality and unique projects it realizes.

World leader trademarks

In scope of airport management and operations, Akfen conducts its operations with the partnership of Aéroports de Paris and Tepe Group under the trademarks of TAV Havalimanları Holding A.S. and TAV Yatırım Holding A.S.

Holding, which started its maritime transportation operations in 2011, makes a name in not only Turkey but as a world leader in maritime transportation with IDO İstanbul Deniz Otobüsleri Sanayi ve Ticaret A.S.

The Group renders its services for seaport management with Mersin Uluslararası Liman İşletmeciliği A.S., established with the partnership of Port of Singapore Authority International (PSA).

It continues its operations in the energy field with the partnership of European Bank For Reconstruction And Development (EBRD) and International Financial Corporation (IFC).

The Group renders its services for water and wastewater infrastructure investments with Akfen Çevre ve Su Yatırım Yapım İşletme A.S. (Akfen Water), established with the partnership of Kardan N.V., an international investment company based in the Netherlands.

Pioneer organizations in their respective fields

In line with its sustainable growth strategy, Akfen Holding attaches special importance to real estate investments, in addition to its affiliates in airport and seaport management fields. Akfen Gayrimenkul Yatırım Ortaklığı A.S. (Akfen REIT) is among the prominent organizations in the real estate industry with its high standard projects.

Following the transfer of Akfen İnşaat to Akfen Altyapı Danışmanlık A.S. in October 2015, the Group operates in the construction field with TAV İnşaat, a subsidiary of TAV Yatırım. The Group gets closer every day to achieving global reputation in the airport construction industry with prestigious projects it undertakes.

Akfen Holding makes significant investments with the purpose to contribute to meeting Turkey's ever-increasing demand for energy.

Among production, the Holding aims to take active position in the wholesale field with its decisions rendered in the energy industry up till this day. The Holding consolidates all its investments in the renewable energy industry under one roof, "Akfen Yenilenebilir Enerji" (Akfen Renewable Energy) in 2016. A Partnership agreement was signed with EBDR and IFC in July 2016 for these organizations to acquire 16,67% of shares each.

The Group conducts its operations in water distribution with Akfen Su (Akfen Water) established in 2005 to realize concession projects in Turkey in the industries of water and wastewater. Akfen Su's mission is to primarily regain the significant economic losses experienced in the current water and infrastructure industry in Turkey, and ensure the public's access to sustainable, safe and healthy water and infrastructure services. The company aims to maintain sustainability by means of developing new technologies and gain strength in the international market with these technologies. Akfen Su, carrying its water and wastewater experience to solid waste disposal and environment management services, continues to render successful services provided in scope of the Waste and Environment Management agreement signed with IDO in 2012 by adding MIP to its portfolio in 2016.

Akfen continues its ascent since its establishment with successful strategic partnerships formed with prominent companies of national and international industries. Akfen Holding, becoming an example society in Turkey with its governance structure, human resources potential and uncompromised transparency policy, shall continue to grow and multiply Turkey's values.

Akfen continues its ascent with successful strategic partnerships entered with industry leader companies.

Akfen REIT in Brief

Akfen REIT, consecutively completing new projects each year in the field of modern city Hotel management, ranks amongst the top REITs of Turkey in terms of its net assets value.

Akfen Gayrimenkul Yatırım Ortaklığı A.S. was established by restructuring Aksel Turizm Yatırımları ve İşletmecilik A.S., established on June 25th, 1997, in 2006 to become a real estate investment fund.

Akfen REIT, taking strength from Akfen Holding's rooted experience, is a leader in the industry by reflecting its experience gained in developing and constructing mid-range Hotel projects to prestigious economical city Hotel projects. Company predominantly focuses on investing in capital market tools based on real estate, and creating and developing real estate portfolios.

Successful business model with Europe's leader

Akfen REIT, sustaining a strategic partnership with Europe's leader organization Accor in the field of international Hotel management franchise, completes city Hotel projects in Turkey and Russia under the trademarks of Ibis and Novotel thanks to this cooperation. The company, which rents the constructed Hotels to its strategic partner Accor with long-term agreements, provides regular and foreseeable rental revenues with this business model.

A portfolio of 20 Hotels in 10 years

Akfen REIT, aiming to meet global standards in city Hotel management, created a portfolio within 10 years of its establishment, consisting of a total of 20 Hotels, including three and four stars. Company's portfolio consists of Ibis and Novotel in Zeytinburnu, Novotel in Karaköy, Ibis in Esenyurt, Ibis in Ankara, Ibis in Eskisehir, Novotel in Trabzon, Ibis and Novotel in Kayseri, Ibis and Novotel in

Gaziantep, Ibis in Bursa, Ibis in Adana, Ibis in Izmir, Ibis in Yaroslavl, Russia, Ibis in Samara, Ibis in Kaliningrad, Ibis in Moscow and five star Merit Part Hotel in TRNC, as well as Ibis Hotel Tuzla, with ongoing construction.

Average occupancy rate of the entirety of Akfen REIT's portfolio has reached 59% as of December 2016. Compared to the previous year, TRNC Hotels contributed 29% and Russian Hotels contributed 31% to the company's rental revenues in 2016.

Akfen REIT, realizing unique examples of modern city Hotel management, considers demand in the local tourism industry, as well as the Turkish business world's dynamics in its investment decisions. Akfen REIT, completing quality projects in real-estate industry, gained a reliable position in the industry by ranking amongst the top RIETs of Turkey in terms of its net assets value. Akfen REIT realized its public initial offering on May 11th, 2011 and is traded in BIST under share code "AKFGY" as of this date. The company Buybackd shares equaling to a total of TRL 2,409,000 within scope of its Buyback program applied in 2016.

Hosting millions of guests

Number of guests hosted in Turkey and Russia until this day is 5,917,754. Average occupancy rates of all Hotels in Russia and Turkey are 59.1% as of December 2016. Company's rental revenue from Turkey has reached TRL 54,719,172 in 2016, with an increase of 5.7% compared to the previous year. Turkey comprises 38.5%, Russia 31.6% and TRNC 29.9% of the total rental revenues collected from Turkey & Russia & TRNC in 2016.

Akfen REIT, realizing unique examples of modern city Hotels, considers demand in the local tourism industry, as well as the Turkish business world's dynamics in its investment decisions

Akfen REIT, completing quality projects in real-estate industry, gained a reliable position in the industry by ranking amongst the top RIETs of Turkey in terms of its net assets value

Consolidated EBITDA has reached TRL 37.1 million, and EBITDA margin was realized at a level of 68.5%. Akfen REIT's net asset value has become TRL 619.6 million as of December 31th, 2015.

Akfen REIT realized its public initial offering on May 11th, 2011 and is traded in BIST under share code "AKFGY" as of this date.

Akfen REIT's business address is Levent Loft Büyükdere Cad. No: 201 C Blok Kat: 8 34394, Levent/ Istanbul, and commercial registry number is 372279. Company information is also published on the company website www.akfenREIT.com.tr

Milestones of Akfen REIT

Since its founding, Akfen REIT has continued to move forward with sound investment decisions made at the right time and the right place.

2005

- Akfen Holding and Accor S.A. signed a memorandum of understanding.

2006

- Following CMB approval, Akfel Tourism Investment and Operations was transformed into Akfen REIT.

2007

- 208-room Novotel Istanbul and 228-room Ibis Hotel Istanbul in Zeytinburnu started operations.
- 108-room Ibis Hotel Eskişehir started operations.
- 286-room Merit Park Hotel Kyrenia in TRNC started operations.

2008

- 200-room Novotel Trabzon started operations. Construction of Novotel and Ibis Hotel commenced in Gaziantep and Kayseri.

2010

- 92-room Novotel Gaziantep and 177-room Ibis Hotel Gaziantep started operations.
- 96-room Novotel Kayseri and a 160-room Ibis Hotel Kayseri started operations.
- 200-room Ibis Hotel Bursa started operations.
- The Company's paid-in capital was increased to TL 138 million from TL 72 million.

2011

- The Company's paid-in capital increased from TL 138 million to TL 184 million through an initial public offering in May 2011.
- The Company increased its share in its joint investments in Russia from 50% to 95%.
- 177-room Ibis Hotel Yaroslavl started operations.

2012

- 204-room Ibis Hotel Samara started operations.
- 165-room Ibis Hotel Adana started operations.
- Akfen REIT's subsidiary Akfen Real Estate Trading and Construction signed a 20-year lease contract with Voyager Cyprus Limited Company for the lease of a 5-star Hotel in Kyrenia, TRNC along with the casino and all the outbuildings.

2013

- 156-room Ibis Hotel Esenyurt/ Istanbul became operational.
- 140-room Ibis Hotel Alsancak/Izmir became operational.
- 167-room Ibis Hotel Kaliningrad became operational.

2014

- The 147-room Ibis Hotel Ankara Airport became operational.

2015

- The 317-room Ibis Hotel Moscow has become operational.

2016

- The 200-room Novotel Istanbul Bosphorus Karaköy became operational.

Mission and Vision

Mission

To become the leading investor in turkey and the region dedicated to the development of Hotel projects that are managed by international Hotel operators at world-class standards.

Vission

To achieve steady balance sheet growth through the development of projects that yield high profitability in the real estate sector and to reward shareholders with an uninterrupted stream of increased dividends and capital gains

Strategy

- Strategic partnership with accor, europe's largest and the world's leading Hotel group
- Investments in economical city Hotels
- Predictable and sustainable cash flow via long-term lease agreements
- Know-how acquired through specialization in a single concept
- Increasing rental income based on the performance of the Hotels
- Ability to work with minimal staff since accor employs the Hotel personnel

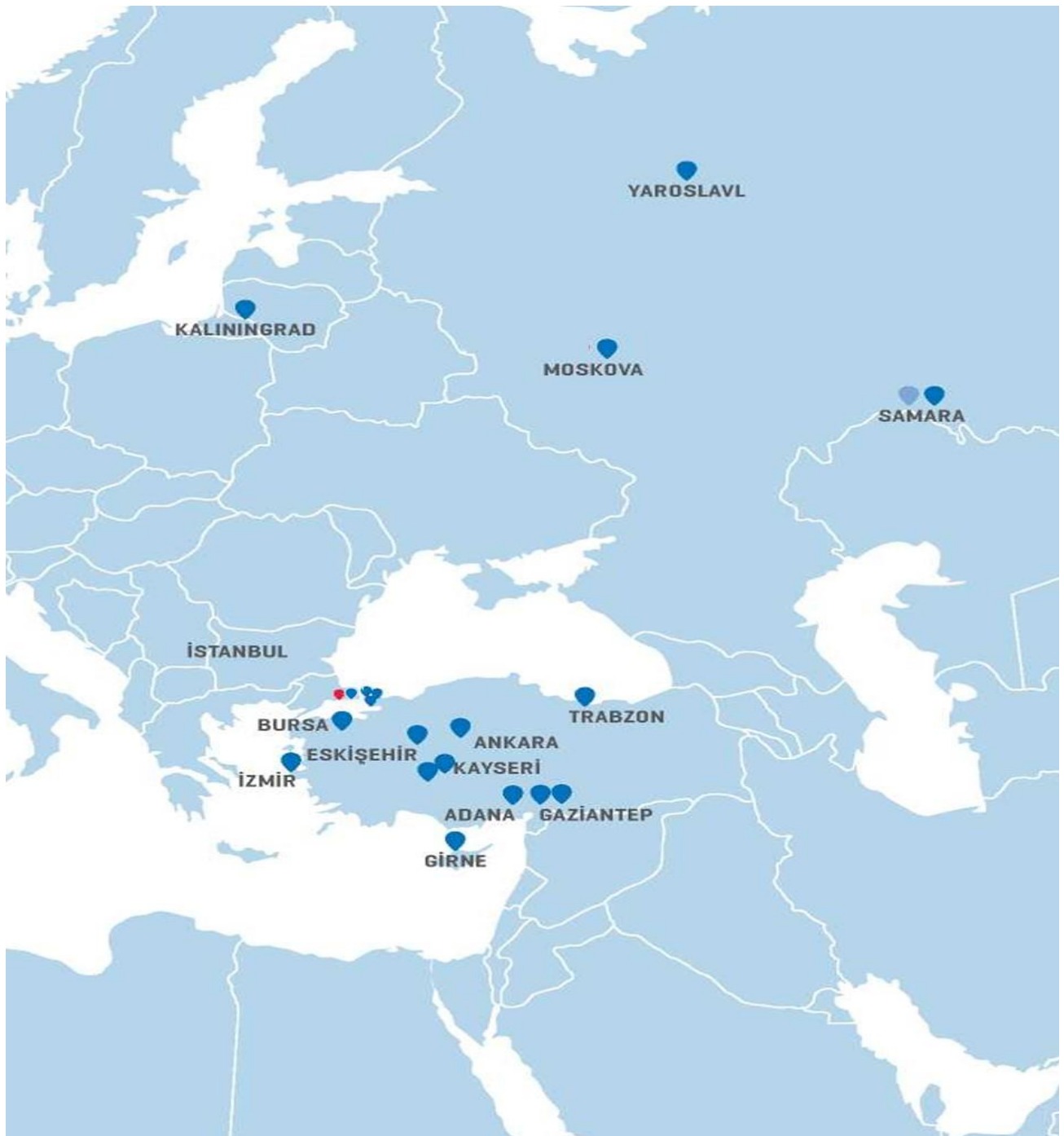
Akfen REIT

- Unique business model
- Minimum operational risk
- Low-risk and predictable cash inflow
- Unlimited and rapid growth opportunity

Operation Map

With its innovative approach and original business model, Akfen REIT aims to reach world-class standards in contemporary city Hotels.

- Operating Hotels
- Operating Office
- Ongoing Projects



Financial and Operational Indicators

Akfen REIT, focusing on quality projects with its solid financial structure, increasingly consolidates its power and reliable position in the industry each year.

Consolidated rental revenue

(million TRL)

2015	2016	Increase
53,53	54,2	%1

Akfen REIT's consolidated rental revenues have reached TRL 54.2 million, by an increase of 1% in 2015.

TRL	2014	2015	2016
Total Assets	1.473.591.646	1.616.985.920	1.498.018.392
Shareholder's Equity	856.220.166	804.106.526	560.795.264
Issued Capital	184.000.000	184.000.000	184.000.000
Revenue	51.011.677	53.533.927	54.180.018
Sale Costs	(5.729.946)	(7.468.913)	(9.503.784)
Real Operating Profit/Loss *	70.785.544	52.293.536	(202.125.460)
Investments	(61.584.827)	(71.467.689)	(22.870.323)

* Fixed asset increase revenue / losses are included in real operating profits.

Operations

REIT Industry

Real estate investment trust (REIT) industry in Turkey has emerged in 1995 with the legislation issued by Capital Markets Board. Real estate investment trusts are traded in the stock exchange as of 1997.

REIT companies invest in real estates with high revenue potential, projects based on real estate, rights based on real estate and capital market tools in scope of Capital Markets Law, and aim to acquire regular and foreseeable rental revenues and real estate sale-purchase revenues from the real estates they include in their portfolios with the aforementioned investments.

Many companies experience shareholder equity issues in large-scale real estate investment projects such as business centers or shopping malls, especially. Companies, which failed to create sufficient finances for these projects, turn to credit financing, which brings along a substantial interest burden.

REITs, among their main operation fields, provide financial support to real estate projects for companies with financing difficulties. Thus, financing issues experienced by companies aiming to invest are relieved to a great extent thanks to REITs.¹

Another issue faced in real estate investments is shareholder equity costs, although the company has sufficient finances. In such cases, REITs solution to this problem is using the money collected from the public in exchange of REIT shares to fund such projects.

2016 was recorded as a year, where risks and uncertainties in the global business cycles continued, global risk appetite was lower compared to the past, and where capital flow tend to turn from emerging markets to developed markets with relatively low, and even sometime negative revenues, yet safe harbors.

In such a period, Turkish economy took the burden of geopolitical issues of the region, results of the crisis experienced with Russia as one of the closest neighbors and commercial partners, and social and economic costs of the situation in Syria, and passed through a hard-to-manage period between uncertainties created domestically and risks generated abroad.

7,0% Growth in the Second Quarter, Marking the Fastest Increase in the Last 3 Years

However the construction-real estate industry, achieving a positive momentum as of the last quarter of 2015, grew by 7.0% in the second quarter, marking the fastest growth of the last 3 years with increasing construction investments of both the public and private sectors, and grew by 6.7% in first terms total, increasing the GDP by 0.4 points. An increase of private sector construction investments by 6.9% in the first term of 2016, compared to the shrinkage of 1.2% in 2015, and increase of public sector construction investments by 6.0% played an important role in the aforementioned growth. According to the GDP data prepared by the production method, only construction experienced real growth in the third quarter of 2016 among the main industries compared to the same quarter of the previous year. Construction industry, demonstrating a positive performance in the first two quarters of 2016, proved a real growth of 1.4% in the third quarter.

¹ Akfen GYO 2015 Activity Report-Page-152

Real Estate Industry Maintains Its Appeal

In accordance with the measures taken for increasing operations in the industry, construction / real estate industry confidence index excluding seasonal factors in September 2016 recorded an increase of 3.2% compared to the previous month, and reached 81.99. Increase in the construction industry confidence index points to the momentum tendency in recorded orders, new projects and industry investments.

Factors such as Istanbul's continuing appeal for global investors as a trademark city and first steps towards transforming Istanbul into a financial center, infrastructure projects creating appeal and interest (especially Gulf passage, 3rd Bridge, submerged tube tunnel projects in the Bosphorus, 3rd Airport, rail transit and subway projects in the majority of metropolitan cities, and Canal Istanbul projects attract significant attention), expansion of metropolises thanks to an increase in vehicles and transit opportunities, continuing urban transformation plans and regulations, continuing rural-urban migration, natural demand factor introduced by a young population, measures taken to encourage residential purchases and savings keeping the industry alive, contribute to real estate industry's continuing appeal. ²

Therefore for the growth and investments achieved in the construction-real estate industry in the last three quarters to continue in the last quarter as well as the first quarter of 2017, economical and political normalization must be ensured.³

Hotel Industry

Tourism maintains its quality as an ever-growing industry, both in the world and Turkey. Ministry of Tourism data clearly show the point achieved in the Turkish tourism industry in the last 25 years. While the number of guests visiting Turkey with touristic purposes was 4.4 million in the 90s, when the tourism industry was formed, this number has exceeded 10 millions in 2000s. In 2010s, the industry has gained a substantial place in the global market, and the number of visitors has exceeded 30 million. Most recently, Turkey has ranked 5th in 2015, among the most preferred tourism destinations in the world.

According to Turkish Statistical Institute data, 2015 tourism expenses have increased by 4.2% and reached USD 5 billion 698 million 423 thousand. USD 4 billion 768 million 443 thousand of this amount is comprised of personal, and USD 929 million 980 thousand is comprised of package tour spending. In the same year, citizens visiting abroad have increased by 9.6% and reached 8 million 750 thousand 851. Average per person spending of these were USD 651, and an average of 11.9 days were spent for accommodation.

According to Ministry of Culture and Tourism 2016 report, a decrease by 31.96% was experienced in foreign visitors in January-September 2016, compared to the same period of the previous year. Among the most visiting countries in January-September 2016, Germany ranks first with 15.51% (3,139,308), Georgia ranks second with 8.34% (1,689,543), and UK ranks third with 7.32% (1,481,200). When the change in foreign tourist numbers according to countries between 2015-2016 is examined, it is seen that the number of tourists from the Russian Federation has decreased by 88.55%, and number of tourists from Ukraine has increased by 54.29%.

² Akfen GYO-Adana Ibis Hotel Real Estate Valuation Report - 30.12.2016

³ Turkish Contractors Association-World and Turkey Construction Industry Report October 2016-Page-15-16

Due to the negative effects of consecutive terrorist incidents and coup attempt, it is seen that Turkish accommodation industry has left behind the most "vacant" summer period of its history. Authorities have declared that the occupancy rates have increased relatively in the coastal regions with the Sacrifice Holiday, and with Arabian tourists in the cities, however these visits were not enough to compensate for the vacancy of the high season of summer.

According to the globally renowned data and analysis company STR Global's December 2016 Country Performance Report, it is seen that the decline in Hotel occupancy rates in Turkey has slowed down in November 2016, where the decline has stopped in Istanbul. However decline in prices have continued. Hotel occupancies in Turkey in November 2016 were recorded as 55.2%, with a decline by 1.1% compared to the same period of 2015. In the 11-month period between January-November 2016, Turkey was recorded as the country with the most decline in occupancy rates in Europe, with a decline of 19.2% and occupancy rate of 50.9%. This rate was 63% in the 11-month period of the previous year. Turkey has also become the country with the most losses with respect to room revenues with a decline by 40.6% in the 11-month period of 2016. Per room revenues regressed to EUR 40.3, in comparison to EUR 67.8 in the 11-month period of 2015.

However Hotel investments continue despite all types of negativity. According to TopHotel Projects, a Germany based Hotel investments research organization, there are still 57 Hotel projects in Turkey with 3, 4 and 5 starts, which are at the investment, project and planning stages. Majority of these 57 projects is located in Istanbul.

Important Developments of 2016

April 21, 2016 – "Notification With Respect to Dividend Payment Operations"

As per article 390 (4) of the Turkish Commercial Code, the following decisions are rendered by the Executive Board members with unanimity following the submission of the issues below for the approval of all Executive Board Members:

In scope of Capital Markets Board's ("SPK") II-14.1 Notification provisions, since there are no payable dividends according to the financial statements for the financial year of 01.01.2015-31.12.2015, prepared according to the Turkish Accounting and Auditing Standards published by Public Oversight Accounting And Auditing Standards Authority and audited by Yetkin Yeminli Mali Müsavirlik A.S., it was unanimously decided to inform the General Assembly accordingly, and to submit for approval that no dividends shall be distributed.

April 29, 2016 – "Executive Board Decision With Respect to Ordinary General Assembly Meeting for 2015"

1. Opening and election of Meeting Chair
2. Authorizing the Meeting Chairmanship about signing the General Assembly Meeting Minutes
3. Reading, discussion and approval of 2015 Activity Report prepared by the Executive Board
4. Reading Independent Audit Report Summary for the financial year of 2015
5. Reading, discussion and approval of Financial Statements for the financial year of 2015
6. Acquittal of Executive Board members for the company activities for the year 2015
7. As per the Executive Board decision dated 13.04.2016 and numbered 2016/8, since there are no payable dividends for the year 2015, submission of the attached dividends table for the attention of the General Assembly, and submission to the General Assembly for approval of not paying any dividends
8. Executive Board member nominees, including independent members informing shareholders about their internal and external duties during the General Assembly

9. Election of Executive Board members
10. Determining monthly wages of Executive Board members
11. Submission for the approval of the General Assembly, determination Epos Gayrimenkul Danışmanlık ve Değerleme A.Ş as the valuation company for valuing the assets in company portfolio, and for assets acquirable in 2016 that may require valuation, determination of Epos Gayrimenkul Danışmanlık ve Değerleme A.Ş. and Eva Gayrimenkul Değerleme Danışmanlık A.Ş., as the valuation companies, according to Turkish Commercial Code and Capital Markets Board regulations, as per the Executive Board decision dated 29.01.2016 and numbered 2016/1.
12. Submission for the approval of the General Assembly, determination of Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Ernst and Young) as the independent audit company for audit services for the year 2016, according to Turkish Commercial Code and Capital Markets Board regulations, as per the Executive Board decision dated 08.04.2016 and numbered 2016/5.
13. Discussion of the attached Buyback Program for repurchasing company shares, if deemed necessary
14. Informing shareholders about the donations made by the company in 2015, and identifying the threshold for donations to be made in 2016
15. Informing the shareholders about securities, pledges, liens and warranties granted in favor of third parties in 2015 about the acquired revenues or benefits, as per the Capital Markets Board regulations
16. Informing the shareholders about the transactions realized in 2015 with relevant Parties that fall under the scope of Corporate Governance Communiqué as per Capital Markets Board regulations
17. Authorizing the shareholders with controlling shares, Executive Board members, top level executives and their spouses and relatives by blood and marriage up to second degree as per articles 395 and 396 of the Turkish Commercial Code, and informing the shareholders about the transactions realized in 2015 according to the Capital Markets Boards Corporate Governance Communiqué.
18. Discussion and approval of the issues of "whether any recourse action should be performed for executive board members liable for the actions resulting in the administrative fine amounting to TRL 44,814.00" as notified with the Capital Board Decision dated May 14, 2015 and numbered 12/556 served with the letter dated May 21, 2015 and numbered 12233903-325.99-466.
19. Wishes and opinions, closing

Additional Explanations:

1. As per article 390 (4) of the Turkish Commercial Code, the following decisions are rendered by the Executive Board members with unanimity about the issued included in the Executive Board Decision dated 25.04.2016 below, as submitted for the approval of all Executive Board Members: As per the company decision dated 13.04.2016 and numbered 2016/6, Shareholders General Assembly Meeting for 2015 was decided to be held on May 17, 2016. However since the issues of "whether any recourse action should be performed for executive board members liable for the actions resulting in the administrative fine amounting to TRL 44,814.00" as notified with the Capital Board Decision dated May 14, 2015 and numbered 12/556 served with the letter dated May 21, 2015 and numbered 12233903-325.99-466 were required to be added to the agenda, Shareholder General Assembly Meeting for 2015 was decided to be held on May 24, 2016 at 13:30 at company headquarters Levent Loft Building, Büyükdere Cad, No:201 C Blok Floor:8 Levent Istanbul, for the shareholders to examine the 2015 operations and decide on the agenda provided in writing below,

2. To publish relevant reports for the year 2015 including Executive Board Activity Report and Corporate Compliance Report, financial statements, independent audit report, power of attorney sample, agenda and Information Document, where details of agenda topics are included, in the company headquarters, on www.akfenREIT.com.tr, and on the electronic general assembly system of Central Securities Depository for the shareholders to examine,
3. Announce the situation to our shareholders in line with the legislation and the Articles of Association of the Company,
4. To apply before Ministry of Customs and Trade, Istanbul Directorate of Commerce for appointment of Ministry Representative to the meeting,

The aforementioned issued are decided upon with the unanimous vote of the participants to the meeting.

24 May 2016 – “Outcome of the General Assembly Meeting for 2015, held on 24.05.2016”

AKFEN GAYRIMENKUL YATIRIM ORTAKLIĞI A.S.'s Ordinary General Assembly Meeting for the Year 2015 was held on 24.05.2016, at 13:30, at company headquarters with the address Levent Loft Binası, Büyükdere Cad, No: 201 C Blok Floor: 8 Levent Istanbul, under the scrutiny of Ministry Representative Est. Devrim Demircan, appointed by Istanbul Governorship Provincial Directorate of Commerce with the letter dated 23.05.2016 and numbered 16197782.

It is seen that the invitation for the meeting was made in accordance with article 414 of the Turkish Commercial Code and Company Articles of Association, in a manner to include the agenda, which was announced on the Turkish Commercial Registry Gazette dated April 28, 2016, and numbered 9064, on the company website, and Electronic General Assembly System of the Central Securities Depository.

It is observed from the examination of the Participant List that from the total of TRL 184,000,000- shares of the company, 1000 Group A shares corresponding to TRL 1,000- of the shares, 1000 Group C shares corresponding to TRL 1,000- of the shares, 1000 Group D shares corresponding to TRL 1,000- of the shares, and a total of 144,886,612 Group B shares, 4,926,536 of them which were electronically, and 139,957,076 of them which were physically represented in the meeting, thus the minimum quorum regulated under the legislation and the articles of association was reached.

It was observed that Executive Board Member and Executive Director Ibrahim SÜHA GÜÇSAV, Executive Board Member Sila CILIZ INANÇ, and Hülya GÜLBAHÇE on behalf of PwC - Basaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.S. (PwC) were present in the meeting. Executive Director Ibrahim SÜHA GÜÇSAV opened Ordinary General Assembly Meeting simultaneously on the physical and electronic environment, and meeting agenda was opened for discussion.

Agenda topics were read by Executive Board Member Sila CILIZ INANÇ, and since no motion was put forward with respect to change the order of the topics, discussions proceeded in the announced order.

Decisions for the Ordinary General Assembly Agenda were rendered unanimously and majority of the votes, as indicated in the attached meeting minutes.

June 3, 2016 – “Registration of Ordinary General Assembly Meeting for 2015”

Istanbul Commercial Registry Office registered Ordinary General Assembly Meeting for 2015, held on May 24, 2016 on June 3, 2016.

June 13, 2016 – “Re. Akfen REIT Representation and Binding”

As result of submission for approval to the Executive Board members the issues under this Executive Board Member as per article 390 (4) provisions of Turkish Commercial Code, the following decisions were rendered unanimously by Executive Board members in the Executive Board Meeting dated 13/06/2016 and numbered 2016/10:

1. To appoint Ibrahim Süha GÜÇSAV as Chairman and Executive Director, Mustafa KETEN as Deputy Chariman, for 1 (one) year as of this date, without considering their previous duties,
2. In scope of the Company Internal Directive as approved in the Executive Board Meeting dated 30.04.2015 and prepared in scope of articles 367 and 371 of the Turkish Commercial Code numbered 6102 and dated 13/01/2011, to conduct duties for 1 (one) year;

To appoint Chairman / Executive Director Ibrahim Suha Güçsav, Executive Board Members Pelin Akin and Selin Akin as Group A authorized signatories, and authorize any two members to jointly represent and bind the company in compliance with Governance Internal Directive of the company without limitation and on any topic.

Participants of the meeting rendered the aforementioned decisions unanimously.

June 13, 2016 - “Re. Appointment of Committee Members as per CMB's Corporate Governance Communiqué”

As result of submission for approval to the Executive Board members the issues under this Executive Board Member as per article 390 (4) provisions of Turkish Commercial Code, the following decisions were rendered unanimously by Executive Board members in the Executive Board Meeting dated 13/06/2016 and numbered 2016/11

As per the Corporate Governance Communiqué numbered II-17.1 of the Capital Markets Board, participants of the meeting rendered the decisions below unanimously;

1. To appoint Independent Executive Board Member Halil Eroglu, Independent Executive Board Member Adnan Aydogan, Independent Executive Board Member Ahmet Erturk and (Financing and) Investment Relations Director Servet Diden Çolakoglu to the Corporate Governance Committee for 1 (one) year, and Halil Eroglu to carry out his duties as the Director of Corporate Governance Committee,
2. Corporate Governance Committee to carry out duties as Nominating Committee and Compensation Committee as well,
3. To appoint Independent Executive Board Member Halil Eroglu, Independent Executive Board Member Adnan Aydogan, Independent Executive Board Member Ahmet Erturk to the Auditing Committee for 1(one) year, and Ahmet Ertürk to carry out duties as the Director of the Auditing Committee,
4. To appoint Independent Executive Board Member Halil Eroglu, Executive Board Member Selim Akin and Executive Board Member Pelin Akin to the Early Detection of Risk Committee for 1 (one) year, and Halil Eroglu to carry out his duties as the Director of Early Detection of Risk Committee.

June 16, 2016 – “Articles of Association”

The updated articles of association, as requested by the Central Securities Depository's General Letter dated 03/06/2016 and numbered 752 for the complete change of the system infrastructure and in scope of the additional functions introduced with the new site, is attached in the explanations.

July 29, 2016 – “Re. Action for Changing Akfen REIT Shares to Open Shares”

Company was informed by company shareholder Hamdi Akin and Chairman I.Suha Güçsav, about their application before the CSD about changing their closed securities to the bearer to open securities, and in order to prevent any misunderstanding that the application was not made with the intention to sell the shares.

October 11, 2016 – “Re. Appointment of General Manager”

As per Executive Board decision dated 10.10.2016 and numbered 2016/14;

Our company General Manager Vedat Tural's duty as general manager has expired, and Sertac Karaagaoglu was appointed as General Manager of the company, as authorized by the Company Internal Directive approved by the Executive Board Meeting dated 20.04.2015, and prepared in scope of articles 367 and 371 of the Turkish Commercial Code numbered 6102 and dated 13/01/2011

Sertaç Karaagaoglu graduated from METU Department Of Political Science And Public Administration in 1996, and completed his graduate degree in 2015 in Maltepe University Business Administration Graduate Studies. He has worked in Toprakbank between 1996-2000, and in Kentbank between 2000-2001 as Customer Manager; between 2001-2011 as Credit Risk Manager in Fortis (Disbank), between 2011-2012 as Credit Director in TEB BNP PARIBAS, and continued its duties as Group Director in the Stock Exchange between 2012-2016.

December 2, 2016 – “Share Purchase Sale Notification”

A total of 2,409,000 Akfen REIT A.S. shares were purchased in 2016, in scope of the “Buyback Program” approved by the General Assembly in the meeting held on 24.05.2016. Capital ratio of the total share purchases made on an average of TRL 1.39 has reached 1.31%.

Activities in 2016

Rental revenues of Akfen REIT, ranking amongst the top REITs in Turkey in terms of its balance sheet size, has increased to TRL 54.2 million as of December 31, 2016.

Prominent issues in 2016

- Consolidated rental revenues have increased by 1.2% compared to the previous year, reaching TRL 54.2 million.
- Consolidated EBITDA was realized as TRL 31.1 million.
- Consolidated net debt was realized as TRL 775 million.
- Net active assets have reached TRL 619.6 million as of December 31, 2016.

Administration's Financial

Akfen REIT, managed by a specialized and experienced professional staff in both the operational and financial field, have continued to maintain its financial performance in 2016 and continued growing with successful projects. Company has increased its cash-generating capacity with Novotel Karaköy opened in 2016.

Earnings before interest taxes depreciation and amortization (EBITDA) excluding other activity returns and expenses were realized as TRL 37.1 million at the end of 2016. Akfen REIT's consolidated rental revenue has increased by 1.2% in comparison to the same period of the previous year, and was realized at TRL 54.2 million.

Net active asset value of Akfen REIT, ranking amongst the top REITs in Turkey in terms of its balance sheet size, was realized at TRL 619.6 million as of December 31, 2016.

Operational Performance

- Consolidated rental revenues have increased by 1.2% compared to 2015, reaching TRL 54.2 million.
- Novotel Karaköy was opened on February 16, 2016, and the number of active Hotels in the portfolio have reached 19, and number of rentable rooms has reached 3,428.
- Average occupancy rates of active Hotels in Turkey have reached 60%, which were realized at 58% in Russia, and average of all Hotels were 59% as of December 31, 2016.
- Average room price rates of active Hotels in Turkey was realized at EUR 40, which were EUR 37 in Russia, and average of all Hotels were EUR 38 as of December 31, 2016.
- Consolidated Hotel expenses have increased by 27% in 2016 reaching TRL 9.5 million, compared to TRL 7.5 million in 2015.
- Consolidated general administration expenses have increased by 9.5% in 2016 reaching TRL 7.6 million, compared to TRL 6.9 million in 2015. Consolidated EBITDA was realized at TRL 37.1 million in 2016, compared to TRL 39.1 million in 2015.
- Interest expenses have increased by 26% in 2016, reaching TRL 38.7 million, compared to the same period of the previous year.
- Company net asset value was realized at TRL 619.6 million in 2016.

Increase in EBITDA value in 2015

Total number of Hotels constructed and rented out by Akfen REIT as of the end of 2016 has reached 19.

Completion of one other Hotel project is projected until the end of the first quarter of 2016, which will increase the total number of Hotels rented out to 20.

Consolidated EBITDA value is projected to increase in 2017 with the effect of Hotels that are recently opened and will be opened.

EBITDA

(million TRL)

2015	2016
39,1	37,1

2016 (million TRL)	Rental Revenue	EBITDA	EBITDA (%)	Margin	Net Debt
Turkey	21,5	9,2	43		501
TRNC	15,9	15,5	98		56
Russia	16,8	12,3	74		218
Consolidated	54,2	37,1	68		775

No. of employees	2015	2016	Change (%)
Turkey	13	10	-23%
TRNC	0	0	-
Russia	12	11	-8,3%
Consolidated	25	21	-12%

Rental Revenue (million TRL)	2015	2016	Change (%)
Turkey	24,0	21,5	-10
TRNC	14,4	15,9	11
Russia	15,2	16,8	11
Consolidated	53,5	54,2	1

Revenue per Available Room (TRL)	2015 (Jan- Dec)	2016 (Jan- Dec)	Increase/Decrease Ratio (%)
Turkey - Total Ibis	95	84	%-12
Turkey - Total Novotel	189	137	%-28
Turkey - Total Ibis&Novotel	122	102	%-16
Russia - Total Ibis	79	99	%26
Turkey&Russia - Total Ibis&Novotel	111	101	%-9

Average Room Rate (Exc. VAT) (TRL)	2015 (Jan- Dec)	2016 (Jan- Dec)	Increase/Decrease Ratio (%)
Turkey - Total Ibis	118	112	%-5
Turkey - Total Novotel	194	169	%-13
Turkey - Total Ibis&Novotel	141	130	%-8
Russia - Total Ibis	111	123	%11
Turkey&Russia - Total Ibis&Novotel	135	128	%-5

Occupancy Rate	2015 (Jan- Dec)	2016 (Jan- Dec)	Increase/Decrease Ratio (%)
Turkey - Total Ibis	%66	%61	%-4
Turkey - Total Novotel	%69	%56	%-13
Turkey - Total Ibis&Novotel	%67	%59	%-7
Russia - Total Ibis	%52	%58	%6
Turkey&Russia - Total Ibis&Novotel	%63	%59	%-4

Rental Revenue (million TRL)	2015 (Jan- Dec)	2016 (Jan- Dec)	Increase/Decrease Ratio (%)
Turkey - Total Ibis	13,4	11,6	%-13
Turkey - Total Novotel	10,6	9,9	%-7
Turkey - Total Ibis&Novotel	24,0	21,5	%-10
Russia - Total Ibis	13,6	16,2	%20
Turkey&Russia - Total Ibis&Novotel	37,6	37,7	%0
Principal Sum*	53,5	54,2	%1,2

* TRNC Merit Park Hotel and Samara Office rental revenues included.

Investment Property

Total of the investment properties in our portfolio was realized at TRL 1,428 million in 2015.

Construction of a Hotel in Turkey was completed in 2015, where the value of this real estate was transferred from “investment property in construction” to “active investment properties” category.

Investment Properties (million TRL)	2015	2016	Change (%)
Active investment properties	1.195,4	1.253,7	4,9
Investment properties in construction	233,0	49,8	-78,6
Ground Rents	31,1	34,5	10,8
Total	1.459,5	1.338,0	-8,3

Investment Properties (million TRL)	2015	2016	Change (%)
Turkey	932,0	767	-18
TRNC	240,3	241	0
Russia	256	296	15
Consolidated	1.428,4	1.304	-9

Real Estate Investments

A total of TRL 22.9 million-investment spending was made for real estates in Akfen REIT portfolio as of December 31, 2016.

Investment	Ibis Hotel Tuzla
Location	Istanbul
No. of Rooms	200
Status	Project
Total investment Cost (EUR, inc. VAT)*	17,300,000
Completion of Investment (%)	%99
Physical Completion (%)	%99
Projected Opening Date	April 2017

* Construction phase financing costs and general administration expenses attributable to projects are not included. Advance payments made to subcontractors are included.

Receivables from Debts to Related Parties

Commercial Receivables from Related Parties	31 December 2015	31 December 2016
Akfen İnşaat Turizm ve Ticaret A.Ş.	-	7,414,000

The entirety of the outstanding commercial receivable balance from related parties as of December 31, 2016 pertain to the Group's transfer of the land of the Hotel located in Bafra, TRNC, which the Group has usage rights, for TRL 10,914,000 including VAT to Akfen İnşaat Turizm ve Ticaret A.Ş.

Commercial Debts to Related Parties	31 December 2015	31 December 2016
Akfen İnşaat Turizm ve Ticaret A.Ş.	3,742,189	-

Transactions with Related Parties

a) Investment properties in construction (Progress payment amounts)

	31 December 2015	31 December 2016
Akfen Insaat Turizm ve Ticaret A.S.	48,731,156	9,998,601

b) Rental expenses

	31 December 2015	31 December 2016
Hamdi Akin	397,166	423,166

Net Asset Value

Company's net asset value was realized at TRL 619,609 million as of December 31, 2016.

Portfolio Chart (Million TRL)	2015	2016
Active Hotels		
Novotel and Ibis Hotel Zeytinburnu	226,575	170,118
Novotel Trabzon	123,561	109,21
Novotel and Ibis Hotel Gaziantep	58,088	40,178
Ibis Hotel Esenyurt	60,313	40,952
Novotel and Ibis Hotel Kayseri	51,77	42,096
Ibis Hotel Bursa	45,58	37,32
Ibis Hotel Izmir	46,857	45,048
Ibis Hotel Adana	44,79	43,52
Ibis Hotel Ankara Airport	37,897	34,478
Ibis Hotel Eskisehir	13,626	11,474
Projects with Continuing Investments		
Ibis Hotel Tuzla	42,794	49,770
Affiliates	424,4	427,9
Monetary & Capital Market Tools	10,149	0,852
Total Portfolio Value	1.186,404	1.052,88
Other Assets & Receivables	31,805	45,199
Debts	381,413	478,47
Net Asset Value	836,796	619,609

Real Estate Valuation Report Results

The total number of Hotels constructed and leased out by REIT as of 2016 year-end reached 19.

Novotel and Ibis Hotel Zeytinburnu

The Income Approach Method and Cost Approach Method have been used in the valuation work since the immovable, which is the subject matter of the valuation, is revenue generating commercial property of Hotel nature. The "Land Value" has been determined based on the Precedent Comparison Method in the Income Approach Method.

The value according to the cost including land method has been calculated as 45.605.000 Euro (168.556.000 TL).

Net current value of the HOTEL calculated as a result of the reduction of the potential revenues of the building located over a parcel, which may be earned during the remaining term of the executed lease agreement of 49 years based on the income reduction approach, has been calculated as 54.220.000 Euro (200.039.000 TL). The value of the rental income to be paid by Accor Group to the company Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. calculated based on the reduction method is 38.000.000 Euro (140.197.000 TL). The consequential value of the Hotel has been calculated as 46.113.000 Euro (170.118.000 TL) which is approximate arithmetic average of the value calculated based on both methods.

The rental value of the immovable as of 31.12.2016 has been calculated taking into account the average of the first year's net cash flow values according to the income reduction approach and the rental income. The annual rental value of the immovable has been found through the reduction of the first year's net income cash flows to the valuation day. According to this calculation, the approximate annual rental income of the Hotel has been appraised to be 1.365.000 Euro (5.036.000 TL).

Novotel Trabzon

The Income Approach Method and Cost Approach Method have been used in the valuation work since the immovable, which is the subject matter of the valuation, is revenue generating commercial property of Hotel nature. The "Land Value" has been determined based on the Precedent Comparison Method in the Income Approach Method.

The value according to the cost including land method has been calculated as 18.614.837 EURO (68.677.581 TL). Net current value of the HOTEL calculated as a result of the reduction of the potential revenues of the building located over a parcel, which may be earned during the remaining term of the executed lease agreement of 49 years based on the income reduction approach, has been calculated as 34.410.000 Euro (126.952.000 TL). The value of the rental income to be paid by Accor Group to the company Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. calculated based on the reduction method is 24.790.000 Euro (91.460.000 TL). The consequential value of the Hotel has been calculated as 29.600.000 Euro (109.210.000 TL), which is approximate arithmetic average of the value, calculated based on both methods.

The rental value of the immovable as of 31.12.2016 has been calculated taking into account the average of the first year's net cash flow values according to the income reduction approach and the rental income. The annual rental value of the immovable has been found through the reduction of the first year's one (1) year average net income cash flows to the valuation day. According to this calculation, the annual rental income of the Hotel has been appraised to be 1.581.000 Euro (5.833.000 TL)

Novotel and Ibis Hotel Gaziantep

The Income Approach Method and Cost Approach Method have been used in the valuation work since the immovable, which is the subject matter of the valuation, is revenue generating commercial property of Hotel nature. The "Land Value" has been determined based on the Precedent Comparison Method in the Income Approach Method.

The value according to the cost including land method has been calculated as 16.038.000 Euro (59.171.000 TL). Net current value of the HOTEL calculated as a result of the reduction of the potential revenues of the building located over a parcel, which may be earned during the remaining term of the executed lease agreement of 30 years based on the income reduction approach, has been calculated as 12.670.000 Euro (46.475.000 TL). The value of the rental income to be paid by Accor

Group to the company Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. calculated based on the reduction method is 9.110.000 Euro (33.610.000 TL). The consequential value of the Hotel has been calculated as 10.890.000 Euro (40.178.000 TL), which is approximate arithmetic average of the value, calculated based on both methods.

The rental value of the immovable as of 31.12.2016 has been calculated taking into account the average of the first year's net cash flow values according to the income reduction approach and the rental income. The annual rental value of the immovable has been found through the reduction of the first year's one (1) year average net income cash flows to the valuation day. According to this calculation, the annual rental income of the Hotel has been appraised to be 680.193 Euro (2.510.00 TL).

Novotel and Ibis Hotel Kayseri

The Income Approach Method and Cost Approach Method have been used in the valuation work since the immovable, which is the subject matter of the valuation, is revenue generating commercial property of Hotel nature. The "Land Value" has been determined based on the Precedent Comparison Method in the Income Approach Method.

The value according to the cost including land method has been calculated as 12.254.802 Euro (45.213.000 TL). Net current value of the HOTEL calculated as a result of the potential revenues of the building located over a parcel, which may be earned during the remaining term of the executed lease agreement of 49 years based on the income reduction approach, has been calculated as 13.090.000 Euro (48.294.000 TL). The value of the rental income to be paid by Accor Group to the company Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. calculated based on the reduction method is 9.730.000 Euro (35.898.000 TL). The consequential value of the Hotel has been calculated as 11.410.000 Euro (42.096.000 TL), which is approximate arithmetic average of the value calculated based on both methods.

The rental value of the immovable as of 31.12.2016 has been calculated taking into account the average of the first year's net cash flow values according to the income reduction approach and the rental income. The annual rental value of the immovable has been found through the reduction of the first year's one (1) year average net income cash flows to the valuation day. According to this calculation, the annual rental income of the Hotel has been appraised to be 510.167 Euro (1.882.000 TL).

Ibis Hotel Eskisehir

The Income Approach Method and Cost Approach Method have been used in the valuation work since the immovable, which is the subject matter of the valuation, is revenue generating commercial property of Hotel nature. The immovable constituting the subject-matter of the valuation is an income generating property and in such properties, the values calculated based on the income approach and rental value analysis give more reliable result. For this reason, the value calculated based on the cost method has been disregarded in the final value appraisal.

The value according to the cost including land method has been calculated as 4.803.002 Euro (17.720.197 TL). Net current value of the HOTEL calculated as a result of the reduction of the potential revenues of the building located over a parcel, which may be earned during the remaining term of the executed lease agreement of 22 years based on the income reduction approach, has been calculated as 3.150.000 Euro (11.622.000 TL). The value of the rental income to be paid by Accor Group to the company Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. calculated based on the reduction method is 1.970.000 Euro (7.268.000 TL). The rental revenues of the restaurant and the fitness center constituting the supplementary facilities of the Hotel have been calculated separately. Accordingly, the net current value of the rental income obtained from the restaurant section has been calculated as 140.000 Euro (517.000 TL) and the net current value of the rental incomes obtained from the Fitness Center has been calculated as 410.000 Euro (1.513.000 TL). The rental right consequential value of the Hotel has been calculated as 3.110.000 Euro (11.474.000 TL) by adding the rental incomes of the restaurant and the fitness center to the approximate average of the value calculated based on both methods.

The rental value of the immovable as of 31.12.2016 has been calculated taking into account the average of the first year's net cash flow values according to the income reduction approach and the rental income. The annual rental value of the immovable has been found through the reduction of the first year's one (1) year average net income cash flows to the valuation day. According to this calculation, the annual rental income of the Hotel has been appraised to be 227.000.- EURO (837.000- TL).

Ibis Hotel Bursa

The Income Approach Method and Cost Approach Method have been used in the valuation work since the immovable, which is the subject matter of the valuation, is revenue generating commercial property of Hotel nature. The "Land Value" has been determined based on the Precedent Comparison Method in the Income Approach Method.

The value according to the cost including land method has been calculated as 8.727.285 Euro (32.256.046 TL). Net current value of the HOTEL calculated as a result of the reduction of the potential revenues of the building located over a parcel, which may be earned during the remaining term of the executed lease agreement of 30 years based on the income reduction approach, has been calculated as 12.030.000 Euro (44.383.000 TL). The value of the rental income to be paid by Accor Group to the company Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. calculated based on the reduction method is 8.200.000 Euro (30.253.000 TL). The consequential value of the Hotel has been calculated as 10.115.000 Euro (37.320.000 TL), which is approximate arithmetic average of the value, calculated based on both methods.

The rental value of the immovable as of 31.12.2016 has been calculated taking into account the average of the first year's net cash flow values according to the income reduction approach and the rental income. The annual rental value of the immovable has been found through the reduction of the first year's one (1) year average net income cash flows to the valuation day. According to this calculation, the annual rental income of the Hotel has been appraised to be 389.000 Euro (1.435.000 TL).

Ibis Hotel Adana

The Income Approach Method and Cost Approach Method have been used in the valuation work since the immovable, which is the subject matter of the valuation, is a revenue generating commercial property of Hotel nature. The "Land Value" has been determined based on the Precedent Comparison Method in the Income Approach Method.

The value according to the cost including land method has been calculated as 11.806.000 Euro (43.557.000 TL). Net current value of the HOTEL calculated as a result of the reduction of the potential revenues of the building located over a parcel, which may be earned during the period of 10 years based on the income reduction approach, has been calculated as 12.840.000 Euro (47.372.000 TL). The value of the rental income to be paid by Accor Group to the company Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. calculated based on the reduction method is 10.750.000 Euro (39.661.000 TL). Arithmetic average of the values obtained from the market and rental values according to the reduction of incomes approach is 11.795.000 Euro (43.520.000 TL).

The rental value of the immovable as of 31.12.2016 has been calculated taking into account the average of the first year's net cash flow values according to the income reduction approach and the rental income. The annual rental value of the immovable has been found through the reduction of the first year's one (1) year average net income cash flows to the valuation day. According to this calculation, the annual rental income of the Hotel has been appraised to be 424.000 Euro (1.564.000 TL).

Ibis Hotel Esenyurt

The Income Approach Method and Cost Approach Method have been used in the valuation work since the immovable, which is the subject matter of the valuation, is revenue generating commercial property of Hotel nature. In the Cost Method, the total value including land has been calculated as approximately 8.000.000 Euro (29.515.000 TL). The value obtained in the cost method has not been taken into consideration since it would not give a reliable result in the real estates based on the Hotel type operating potential.

Net current value of the HOTEL calculated as a result of the reduction of the potential revenues of the building located over a parcel based on the income reduction approach has been calculated as 12.060.000 Euro (41.874.000 TL). The value of the rental income to be paid by Accor Group to the company Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. calculated based on the reduction method is 10.140.000 Euro (35.207.000 TL). The consequential value of the Hotel has been calculated as 11.100.000 Euro (40.952.000 TL), which is approximate arithmetic average of the value calculated based on both methods.

The rental value of the immovable as of 31.12.2016 has been calculated taking into account the average of the first year's net cash flow values according to the income reduction approach and the rental income. The annual rental value of the immovable has been found through the reduction of the first year's one (1) year average net income cash flows to the valuation day. According to this calculation, the annual rental income of the Hotel has been appraised to be 588.000 Euro (2.042.000 TL).

Ibis Hotel/Izmir Alsancak

The Income Approach Method and Cost Approach Method have been used in the valuation work since the immovable constituting the subject matter of the valuation is revenue generating commercial property of Hotel nature. In the Cost Approach Method, the "Land Value" has been

determined based on the Precedent Comparison Method. In the cost method, the total value including land rental right has been calculated as 6.896.256 Euro (25.443.046 TL).

Net current value of the HOTEL calculated as a result of the reduction of the potential revenues of the building located over a parcel, which may be earned during the remaining term of the executed lease agreement of 49 years based on the income reduction approach, has been calculated as 14.330.000 Euro (52.869.000 TL). The value of the rental income to be paid by Accor Group to the company Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. calculated based on the reduction method is 10.090.000 Euro (37.226.000 TL). The consequential value of the Hotel has been calculated as 12.210.000 Euro (45.048.000 TL), which is approximate arithmetic average of the value, calculated based on both methods.

The rental value of the immovable as of 31.12.2016 has been calculated taking into account the average of the first year's net cash flow values according to the income reduction approach and the rental income. The annual rental value of the immovable has been found through the reduction of the first year's one (1) year average net income cash flows to the valuation day. According to this calculation, the annual rental income of the Hotel has been appraised to be 359.000 Euro (1.324.000 Turkish Lira).

Ibis Hotel Ankara Airport

The Income Approach Method and Cost Approach Method have been used in the valuation work since the immovable constituting the subject matter of the valuation is revenue generating commercial property of Hotel nature. In the Cost Approach Method, the "Land Value" has been determined based on the Precedent Comparison Method.

The value according to the cost including land method has been calculated as 10.995.000 Euro (40.565.000 TL). Net current value of the HOTEL calculated as a result of the reduction of the potential revenues of the building located over a parcel based on the income reduction approach has been calculated as 9.850.000 Euro (36.341.000 TL). The value of the rental income to be paid by Accor Group to the company Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. calculated based on the reduction method is 8.840.000 Euro (32.614.000 TL). There is a difference of approximately 11% between the values calculated based on the income reduction approach and the rental income reduction method and this is an acceptable difference. The value reached based on the Cost Analysis Method and the values reached based on the other two methods are consistent with each other. The values reached based on the said 3 methods support each other. Since the real estate constituting the subject matter of the valuation is a revenue-generating property, finally the income reduction approach and the rental income reduction methods have been used. The consequential value of the Hotel has been calculated as 9.345.000 Euro (34.478.000 TL), which is approximate arithmetic average of the value, calculated based on both methods.

The rental value of the immovable as of 31.12.2016 has been calculated taking into account the average of the first year's net cash flow values according to the income reduction approach and the rental income. The annual rental value of the immovable has been found through the reduction of the first year's one (1) year average net income cash flows to the valuation day. According to this calculation, the annual rental income of the Hotel has been appraised to be 389.000 Euro (1.435.000 TL).

Ibis Hotel Tuzla Project

The Income Approach Method and Cost Approach Method have been used in the valuation work since the immovable constituting the subject matter of the valuation is revenue generating commercial property of Hotel nature. In the Cost Approach Method, the "Land Value" has been determined based on the Precedent Comparison Method.

The value according to the cost including land method has been calculated as 15.961.000 Euro (58.887.000 TL). Net current value of the HOTEL calculated as a result of the reduction of the potential revenues of the building located over a parcel based on the income reduction approach has been calculated as 14.470.000 Euro (53.386.000 TL). The value of the rental income to be paid by Accor Group to the company Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. calculated based on the reduction method is 12.510.000 Euro (46.154.000 TL). The values calculated based on the income reduction approach and the rental income reduction method are consistent with each other. There is a difference of approximately 15% between the value reached based on the Cost Analysis Method and the values reached based on the other two methods and this is an acceptable difference. The values reached based on the said 3 methods support each other. Since the real estate constituting the subject matter of the valuation is a revenue-generating property, finally the income reduction approach and the rental income reduction methods have been used. The consequential value of the Hotel has been calculated as 13.490.000 Euro (49.770.000 TL), which is approximate arithmetic average of the value, calculated based on both methods.

The rental value of the immovable as of 31.12.2016 has been calculated taking into account the average of the first year's net cash flow values according to the income reduction approach and the rental income. The annual rental value of the immovable has been found through the reduction of the first year's one (1) year average net income cash flows to the valuation day. According to this calculation, the annual rental income of the Hotel has been appraised to be 381.000 Euro (1.406.000 TL).

Subsidiary Valuation Results

Akfen Gayrimenkul Ticareti ve İnşaat A.Ş. [Akfen GT]

The Net Asset Value method has been used in determining the fair market value of Akfen GT. The Net Asset Value method is based on the principle according to which the approximate market value of any and all assets currently owned by the Company is calculated independently of the cash flows to be created by the Company in the future and the "Corrected Book Value" is found after the deduction of the market value of any and all debts from this amount. The "Investment Properties and the Ongoing Investment Properties" constituting the most important fixed asset item of the Company's balance-sheet dated 31st December 2016 have been revised by the Company based on the market value included in the appraisal report dated 06.01.2017 of EPOS Gayrimenkul Değerleme A.Ş. The other items included in the assets of Akfen GT and the values related to the obligations of the Company have been calculated based on the amounts included in the balance-sheet assuming that they reflect the market value.

The Net Asset Value of the Company has been determined as 340.855.657 TL (91.877.317 Euro) based on the balance sheet dated 31st December 2016 and the real estate valuation report issued on 31st December 2016.

Net Asset Value as of December 31, 2016	EUR
+ Cash and Similar	1,823,335
+ Investment Properties and Investment Properties in Construction	122,463,289
+ Tangible Assets	3,387
+ Intangible Assets	1,118
+ Other Current and Tangible Assets	44,878,413
Total Assets	169,169,542
- Short Term Financial Debts	-
- Short Term Parts of Long Term Debts	2,946,321
- Other Short Term Obligations	1,239,384
- Long Term Financial Debts	59,799,490
- Postponed Tax Liability	13,307,032
Net Asset Value	91,877,317

Akfen Karaköy Gayrimenkul Yatırımları ve İnşaat A.Ş. [Akfen Karaköy]

Net Asset Value method was used in identifying Akfen Karaköy's fair market value. Net Asset Value method is based on the calculation of approximate market value of all assets within the Company, independent from future cash flows, and by deducting all debts' market value from this amount and finding a "Corrected Book Value" principle.

In this scope, net asset value is found by expressing historically costly items with current effective market value, and with this purpose, following the determination of approximate real values of Company assets and fixed assets by expert opinion values, deducting financial and other obligations from this value.

According to December 31, 2016 balance sheet and expert opinion report dated January 06, 2017, Company's Net Asset value is TRL 39,190,442 (EUR 10,544,703).

Net Asset Value as of December 31, 2016	EUR
+ Cash and Similar	155,933
+ Investment Properties and Investment Properties in Construction	142,946,000
+ Tangible Assets	-
+ Intangible Assets	-
+ Other Current and Tangible Assets	22,887,127
Total Assets	165,898,060
- Short Term Financial Debts	4,359,173
- Other Short Term Obligations	389,028
- Long Term Financial Debts	51,312,410
- Debts to Partners	67,877,685
- Postponed Tax Liability	4,860,321
Net Asset Value	39,190,442

Hotel Development Investment B.V. [HDI]

Net Asset Value method was used in identifying HDI's fair market value. Net Asset Value method is based on the calculation of approximate market value of all assets within the Company, independent from future cash flows, and by deducting all debts' market value from this amount and finding a "Corrected Book Value" principle

In this scope, net asset value is found by expressing historically costly items with current effective market value, and with this purpose, following the determination of approximate real values of Company assets and fixed assets by expert opinion values, deducting financial and other obligations from this value.

According to December 31, 2016 balance sheet and property valuation report dated January 06, 2017, Company's Net Asset value is TRL 59,579,441 (EUR 16,030,630).

Net Asset Value as of December 31, 2016	EUR
+ Cash and Similar	54,823
+ Investment Properties and Investment Properties in Construction	170,412,208
+ Tangible Assets	70,604
+ Intangible Assets	-
+ Other Current and Tangible Assets	6,087,106
Total Assets	176,624,741
- Short Term Parts of Long Term Debts	1,535,996
- Other Short Term Obligations	3,688,375
- Long Term Financial Debts	95,730,091
- Postponed Tax Liability	16,090,838
Net Asset Value	59,579,441

TRL	31 December 2016	Discount rates
Active Hotels		
Novotel and Ibis Hotel Istanbul	170,118,000	%10,09 and %11,18
Novotel Trabzon	109,210,000	%10,09 and %11,18
Novotel and Ibis Hotel Gaziantep	40,178,000	%10,09 and %11,18
Ibis Hotel Esenyurt	40,952,000	%10,45 and %11,54
Novotel and Ibis Hotel Kayseri	42,096,000	%10,45 and %11,54
Ibis Hotel Bursa	37,320,000	%10,09 and %11,18
Ibis Hotel Alsancak	45,048,000	%10,09 and %11,18
Ibis Hotel Adana	43,520,000	%10,09 and %11,18
Ibis Hotel Ankara Airport	34,478,000	%10,09 and %11,18
Ibis Hotel Eskisehir	11,474,000	%10,09 and %11,18
Projects with Continuing Investments		
Ibis Hotel Tuzla Project	49,770,000	%10,45 and %11,54
Affiliates		
Akfen Gayrimenkul Ticaret ve Insaat A.S.	340,855,657	
Hotel Development and Investment BV	59,579,441	
Akfen Karaköy Gayrimenkul Yat. Tic. A.S.	27,429,390	

Portfolio Limitations

According to CMB's Serial: III No: 48.1 "Communiqué on the Principles of REITs", Company chart on compliance check on portfolio limitations are as below:

	Unconsolidated (individual) financial statements main accounting items	Relevant Regulation	31 December 2016	31 December 2015
A	Monetary and capital market tools	III-48.1. Art. 24 / (b)	851.716	10.149.201
B	Real estates, projects and rights based on real estates	III-48.1. Art. 24 / (a)	643.531.638	768.229.245
C	Affiliates	III-48.1. Art. 24 / (b)	427.864.488	424.403.825
	Receivables from relevant parties (non-commercial)	III-48.1. Art. 23 / (f)	-	-
	Other assets		25.831.483	31.805.107
D	Total assets	III-48.1. Art. 3 / (p)	1.098.079.325	1.234.587.378
E	Financial debts	III-48.1. Art. 31	452.976.481	371.970.288
F	Other financial obligations	III-48.1. Art. 31	25.493.791	25.820.604
G	Financial leasing debts	III-48.1. Art. 31	-	-
H	Debts to relevant parties (non-commercial)	III-48.1. Art. 23 / (f)	-	-
I	Equity (Net asset value)	III-48.1. Art. 31	619.609.053	836.796.486
	Other resources		-	-
D	Total resources	III-48.1. Art. 3 / (p)	1.098.079.325	1.234.587.378

	Unconsolidated (individual) other financial information	Relevant Regulation	31 December 2016	31 December 2015
A1	Part of monetary and capital market tools retained for 3 years for real estate payments	III-48.1. Art. 24 / (b)	-	-
	Foreign currency checking/deposit account/private current participation account and TRL checking/participation account	III-48.1. Art. 24 / (b)	837.969	10.133.075
A2				
A3	Foreign capital market tools	III-48.1. Art. 24 / (d)	-	-
B1	Foreign real estates, projects and rights based on real estates	III-48.1. Art. 24 / (d)	-	-
B2	Idle land/grounds	III-48.1. Art. 24 / (c)	-	-
C1	Foreign affiliates	III-48.1. Art. 24 / (d)	59.579.441	67.074.294
C2	Affiliation to operating company	III-48.1. Art. 28//1 (a)	-	-
J	Contingencies	III-48.1. Art. 31	987.005.991	850.407.592
K	Lien prices for lien lands, which projects shall be developed, yet not owned by the partnership	III-48.1. Art. 22 / (e)	-	-
L	Total of monetary and capital market tools investments in a single company	III-48.1. Art. 22 / (I)	-	-

Portfolio Limitations	Relevant Regulations	Current Period	Previous Period	Minimum / Maximum Rate
1 Lien prices for lien lands, which projects shall be developed, yet not owned by the partnership	III-48.1. Art. 22 / (e)	%0,00	%0,00	<%10
2 Real estates, projects and rights based on real estates	III-48.1. Art. 24 / (a).(b)	%58,61	%62,23	>%51
3 Affiliates with monetary and capital market tools	III-48.1. Art. 24 / (b)	%39,04	%35,20	<%50
4 Foreign real estates, projects and rights based on real estates, Affiliates, Capital market tools	III-48.1. Art. 24 / (d)	%38,96	%34,38	<%50
5 Idle land/grounds	III-48.1. Art. 24 / (c)	%0,00	%0,00	<%20
6 Affiliation to operating company	III-48.1. Art. 28 / 1(a)	%0,00	%0,00	<%10
7 Borrowing limit	III-48.1. Art. 31	%236,52	%149,16	<%500
8 Foreign currency checking/deposit account/private current participation account and TRL checking/participation account	III-48.1. Art. 24 / (b)	%0,07	%0,82	<%10
9 Total of monetary and capital market tools investments in a single company	III-48.1. Art. 22 / (I)	%0,00	%0,00	<%10

Information included in the footnote entitled "Control of Compliance with Portfolio Limitations" as of December 31, 2016, is a summary derived from financial statements as per article 16 of CMB Serial: II, No: 14.1 "Communiqué on Financial Reporting Principles in Capital Markets", and was prepared in scope of the control of compliance with portfolio limitations provisions regulated under "Communiqué on Principles of REITs" numbered Serial: III, No: 48.1 as published in the Official Gazette dated May 23, 2013 and numbered 28660, and "Communiqué on Amending the Communiqué on Principles of REITs" numbered Serial: III, No: 48.1a as published in the Official Gazette dated January 23, 2015 and numbered 28891. Furthermore, information included in the chart may not coincide with the information on the consolidated charts, as these data are not consolidated.

Corporate Governance

Human Resources

Adopting contemporary methods in its human resources policy, Akfen REIT complies with the principle of “life long development” in the training opportunities provided for the employees.

Akfen REIT puts the strategies complying with the corporate structure and goals of the Company into practice by reflecting the dynamism in its management mentality onto the practices of human resources. Providing each employee with a workplace environment where he/she may develop his/her personal and professional skills in a position complying with his/her competency is among priority targets of Akfen REIT in its human resources policy.

The human resources policy of Akfen REIT has been established within the framework of the following principles:

- The principle of providing equal opportunity for the persons under equal conditions in the recruitment, training and development, pricing and career planning has been adopted.
- The criteria concerning recruitment are determined in writing and these criteria are observed in the practice.
- Employees are treated equally in the issues of development and promotion; development policies and plans intended to enable the employees to increase their knowledge, skills and experience are established.
- The job descriptions, performance assessment and rewarding criteria of the company employees are determined by managers and shared with the employees.
- The Corporate Communication, Human Resources and Administrative Affairs Department conduct the relationships with the employees and there is no discrimination between and among the employees.

Distribution of employees by their educational status

Company	No. of Persons	Graduate Studies	Undergraduate Studies	Associate Degree	High School Graduate
Akfen REIT	10	2	4	1	3
RHI, RPI and HDI	11	1	8	-	2

Akfen REIT aims based on these principles to create a dynamic and transparent work environment supporting development in order to ensure high motivation for the employees. Believing the importance of lifelong learning, the Company provides its employees with the opportunities to maintain their personal and professional training. Thanks to the training programs organized within and outside the Company, the employees may develop themselves while performing their current tasks.

Giving priority to the current human resource in the fulfillment of the requirements of the personnel, Akfen REIT applies such an in-company career planning process where the equal opportunity and impartiality are valid and the performance assessment results are taken as basis. In the in-company

career arrangements, the openness of the employees to the renovations and changes, their motivation intended to develop personal and professional development and their success-oriented targets are effective.

As a result of the successfully applied human resources strategies, Akfen REIT is able to have an employee profile capable to identify the corporate objectives with his/her personal goals, complying with his/her responsibilities with high motivation, having a team spirit and ethical values and believing in the social responsibility. As of the end of 2016, the number of employees in Akfen REIT is 10 and in its subsidiaries is 11.

Age average of the employees is 45 and the female employees constitute 48 of the total.

While supporting the mission and vision of the Company, Akfen REIT will continue to apply its human resource policies complying with the contemporary value in the year 2017 too.

Risk Management

The Early Detection of Risk studies were finalized in the year 2012 with the consultancy support of DRT Bağımsız Denetim ve Serbest Muhasebeci Mali MÜşavirlik A.Ş. [Deloitte] and the Risk Management Manual has been submitted to the Company's Executive Board.

It has been decided to take it as basis in the internal auditing of the Auditing Committee. The relevant Risk Management Manual is included as an annex to the Company's report.

Based on the Board Resolution no. 2013/9 dated 25th April 2013, the Company has decided that the duties of the Early Detection of Risk Committee previously conducted by the Corporate Governance Committee will be conducted by establishing a separate committee pursuant to the Communiqué Serial IV, No: 56 of the Capital Market Board as amended by the Communiqué Serial IV, No: 63. The Committee submits the reports prepared concerning the potential risks intended for early detection of the reasons endangering the existence and development of the Group, the measures required to be taken therefor and the application of the remedies related thereto and the risk management to the Executive Board every two months during the period between the establishment date of the Committee and the date of the report and the financial structure, financial position and performance of the Company as of 31st December 2016 have been evaluated and nothing which may raise doubt to the extent that there isn't any provision for the capital or the Company is debt-choked has been determined.

Audit Committee

The Company's consolidated and individual financial statement, comprehensive income statement, cash flow statement and changes in equity statement prepared:

- by the Audit Committee and the Executive Board on 04.05.2016 for the accounting period between 01.01.2016 - 31.03.2016, but not subject to limited audit;
- by the Audit Committee and the Executive Board on 03.08.2016 for the accounting period between 01.01.2016 - 30.06.2016 and which were subject to limited audit;
- by the Audit Committee and the Executive Board on 26.10.2016 for the accounting period between 01.01.2016 - 30.09.2016, but no subject to limited audit;
- by the Audit Committee and the Executive Board on 28.02.2017 for the accounting period between 01.01.2016 - 31.12.2016, but subject to limited audit;

and the Annual Report of the Executive Board for the relevant accounting period have been approved together with the footnotes thereof prepared in accordance with the Communiqué of the Capital Market Board.

Auditor's Report Concerning Early Detection of Risk System and Committee

To the Executive Board of Akfen Gayrimenkul Yatırım Ortaklığı A.Ş.:

1. We have audited the early detection of risk system and committee established by Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. ("Group").

Responsibility of the Executive Board

2. Pursuant to the first paragraph of article 378 of the Turkish Commercial Code no. 6102 ("TCC"), the Executive Board:

Is obliged to establish, a specialized committee, to operate and develop the system for the early detection of the reasons endangering the existence, development and continuity of the Company, application of the necessary measures and remedies required therefor and for the risk management.

Responsibility of the Auditor

3. Our responsibility is to come to a conclusion regarding the early detection of risk system and committee based on the audit we have made. The audit so made has been conducted in accordance with the Turkish Commercial Code, the "Principles Concerning the Auditor's Report on the Early Detection of Risk System and Committee" published by the Public Oversight, Accounting and Auditing Standards Authority and the codes of conduct. These Principles require the determination and evaluation by us of whether the company's early detection of risk system and committee are established or not and if established, whether the system and the committee are operated and manager within the framework of article 378 of the Turkish Commercial Code. The appropriateness of the remedies indicated against the risks by the early detection of risk committee and the applications realized by the management regarding the risks are not included within the scope of our auditing.

Information Concerning Early Detection of Risk System and Committee

4. The Group has established the early detection of risk system and committee and the said committee consists of 3 members. The Committee has submitted the reports prepared regarding the early detection of the reasons endangering the existence and development of the Company, the measures taken and the remedies applied therefor and the risk management for the accounting period between 1st January 2016 and 31st December 2016 to the Executive Board.

Conclusion

5. As a result of the audit so realized, we have come to the conclusion that the early detection of risk system and committee of Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. are sufficient with regard to all of the important aspects within the framework of article 378 of the Turkish Commercial Code.

Profit Distribution Policy

Our Company determines the decisions concerning profit distribution taking into consideration the Turkish Commercial Code, Capital Market Legislation, Capital Market Board's Regulations and Decisions, Tax Laws and the regulatory provisions of the other relevant legal legislation and our Company's Articles of Association.

Based on its Board Resolution passed on 25.02.2011, Akfen Gayrimenkul Yatırım Ortaklığı has adopted a profit distribution policy based on the principle of "offering the distribution of at least 30% of the distributable profit as of the accounting period of 2012 taking into consideration the general profitability position of our Company to the General Assembly".

The Profit Distribution Policy is submitted for information of the shareholders in the General Assembly. Since there was no distributable profit for the year 2015, it has been unanimously resolved in the General Assembly that the profit distribution was not possible.

The Profit Distribution Policy of our Company is disclosed to the public in the Internet site of the Company.

State Incentives and Aids

Pursuant to the Investment Incentive Law no. 47/2000, the Group has an investment incentive at a rate of 100% based on the investments made in the Turkish Republic of Northern Cyprus until 31st December 2008.

Loyalty Report

Conclusion

Our Company is a member of the Group of Companies of Akfen Holding A.Ş., and we maintain commercial relations with the companies that are affiliated with said Group of Companies.

However, there have been no losses suffered in the year 2016, considering the deals performed with the holding company or affiliates of the holding company, or the deals performed under the direction of the holding company, or for the benefit of the holding company or affiliates of the holding company, and it has not been a case to offset the benefits or losses enjoyed or suffered by the holding company.

In accordance with Article 199 of the Turkish Commercial Code No. 6102, our Company's Executive Board has delivered the following statement in its loyalty report covering its relations with the holding company as well as its affiliates.

For all the deals having been performed by our Company with the holding company as well as its affiliates during the fiscal year of 01.01.2016 to 31.12.2016, for all the legal deals having been performed under the direction of the holding company or for the benefit of the holding company or its affiliates, a due consideration has been given to all such measures that had been taken or refrained to be taken for the benefit of the holding company or its affiliates in the fiscal year of 2016. We hereby declare that the Company has not suffered such a losses or derived any benefits in connection with any deals performed in accordance with the conditions known to be present during the year 2016, and it has not been a case that any profits or losses of the holding company has been offset

Report on Compliance to Corporate Governance Principles

Section I - Statement of Compliance with Corporate Governance Principles

In 2016, Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. (“Company” or “Akfen REIT”) ensured the compliance to all compulsory principles out of such Corporate Governance Principles that are laid down in the Annex to the Communiqué on Corporate Governance No. II-17.1.

The Company has been continuing to carry out necessary activities in order to ensure the compliance also to the remaining non-compulsory principles. Our Company's approach and the latest status regarding the principles, to which the compliance has not yet been achieved, are detailed below.

Our Company continuously takes necessary steps to achieve the highest standards in the field of corporate governance and constantly carries out activities to implement some of the advisory provisions. Akfen REIT perceives the code of ethics and the principles of transparency, fairness, responsibility and accountability as a part of its corporate culture.

With the amendments to the Articles of Association of Akfen REIT, we have caused our Articles of Association to comply with such arrangements that must be included in the articles of association as per the Corporate Governance Principles.

The Investor Relations Unit directly reports to the General Manager, and at least once a year presents a report to the Executive Board with respect to its activities and operations. The Investor Relations Manager was appointed as a Member of the Corporate Governance Committee. Moreover, one staff member was appointed to assume tasks in the Investor Relations Unit, and all these issues were publicly disclosed via the Public Disclosure Platform.

In compliance with the Corporate Governance Principles, the Audit Committee and the Corporate Governance Committee were established pursuant to a decision adopted by the Executive Board on February 16, 2011,

On March 14, 2013, the Executive Board resolved that the tasks and duties of the Early Detection of Risk Committee, which were previously carried out by the Corporate Governance Committee, be conducted by a separate committee pursuant to the Communiqué Serial IV, No: 56 of the Capital Markets Board as amended by Communiqué Serial IV, No: 63.

On 13.06.2016, the Executive Board resolved to appoint the following individuals pursuant to the Communiqué on Corporate Governance No. II-17.1:

1. To appoint Mr. Halil Eroğlu, an Independent Member of the Executive Board, Mr. Adnan Aydoğan, an Independent Member of the Executive Board, and Mr. Ahmet Ertürk, an Independent Member of the Executive Board, and Mr. Servet Didem Çolakoğlu, the (Financing and) Investor Relations Manager, to the positions to be held as the Members of the Corporate Governance Committee for a period of one (1) year in office; and Mr. Halil Eroğlu to the position of the Chairman of the Corporate Governance Committee;
2. Cause the Corporate Governance Committee also to act as the Nomination Committee and the Remuneration Committee;
3. To appoint Mr. Halil Eroğlu, an Independent Member of the Executive Board, Mr. Adnan Aydoğan, an Independent Member of the Executive Board, and Mr. Ahmet Ertürk, an Independent Member of the Executive Board, to be held as the Members of the Audits Committee; and Mr. Halil Eroğlu to the position of the Chairman of the Audits Committee;

4. To appoint Mr. Halil Eroğlu, an Independent Member of the Executive Board, Mr. Selim Akin, a Member of the Executive Board, and Ms. Pelin Akin, a Member of the Executive Board, to be held as the Members of the Committee for Early Detection of Risks for a period of one year in office; and Mr. Halil Eroğlu to the position of the Chairman of the Committee for Early Detection of Risks.

The Executive Board of Akfen REIT supports the senior management and all staff members in the course of implementation of the Corporate Governance Principles across the Company. In the recently published Report on Compliance to Corporate Governance Principles, the Company states its commitment to the principles of equality, transparency, accountability, and responsibility following the adaptation of the Corporate Governance Principles by the Company.

SECTION II - SHAREHOLDERS

2.1. Investor Relations Department

Regarding the exercise of shareholding rights, the Company complies with applicable legislations, the Articles of Association, and other corporate bylaws, and takes all necessary measures to ensure the due exercise of these rights.

- The Investor Relations Unit reports to Mr. Fuad Sertac Karaağaoğlu, the General Manager of Akfen REIT.
- The Investor Relations Unit prepared a report on its activities carried out in the year 2016, and presented this report to the Executive Board and the Company's top management on December 31, 2016.
- The Investor Relations Unit is managed by Mr. Servet Didem Koç, the Finance and Investor Relations Manager of Akfen REIT who has a CMB Advanced Level License and a License as a Specialist of Corporate Governance Rating.

The Investor Relations Unit is committed to provide accurate, timely and consistent information to the existing and potential shareholders of Akfen REIT; increase the public awareness and credibility of the Company; lower the cost of capital through the application of the Corporate Governance Principles; and ensure efficient communications between the Executive Board and capital markets players. In accordance with these objectives, the Company places the utmost importance on communications with shareholders and investors, and maintains an active investor relations program.

The Investor Relations Unit reports to the General Manager, and submits its activity reports to the Executive Board according to the organizational chart.

The Investor Relations Unit, which serves as a bridge connecting the Executive Board to the shareholders and finance community, has the following main duties:

- safely keeping records of correspondences exchanged between the Investors and the Company, and other information and documentation in good shape and up-to-date;
- responding to written information requests of the shareholders about the Company;
- Preparing such documentation that must be presented for review of the shareholders in connection with the General Assembly meetings, and taking necessary measures to ensure that the General Assembly meetings are held in conformity with relevant legislations, Articles of Association, and other internal bylaws of the Company;

- Overseeing and monitoring the fulfillment of such obligations that arise from the capital markets legislations, including all Corporate Governance and public disclosure issues

The Investor Relations Unit gives due care to the use of electronic means of communication and the Company's website in connection with its activities.

Contact details of the Investor Relations Unit are available at www.akfenREIT.com.tr as well as in annual reports. The Investor Relations Unit is accessible at REITyatirimci@akfenREIT.com.tr for all inquiries and requests.

In 2016, the Company held discussions with the existing and potential investors. Upon request, face-to-face meetings were held with investors, shareholders, and analysts regarding the Company's operating results, performance and other news. Moreover, our individual investors' questions asked over the phone were answered.

2.2. Exercise of Shareholders' Right to Get Information

The Company treats all shareholders, potential investors, and analysts equally in terms of the use of their right to get information and analyses. As such, all disclosures are provided to everyone simultaneously and with the same content.

As part of information disclosure activities, all information that might concern the shareholders and market players is announced via material event disclosures; and all material event disclosures are posted both in Turkish and English languages at the Company's website.

Numerous written and oral requests received for information from the shareholders are answered without delay, under the supervision of the Investor Relations Unit and in accordance with the Capital Market Regulations. In order to extend the shareholders' right to get information, all information that might influence the exercise of their rights is immediately submitted to their attention via the Company website. The information available on the website is published simultaneously both in Turkish and English languages to assure the equal exercise of rights by domestic and foreign investors.

The Articles of Association of the Company contain no regulations or restrictions imposed on the assignment of special auditors. The Internal Bylaws on the Operation Principles and Procedures of the Company's General Assembly contain an article stating that the shareholder's requests for the performance of a special audit would be resolved by the General Assembly regardless of whether such request is on the agenda or not. The Company avoids making any deals that would complicate the performance of private audits.

In 2016, the Company has not received any request for the appointment of special auditors.

2.3. General Assembly Meetings

In 2016, the Ordinary General Assembly Meeting of 2015 was held on May 24, 2016, at 13:30 p.m. at the Meeting Hall seated at the Company's Headquarters.

The call for the meeting, that is required to be made according to the Article 414 of the Turkish Commercial Code, was duly made in accordance with the Turkish Commercial Code and the Articles of Association of the Company, such that it contained the agenda of the meeting, and was duly announced via the Turkish Trade Registry Gazette No. 8780 of March 17, 2015, on the Company's website, and via the Central Registry Agency's Electronic General Assembly System.

Since 2013, all the general assembly meetings have been held in electronic medium.

The Meeting Room of the General Assembly is located at the headquarters of the Company and has the necessary facilities to accommodate all the shareholders. The General Assembly Meetings are open to the public and are held under the supervision of a Ministerial Representative appointed by the City Directorate of Commerce, the Office of Istanbul Governor in the name of the Ministry of Customs and Commerce. A review of the list of attendants indicated that, out of the Company's total capital of TL 184,000,000, 1000 Shares of Group A equivalent to a capital share of TL 1,000, 1000 Shares of Group C equivalent to a capital share of TL 1,000, 1000 Shares of Group D equivalent to a capital share of TL 1,000, and 142,941,083 Shares of Group B equivalent to TL 144,886,612 with 4,926,536 Shares thereof being represented in the electronic medium, and 139,957,076 Shares thereof being represented physically, were represented at the meeting, and thus, the minimum meeting quorum stipulated in the legislation and in the articles of association was present in the meeting.

The agenda of the General Assembly Meetings have been specified in an impartial, thorough, clear, and comprehensible manner, and the expressions used therein have not contained any style that might lead to different interpretations. The shareholders were given the opportunity to ask questions and express their opinions under equal conditions in order to establish a healthy discussion environment.

Two of the shareholders presented their opinions, however, none of the shareholders asked any questions or made any suggestions with respect to the agenda. The minutes of the General Assembly Meeting are available at our website (www.akfenREIT.com.tr), at the Public Disclosure Platform, and in the Turkish Trade Registry Gazette.

Pursuant to a separate agenda item, the shareholders were informed about the Company's donation of TL 120 to the Turkish Education Foundation affected during the period. The upper limit of donations that would be made in 2016 was fixed as TL 500,000.

2.4. Voting Rights and Minority Rights

The Company avoids any practices that might jeopardize the exercise of voting rights, and allows every shareholder to use her/his vote in the most convenient and appropriate way.

According to the Company's Articles of Association, each share is entitled to one vote. Group A, C, and D shares are registered shares and are not traded at BİAŞ.

There are no provisions imposing time restriction for the exercise of voting rights after the acquisition of shares.

Our articles of association do not contain any provisions preventing non-shareholders from casting votes as a proxy in the name of a shareholder.

At our Company, the minority rights are exercised in compliance with the Turkish Commercial Code, the Capital Market Law, relevant regulations, and respective communiqués and resolutions of the Capital Markets Board. The Articles of Association does not contain any arrangements in addition to such provisions. At our Company, minority rights are intended to be exercised in compliance with said regulatory requirements. The three independent members of the Executive Board ensure the representation of minority shareholders in the management.

2.5. Dividend Rights

The Company makes its decisions on distribution of dividends in accordance with the Turkish Commercial Code, the Capital Market Law, Relevant Regulations and Decisions of the Capital Markets Board, Tax Laws, other relevant legislations, and the Company's Articles of Association.

There are no privileges among the share groups with respect to the distribution of dividends.

Decisions on distribution of dividends are adopted in due consideration of our Company's strategies, capital requirements of our affiliates and subsidiaries, investment and financing policies, profitability, and cash status.

The method and time of any profit distribution is resolved by the General Assembly pursuant to a respective proposal of the Executive Board.

Based on respective decision of the General Assembly, any dividend may be distributed fully in cash or fully as "bonus shares", or partially in cash and partially as "bonus shares".

Pursuant to a decision made by the Executive Board on February 25, 2011, a profit distribution policy was adopted based on the principle of "making a proposal to the General Assembly for distribution of at least 30% of distributable profits in due consideration of the overall profitability of our Company starting from the fiscal year of 2011," and said Profit Distribution Policy was approved at the "Ordinary General Assembly Meeting of 2013", that was held on May 6, 2014.

The aim is to make any profit distribution within no later than six months of respective decision of the General Assembly. The date of profit distribution is fixed by the General Assembly. The General Assembly, or the Executive Board if authorized by the General Assembly, may resolve to distribute dividends in installments in compliance with applicable Capital Market Regulations.

The Executive Board may distribute any advance dividends provided that it is authorized to do so by the General Assembly and that it complies with applicable Capital Market Regulations.

As specified above, the profit distribution policy, which was approved by the shareholders at the General Assembly, is available in the annual report, and was announced via the Turkish Trade Registry Gazette, and publicly disclosed on the company website and via the Public Disclosure Platform ("KAP").

As there was no distributable profit for the year of 2015, it was unanimously decided at the General Assembly Meeting that the distribution of any profit is not possible.

2.6. Transfer of Shares

The transfer and conveyance of any bearer shares issued by the Company is subject to applicable provisions of the Turkish Commercial Code, the Capital Market Law, and pertinent regulations. According to the Company's Articles of Association, any transfer of bearer shares may not be restricted.

According to the Company's Articles of Association, any transfer of shares to be effected prior to a public offering is subject to the consent of the Board regardless of the percentage of shares to be transferred. As for any transfer of shares falling into the scope of this Article, the requirements required to be met by the founding shareholders shall be sought for the new shareholders who are to acquire shares of the Company.

Section III – Disclosure and Transparency

3.1. Corporate Website and Contents

Corporate website is actively used in performance of disclosure obligations, as per CMB's Principles.

All topics on "Investor Relations Section" are located in www.akfenREIT.com.tr.

All information provided on the website is also prepared in English for foreign investors' benefit.

Information disclosed by our company can be accessed via our website. The following information is provided on the website www.akfenREIT.com.tr:

- History of the company,
- Current Administrative and Partnership Structure
- Executive Board and Executive Board Committees,
- Latest version of the Articles of Association,
- General Assembly meeting agenda, information document, by proxy voting form, meeting minutes,
- Prospectus and public offering circulars,
- Continuous information form,
- Real estate valuation reports,
- Monthly investor reports,
- Dividend distribution policy,
- Commercial registry information,
- Activity reports,
- Corporate Governance Principles Compliance Report,
- Information Policy,
- Dividend distribution policy,
- Ethical Conduct,
- Periodic financial statements and reports,
- Special occasion statements,
- Information and graphics on share prices and performance,
- Contact information for investor relations,
- Company contact information.

The entirety of the applicable CMB Corporate Governance Principles are published and updated on our website.

3.2. Activity Report

Akfen REIT activity report is prepared in detail for the public to access complete and accurate information about the Company, and in compliance with legislation provisions.

Activity reports are prepared by considering all issues provided under Corporate Governance Principles, and in addition, information is included as required to be provided as per TCC provisions, CMB legislations and Regulation on Defining the Minimum Contents of Companies' Annual Activity Reports, published in the Official Gazette dated 28.08.2012 by the Ministry of Customs and Trade

Section IV - Stakeholders

4.1. Informing the Stakeholders

Company's corporate governance applications and ethical conduct secures stakeholders' rights regulated by legislation and mutual agreements. Stakeholders are continuously informed within scope of the information policy formed in line with the current legislation.

Furthermore, all stakeholders are aimed to be informed with the applications within scope of our information policy based on bulletins, activity report, website and transparency.

Our company employees are expected to perform their business obligations by keeping company interests above themselves, their family and close circles. Employees refrain from all kinds of undertakings that may point to gaining advantages in favor of them or their close circles.

Foreseeable potential conflict of interest incidents and other incidents defined by the company administration are shared with the employees, and company administration takes necessary measures.

Stakeholders are enabled to convey company transactions that are unethical or in violation of relative legislation to Corporate Governance Committee and Auditing Committee, as well as via independent members, who are committee directors.

4.2. Codetermination of Stakeholders

No model or mechanism was implemented for stakeholders' codetermination. However some independent members in the Executive Board makes it possible for representation of all stakeholders in governance, along with the company and shareholders.

For matters that create important results for stakeholders, stakeholder opinions are collected.

4.3. Human Resources Policy

Human resources policy of our company is outlined below:

- Our fundamental Human Resources policy is to combine business realities with employees' skills and competencies, by retaining, developing, evaluating and managing human resources according to modern criteria and according to equal opportunity principle.
- Human resources management is obliged with increasing the performance of its employees by creating a dynamic, open to development and innovative environment, reducing corporate goals to individual goals, thus supporting the achievement of company goals in the most efficient and effective way.
- Our employee profile is comprised of human resources that are open to change and improvement, highly motivated for success, believes in teamwork and spirit, accurately using resources and time, and who has high sense of social responsibility.
- Relations with the employees are led by Director of Finance (Human Resources and Administrative Affairs) Mr. Yusuf Anil by proxy.
- Our ethical approach forms the basis of our work environment. A work environment is created that is far from discrimination, mobbing and favoring, which have an honest, transparent and fair approach. No complaints have been received from our employees with respect to this matter.

As of December 31, 2016, total number of employees under Akfen REIT, its affiliates and enterprises subject to joint administration is 21.

4.4. Ethical Conduct and Social Responsibility

Akfen REIT explained the “Ethical Conducts”, defined with the purpose to add financial value to its shareholders and increase its corporate value, as mandatory principles and rules for all executives and employees and published it on its website.

The aim of these rules is to ensure Akfen REIT executives and employees act in high standards, be aware of the corporate effect of their conducts and behaviors, to make sure the most accurate methods are used with respect to company operations and shareholders, and act in the most quality manner possible.

Social Responsibility

Our company shows the utmost effort to be sensible towards its social responsibilities during its operations, and supports organizations relevant to its industry.

There are no investigations, lawsuits or similar legal conflict or sanctions rendered against our company or its affiliates.

Section V – Executive Board

5.1. Executive Board Structure and Formation

Formation and election of the Executive Board is realized in compliance with the Corporate Governance Principles, where the relevant principles are regulated under the Articles of Association of our company.

Accordingly:

Administration, representation and binding of the company against third parties rests with the Executive Board comprising of 9 (nine) members, which the majority does not have executive duties, and which the qualities are defined by the Turkish Commercial Code and Capital Markets Legislation, elected by the General Assembly within scope of Turkish Commercial Code provisions.

On the first meeting of the Executive Board, one Chairman and one Deputy Chairman is elected among the members. Sufficient number of independent Executive Board members is elected by the General Assembly, where this number cannot be less than 2 (two), within scope of the principles under the CMB's Corporate Governance Principles pertaining to the impartiality of the Executive Board members. Explanations regarding the impartiality of the Executive Board Members are included in the annual activity report of the Executive Board.

Names, last names and CVs of the Executive Board Members active in 2016, as identified in compliance with the Articles of Association are listed below:

- Ibrahim Süha Güçsav, Chairman/Executive Director – Managing Executive Board Member
- Mustafa Ketten, Deputy Chairman – Executive Board Member (Not Managing)
- Pelin Akın Özalp, Executive Board Member – Managing Executive Board Member
- Selim Akın, Executive Board Member – Managing Executive Board Member
- Sıla Ciliz Inanç, Executive Board Member – Executive Board Member (Not Managing)
- Irfan Erciyas, Executive Board Member – Executive Board Member (Not Managing)
- Adnan Aydoğan – Independent Executive Board Member (Not Managing)
- Halil Eroglu - Independent Executive Board Member (Not Managing)
- Ahmet Ertürk - Independent Executive Board Member (Not Managing)

The Company does not have a Managing Board. Chairman and General Manager are not the same persons. No Executive Board Member has the authority to solely represent and bind the Company.

As per the legislation, in the event an Independent Executive Board Member submits an impartiality statement to the Executive Board or if their impartiality is compromised, they are required to immediately inform the Executive Board. An Executive Board Member who has conducted his/her duty for a total of six year within the last ten years as an Executive Board Member cannot be appointed to the Executive Board as an independent member.

Executive Board Members' taking on other duties outside of the Company are not bound and/or restricted by any specific rule. Executive Board Members' duties outside the company are explained under their CVs.

İbrahim Süha Güçsav

Chairman

İbrahim Süha Güçsav graduated from Istanbul University, Faculty of Economics in 1992 and later received his MBA from Gazi University, Institute of Social Sciences. He began his professional career at Alexander & Alexander Insurance Brokerage in 1992 and joined the Akfen family in 1994. Mr. Güçsav served as the Head of the Financing Department at Akfen Holding and then as Chief Executive Officer. During his tenure, he assumed important roles in the privatizations of Vehicle Inspection Stations, Mersin International Port and İDO; the founding and investment stages of Akfen REIT; initial public offerings of Akfen Holding and Akfen REIT; share sales of subsidiaries and long-term project financing. Mr. Güçsav also held the position of Vice Chairman of the Board of Directors of Akfen Holding from 2003 to 2010. He was a member of the Board of Directors at Akfen Holding from March 2010 until May 2012. Having served as CEO of Akfen Holding since March 2010, Mr. Güçsav has also been Chairman of the Board of Directors at Akfen REIT and Akfen Water and is a member of the Board at Mersin International Port, AkfenHEPP Investments and Energy Production A.Ş. Mr. Güçsav is the Chairman of Turkey-Singapore Business Council, and in October 2014 he became Turkey Honorary Business Representative at the International Commerce and Investment Agency under the umbrella of the Ministry of Singapore and Commerce.

Mustafa Keten

Vice Chairman of the Board of Directors

Mustafa Keten graduated from the Istanbul Academy of Economics and Commercial Sciences, Department of Economic Administration in 1968. He began his professional career in 1970 as an Assistant Specialist in the State Planning Organization. In 1978, he earned an MA in Development Administration from the Institute of Social Studies in the Netherlands. From 1979 to 1983, Mr. Keten worked in the State Planning Organization as President of Priority Development Regions, the years between 1984-1999 as Undersecretary of Agriculture, Forestry and Village Affairs, Advisor to the Prime Minister, President of the Special Environmental Protection Board, President of Prime Ministerial Foundations and President of the Foundation's Board. During his time in the public sector, Mr. Keten also served on the Board of Directors at Petkim (petrochemicals) and Tamek Gıda (foods) and as the Chairman of the Board of Directors at Güneş Sigorta (insurance) and at Vakıfbank. Mr. Keten joined

Akfen Holding in 1999 as Vice Chairman of the Board of Directors. Currently, he also serves as a faculty member at a number of educational institutions. In addition, he has sat on the boards of the Eurasian Business Council, Turkish-Russian Business Council and Turkish-Georgian Business Council; he also served as the President of the Turkish- Moldovan Business Council. He is currently the Vice Chairman of the Turkish Tourism Investors Association (TYD) and President of the Tourism Assembly at TOBB and Board member of TMOK.

Pelin Akin Özalp

Board Member

Pelin Akin Özalp graduated from Surrey University (UK), Department of Business Administration in Spanish in 2010. She started her professional career in the Strategy Division of the Finance Department at Deutsche Bank Madrid. After returning to Turkey, she worked at TAV Airports and joined the Management Trainee (MT) program there. Ms. Akin currently serves as a member of the Corporate Governance Committee at TAV Airports Holding, a member of the Board of Directors and Corporate Governance Committee at Akfen Holding, board member of IBS Insurance and Reinsurance Brokerage and a member of the Board of Directors at Akfen REIT. Ms. Akin has various responsibilities in different working groups within DEİK's Spanish Business Council and British Business Council. She is an active member of the Board of Trustees and a member of the Board of Directors at the Human Resource Education and Health Foundation of Turkey (TİKAV). In addition, Ms. Akin is the Vice President of the Duke of Edinburgh International Awards – Turkey Program. Since 2010, she has served as the President of the Advisory Committee for the Chair for Research in Turkish Studies at the London School of Economics. Ms. Akin is also responsible for organizing the Tatlı Dil Forum which was established in 2011 to improve Turkish-British relations in the fields of politics, economics and culture. She is a member of TÜSİAD, TİKAD, TÜRKONFED, Young Presidents Organization (YPO), B-20 Executive Board's Infrastructure and Investments Committee, TOBB Young Entrepreneurs Advisory Board and World Economic Forum Global Shapers. Ms. Akin was elected as a Substitute Member of TÜSİAD's Board of Directors, and board member at TÜRKONFED, PODEM and TAİDER at in January 2015.

Selim Akin

Board Member

Selim Akin graduated from Surrey University, Department of Business Administration in the United Kingdom in 2006. He was the president of the Surrey University Turkish Association during his years at the university. After his return to Turkey, he became a member of the Young Businessmen Association of Turkey (TUGİAD), where he currently serves as the Chairman of the Trade Committee. He is also a member of TÜSİAD and the Early Risk Detection Committee at TAV Airports. Mr. Akin began his professional career in the Accounting Department at Akfen Holding and also held positions in the Project Development and Finance Departments. Some of the projects in which he participated include the privatization and financing of Vehicle Inspection Stations, privatization and financing of Mersin Port and Akfen Holding's IPO and corporate bond issues. Mr. Akin is currently the Chairman of Akfen İnşaat ve Turizm A.Ş., Vice Chairman of Akfen Holding, and Board Member at various Akfen Holding subsidiaries.

Sıla Cılız İnanç

Board Member

Sıla Cılız İnanç graduated from Marmara University, Faculty of Law in 1995. After completing her internship, she joined Akfen Holding in 1997. She has worked in the areas of public-private partnerships, mergers and acquisitions, construction, energy and competition law, company and holding formations in Turkey. Ms. İnanç has actively participated in every aspect of build-operate-transfer, transfer of rights/ privileges and privatization projects, from tender offer to transfer; she also was active in the establishment of the project financing structure and loan agreements and IPO processes of Akfen Holding A.Ş. and Akfen REIT. Ms. İnanç currently serves as the Vice President of Akfen Holding A.Ş. and as a member of the Board of Directors at various Akfen Holding subsidiaries.

İrfan Erciyas

Board Member

İrfan Erciyas graduated from Gazi University, Department of Economics and Finance in 1977 and commenced his professional career at Türkiye Vakıflar Bankası. After working as Inspector and Branch Manager at Türkiye Vakıflar Bankası, he served as Executive Vice President from 1996 to 2002 and as CEO between 2002 and 2003. In 2003, he joined Akfen Holding as Vice Chairman. Since that time, he has played a key role in Vehicle Inspection Stations; privatization of Mersin International Port and İDO; the founding and investment processes of Akfen REIT and Akfen Energy; the IPO of Akfen Holding and Akfen REIT; sales of subsidiaries' shares and long-term financing. Since March 2010, İrfan Erciyas has served as Executive Director at Akfen Holding. In addition, he is the Chairman, Vice Chairman and Board Member at a number of Akfen Holding affiliates and subsidiaries.

Ahmet Ertürk

Independent Board Member

Ahmet Ertürk was born in 1953 in Malatya and graduated from Ankara University, Faculty of Political Science in 1975. After working as Finance Auditor from 1976 until 1985, Mr. Ertürk conducted a study in London from 1984 until 1985 on the "British Privatization Experience" on behalf of the Ministry of Finance. Between 1986 and 1988, he was TÜSİAD's Deputy Secretary General. He took office as Assistant General Manager and Advisor to the General Manager at Turkish Maritime Lines from 1989 to 1991. From 1992 until 2002, he worked in the finance sector, joining Albaraka Türk as Assistant General Manager, before transitioning to the Capital Markets Board as Board Member in 2003. He was Chairman of the Savings Deposit Insurance Fund (TMSF) from 2004 until 2009, and Chief Advisor to the President of State from 2010 to 2014. Mr. Ertürk is married, has two children and is fluent in English. He currently serves as Independent Board Member at Akfen REIT.

Halil Eroğlu

Independent Board Member

Halil Eroğlu was born in 1952 in Karşıyaka and studied at seven different primary schools because his father was a public officer. He was a boarding student for seven years at İzmir Maarif High School (Bornova Anatolian High School – BAL). Mr. Eroğlu graduated from Ankara University, Faculty of Political Sciences in 1974. He started his professional career in banking at İşbank as an Auditor for 10 years; subsequently, he assumed various duties at the General Directorate and the branches. He served as General Manager at Dışbank for three years and was later General Manager at İş Leasing for three years. He became the General Manager at Industry Investment Bank in 2001. After the bank's merger with the Industrial Development Bank of Turkey (TSKB) in 2002, he served as General Manager for 10 years and retired in 2011. During his professional career and after his retirement, he has assumed duties as the Chairman and Member of the Board of Directors at various corporations. He currently serves as Independent Board Member at Akfen REIT.

Adnan Aydoğan

Independent Board Member

Adnan Aydoğan graduated from Diyarbakır Maarif High School in 1980, Elazığ High School in 1983, Gazi University, Faculty of Public Administration Department of Economics and Administrative Sciences in 1987. He assumed duties as Social Facilities Manager at Iron and Steel Establishments of Turkey; Research Assistant at Sakarya University; first Specialist (Project Coordinator) and then Project Monitoring and Financing Division Director and Head of Fund Management at the Undersecretariat for Defense Industries. Most recently, he worked as Head of Financial Affairs and Subsidiaries within TAİ before leaving in 2013. He currently serves as Independent Board Member at Akfen REIT.

Sertac Karaağaoğlu

General Manager

Mr. Sertac F. Karaağaoğlu, who started his professional carrier as assistant portfolio manager at Toprakbank in 1996, and worked at Kentbank between the years of 2000-2001, then continued his carrier in Fortis Bank (Dışbank) in March 2001. He served duties at various managerial positions as Portfolio Manager, Branch Manager, SME Banking Director of Anatolian Region, Regional Director for East Mediterranean Region and Director Responsible for Credits up to the year of 2011 in their respective orders. Mr. Karaağaoğlu, who continued his professional career as the Credits Director at TEB BNP Paribas between 2011-2012, worked as the Listing and Private Market Group Director at Borsa İstanbul in the fields of Corporate Finance (public offerings, bond issuances and m&a businesses) between 2012-2016. Mr. Sertac Karaağaoğlu, who graduated from the Political Sciences and Public Management of the Faculty of Economics and Administrative Sciences of the Middle-East Technical University (ODTÜ), completed his master degree course in 2015 on Business Management in Maltepe University.

Quality of Executive Board

The entirety of the Executive Board Members conforms to the qualities regulated under the CMB's Corporate Governance Principles.

Executive Board is formed in manner to provide the highest level of effectiveness and efficiency. Article 14 of the Articles of Association regulates the principles with respect to this matter. It is by principle that the Executive Board Members are elected among those who possess the fundamental knowledge of the legal principles regulating the operation and dispositions of the Company's operational field, which are trained and experienced about business management, competent to elaborate on financial statements and reports, and preferably completed graduate studies.

5.2. Operating Principles of the Executive Board

Executive Board members' timely access to any and all information is facilitated to ensure complete performance of their duties.

An Executive Board Secretariat, connected to the Chairman, is formed with the purpose to keep Executive Board meeting documents in an orderly fashion, which renders services for all Executive Board members.

Executive Board meetings are planned and held in an effective and efficient manner. Executive Board convenes when deemed necessary for company operations, as regulated under the Articles of Association.

- Executive Board may convene upon the call of the Chairman or the Deputy Chairman, or with each Executive Board Member's written request for a meeting before the Chairman or the Deputy Chairman.
- The Chairman sets agendas of the Executive Board meetings; changes on the agenda can be realized with an Executive Board decision.
- Independent Executive Board Members are paid monthly per diem as set by the General Assembly. No payments are made to Executive Board Members, who do not possess the independent status.
- Executive Board meeting quorum is met with the participation of at least five members.
- Executive Board decisions are rendered with the majority of votes of the participating members.
- Each member has one vote, which the votes are cast in person. Unless a member files a request for a meeting, decisions on a suggestion put forward by a member can be rendered by means of obtaining other members written approval.
- If the Executive Board is notified about a representative member's severance from a legal person shareholder by such shareholder, aforementioned member shall be deemed to have resigned, and the Executive Board shall appoint the person selected by the relevant legal person in place of the former member.
- Members who did not participate the meeting cannot cast votes in writing or otherwise, unless their absence is not based on a legitimate excuse.

Executive Board has convened 19 times in 2016. Complete participation was maintained in the majority of the meetings, where the decisions were rendered unanimously.

"Administrative Liability Insurance" with a total of EUR 4,000,000 limit was issued for the Executive Board Members for the term of 2016-2017.

Transactions with the Company and Noncompetition

Request on granting authority to the Chairman and Executive Board Members about the performance of the transactions provided under article 1.3.7 of the Communiqué on Identification and Application of Corporate Governance Principles issued by the CMB, and articles 395 and 396

of the Turkish Commercial Code was approved by the shareholders in the General Assembly meeting dated 24.05.2016.

Authority and Responsibilities of Executive Board Members and Administrators

As per Articles of Association, the Executive Board, comprising of 9 (nine) members meeting the conditions provided under the TCC and CMB legislation, is elected by the General Assembly for 3 (three) years at the most, and the Executive Board comprises of a majority of non-managing members. Furthermore, at least 2 (two) independent members, meeting the impartiality criteria as defined by the Corporate Governance Principles issued by the CMB are appointed to the Executive Board. Members with expiring duties can be re-elected.

Currently, a total of 9 (nine) members, nominated by the Nominating Committee, 3 (three) of which are independent board members, were elected in the Ordinary General Assembly Meeting dated 24.05.2016 for 1 (one) year. Executive Board's term shall expire on 24.05.2017.

Executive Board performs duties regulated by the Turkish Commercial Code, Capital Markets Law, and articles of association, general assembly decisions and relevant legislation provisions. Executive Board is authorized to render decisions on all matters outside the ones that fall in the scope of General Assembly.

The Company is managed by the Executive Board, and represented and bound against third parties. Executive Board is authorized to delegate the management, partially or in full, to one or more executive board members or a third person, as per an issued internal directive. This internal directive regulates the management of the Company, defines the necessary duties, points to their location, and especially identifies who is connected to whom and obligations on submitting information. Executive Board can delegate the representation authority to one or more executive directors or third parties acting as managers. It is mandatory for at least one executive board member to be granted the representation authority.

Aforementioned Management Internal Directive ("Internal Directive") was approved during the Executive Board Meeting dated 30.04.2015 as per articles 367 and 371 of the TCC numbered 6102 and dated 13.01.2011, registered on 28.05.2015, and entered into force with its publication in the Turkish Commercial Registry Gazette dated 03.06.2015 and numbered 8833.

Internal Directive clearly regulates the duties, authorities and responsibilities of Group A Executive Board Members, General Manager, Deputy General Managers and Project Managers.

The following were appointed within scope of the Internal Directive;

- Fuad Sertac Karaagaoglu as General Manger until 10.10.2017
- Memduh Okyay Turan, Deputy General Manager Responsible for Hotel Operations until 30.04.2018
- Yusuf Anıl, as General Manager Responsible for Financial Affairs until 04.11.2017

5.3. Number, Structure and Independence of Committees Under the Executive Board

As per CMB's regulations and the relevant legislation, Executive Board forms necessary committees for the board to perform its duties and responsibilities in a healthy manner. Fields of duty, working principles and the members of the committees are identified by the Executive Board and announced to the public.

Executive Board can form the necessary number of committees or commissions by appointing members to follow the progress of operations, prepare matters submitted before it, decide on the preparation of the balance sheet with all important matters, and monitor the execution of rendered decisions.

Committees convene on a frequency necessary for the efficiency of the operations.

Corporate Governance Committee

Corporate Governance Committee, working directly under the Executive Board, supports the Board for establishing and developing the required structure and applications for the management of the Company in compliance with internationally accepted Corporate Governance Principles, setting wages for top level executives, and coordinating their improvement and career planning.

Corporate Governance Committee aids the Executive Board with respect to Akfen REIT's compliance with corporate governance principles; by means of identifying Executive Board Members and top level executives, wages, bonus and performance appraisals, career planning, investor relations and disclosure operations. Corporate Governance Committee comprises of three members appointed among Executive Board Members and the Director of Investor Relations Department. The Executive Board appoints the Director of the Corporate Governance Committee.

Corporate Governance Committee is responsible for monitoring the Company's compliance with corporate governance principles, and has the duty to realize the following matters especially:

- Researching the level of corporate governance principles' application, in the event such measures are not applied, identifying the reasons and the negative effect of such non-application, and suggesting improvement measures.
- Defining transparency methods for identifying nominees for Executive Board,
- Developing suggestions on the number of Executive Board Members and executives,
- Developing suggestions for principles and applications for the evaluation of the performance and bonuses of Executive Board Members and executives, and monitoring their application
- Monitoring the operations of Investor Relations Department.

Corporate Governance Committee Members are as follows:

- Director of Corporate Governance Committee
 - Halil Eroglu – Independent Executive Board Member
- Corporate Governance Committee Members:
 - Ahmet Ertürk, Independent Executive Board Member
 - Adnan Eydogan, Independent Executive Board Member
 - Servet Didem Çolakoglu, (Finance and) Investor Relations Manager

Corporate Governance Committee also carries out the duties of Nominating Committee and Wage Committee in scope of principles and articles of association.

Auditing Committee

Auditing Committee support the Executive Board for the monitoring of Akfen REIT's accounting system, financial information, and disclosure thereof, and scrutinizing the functioning and effectiveness of the internal control systems. Auditing Committee comprises of three members appointed among Executive Board Members.

The Executive Board, in line with the principles defined under Akfen REIT Articles of Association, appoints the Executive Board defines members of Auditing Committee and Corporate Governance Committee and their duties and authorities.

Auditing Committee is responsible for taking all kinds of measures for all internal and independent audits to be performed on a sufficient and transparent manner, and performing duties assigned by the Capital Markets Legislation and Corporate Governance Communiqué.

Auditing Committee convenes at least four times a year, at least per three months.

Auditing Committee Members:

- Auditing Committee Director
 - Ahmet Ertürk, Independent Executive Board Member
- Auditing Committee Members
 - Adnan Aydoğan, Independent Executive Board Member
 - Halil Eroglu, Independent Executive Board Member

Three Independent Board Members are both in Corporate Governance Committee and the Auditing Committee to ensure codetermination of minorities and stakeholders.

Early Detection of Risk Committee

Our Company has decided to form a separate committee from the Corporate Governance Committee that carried out the duties of Early Detection of Risk Committee, with the Executive Board decision dated March 14, 2013, as per Communiqué Serial IV, No: 63 amending the CMB Communiqué Serial IV, No: 56.

Early Detection of Risk Committee is responsible for the early detection of risks that might endanger the Company's assets, growth and continuity, taking necessary measures against detected risks, and managing such risks. Committee revises risk management systems at least once a year. Furthermore, it provides information on detected risks and action plans by submitting a report to the Executive Board every two months.

- Early Detection of Risk Committee Director
 - Halil Eroglu, Independent Executive Board Member
- Early Detection of Risk Committee Members
 - Selim Akin, Executive Board Member
 - Pelin Akin Özalp, Executive Board Member

5.4. Risk Management and Internal Control Mechanisms

It was decided to hold trainings, one-on-one meetings and workshops on Early Detection of Risk, with the support of DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Deloitte), to activate the Risk Management operations of our Company. Activities pursued in line with the aforementioned were finalized in 2012, and Risk Management Handbook was submitted to our Executive Board. Principles under the Risk Management Handbook were decided to form the basis of future internal audits for the Auditing Committee.

Internal Control Mechanism performs its duties appointed by the Executive Board in an efficient manner within the organization of the Auditing Committee, with the creation of Committee.

Independent Executive Board Member Ahmet Ertürk is the current Director of the Auditing Committee.

5.5. Strategic Goals of the Company

Mission

To become the leader Hotel investor developing Hotel projects in Turkey and surrounding areas, managed by international Hotel operators on highest standards.

Vision

To realize consistent balance sheet growth by developing high profit projects in the real estate industry, and provide high capital and dividends to its shareholders.

Strategic Perspective

Akfen REIT is located in the best position for consistent growth in city Hotel management, and specialized in city Hotel investments on international standards.

- Exclusive partnership with Accor, the Hotel group that is the largest in Europe and one of the prominent players worldwide
- Increasing commercial activity in Turkey's largest cities
- Turkey's increasing domestic and foreign tourism volume
- High level of Hotel investment know-how as result of specializing on a single subject
- Know-how export to neighboring countries
- Long term rental agreements with low risk, which do not include operational liability, and consistent rental revenues increasing with Hotels' performance.

Corporate Policy

To use its experience, organizational capacity and technological opportunities with the driving power of quality human resources and expert team work.

Principles

Prioritizing quality in production, manufacturing and business management by working with well-trained and experienced human resources; completing its undertakings on a timely and quality manner.

Executive Board defines the strategic goals for the relevant terms by discussing them with the Executive Director and top-level executives. Executive Board reviews the Company's rate of achievement of its goals, activities and previous performance within scope of the end-of-the-year evaluation process.

5.6. Financial Rights

A specified amount is paid to the Independent Executive Board Members carrying out duties as independent members in scope of the CMB's Corporate Governance Principles, in order for them to invest their time and perform their duties. In the Ordinary General Assembly Meeting dated 24.05.2016 for the operations of 2015, it was decided for a net TRL 3,500.00 per month payment to be made to each Independent Executive Board Member, where other Executive Board Members are not paid any wages or per diem.

Shareholders were informed about the payments made to Executive Board Members and Top Level Executives within scope of the "Wage Policy" during the Ordinary General Assembly Meeting of 2015 held on May 24, 2016, as per Corporate Governance Principles.

Transactions such as lending monies, using credits, issuing warranties in favor of Executive Board Members or executives are not applicable.

Independence and Responsibility Statements

Annex 1: Akfen REIT 2016 Activity Report Independence Statement 20.05.2016

Annex 2: Akfen REIT 2016 Activity Report Responsibility Statement 13.03.2017

Agenda of Ordinary General Assembly Meeting for the Year 2015

1. Opening and election of Meeting Chairmanship
2. Authorizing the Chair with respect to signature of the General Assembly Meeting Minutes
3. Reading, discussion and approval of 2015 Activity Report prepared by the Executive Board
4. Reading Independent Audit Report Summary for the financial year of 2015
5. Reading, discussion and approval of Financial Statements for the financial year of 2015
6. Acquittal of Executive Board members for the company activities for the year 2015
7. As per the Executive Board decision dated 13.04.2016 and numbered 2016/8, since there are no payable dividends for the year 2015, submission of the attached dividends table for the attention of the General Assembly, and submission to the General Assembly for approval of not paying any dividends
8. Executive Board member nominees, including independent members informing shareholders about their internal and external duties during the General Assembly
9. Election of Executive Board members
10. Determining monthly wages of Executive Board members
11. Submission for the approval of the General Assembly, determination Epos Gayrimenkul Danışmanlık ve Değerleme A.Ş as the valuation company for valuing the assets in company portfolio, and for assets acquirable in 2016 that may require valuation, determination of Epos Gayrimenkul Danışmanlık ve Değerleme A.Ş. and Eva Gayrimenkul Değerleme Danışmanlık A.Ş., as the valuation companies, according to Turkish Commercial Code and Capital Markets Board regulations, as per the Executive Board decision dated 29.01.2016 and numbered 2016/1.
12. Submission for the approval of the General Assembly, determination of Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Ernst and Young) as the independent audit company for audit services for the year 2016, according to Turkish Commercial Code and Capital Markets Board regulations, as per the Executive Board decision dated 08.04.2016 and numbered 2016/5
13. Discussion of the attached Buyback Program for repurchasing company shares, if deemed necessary
14. Informing shareholders about the donations made by the company in 2015, and identifying the threshold for donations to be made in 2016
15. Informing the shareholders about securities, pledges, liens and warranties granted in favor of third parties in 2015 about the acquired revenues or benefits, as per the Capital Markets Board regulations
16. Informing the shareholders about the transactions realized in 2015 with relevant Parties that fall under the scope of Corporate Governance Communiqué as per Capital Markets Board regulations
17. Authorizing the shareholders with controlling shares, Executive Board members, top level executives and their spouses and relatives by blood and marriage up to second degree as per articles 395 and 396 of the Turkish Commercial Code, and informing the shareholders about the transactions realized in 2015 according to the Capital Markets Boards Corporate Governance Communiqué
18. Discussion and approval of the issues of “whether any recourse action should be performed for executive board members liable for the actions resulting in the administrative fine amounting to TRL 44,814.00” as notified with the Capital Board Decision dated May 14, 2015 and numbered 12/556 served with the letter dated May 21, 2015 and numbered 12233903-325.99-466
19. Wishes and opinions, closing

Akfen REIT Company Share Buyback Program

Purpose of Buyback

The instability that has arisen in the political geography of Turkey, the fact that the prices of our company's shares have considerably fallen below the price of the public offering, the fact that our value in Borsa İstanbul A.Ş. does not represent the real performance of our company's operations are all reasons to reduce the price volatility of our Company and to evaluate the current market conditions, thus the shares traded in the Borsa İstanbul A.Ş. may be Buybackd if necessary. In this context, with the General Assembly's delegated authority to take back the shares, it is aimed that our company, starting from next term, will be able to follow stock movements and to buy its own shares should this action be necessary.

Duration of the Buyback program

Thirty-six (36) months

Maximum number of shares to be Buyback.

It has been seen fit that the company's shares will be Buybackd to an extent that will be allowed by the legal legislation. In this context, the company may Buyback shares within the scope of legal provisions, and the maximum amount of repurchasing allowed would be limited to a cost that represents 10% of the company's capital.

The program will be terminated after the repurchasing reaches the decided maximum number of shares.

The Total Amount and Source of the funds allocated for Buyback.

It was determined that funds amounting to TRL 41,950,000.00 are to be generated from the company's resources and activities.

The nominal value of the recovered shares shall not exceed 10% of the issued capital including the previous purchases. Should any shares be resold after repurchasing during the program, they shall still be considered in the calculations.

The total cost of the shares recovered cannot exceed the total amount of the resources that can be subject to profit distribution.

Lower and Upper Price Limits for the Buyback of Shares

The lower price limit for the repurchasing of shares is 0 (zero) and the upper price limit is TRL 2.28 (Two Turkish Lira Twenty-eight Kuruş)

The General Assembly's Delegation Duration and Transaction Procedure

Our Company's Executive Board has been authorized to act on the General Assembly's behalf for three (3) years.

During the three (3) years following the date of authorization by the General Assembly, the Executive Board of the Company is authorized to Buyback and sell the shares, and carry out necessary transactions in accordance with the legislation. Within this timeframe, the Board may conduct one

or more short-term Buyback programs.

During the three (3) year period of authorization, Executive Board may decide to initiate a new repurchasing program after this one is terminated. In this case, the abovementioned procedure shall be repeated.

Executive Board is authorized to terminate sales and start a new Buyback program, without selling the entire amount of the recovered shares.

Delegation for Purchases

Our company employee, Mr. Fuad Sertac Karaagaoglu, has been granted the authority for purchases.

Number of Shares that have been Buyback, and Still Not Sold, Ratio to Capital and Results of the Previous Program

Shares that have been Buybackd and have still not been sold: 0

Ratio to capital: 0

Our company, under the related legislation, has never Buybackd any shares.

Annual Lowest, Highest, and Weighted Average Share Price Information

As of 13.04.2016, yearly;

Lowest share price: TRL 1.23

Highest share price: TRL 1.70

Weighted average share price: TRL 1.48

Lowest, Highest and Weighted Average Share Price Information in the Last 3 Months:

As of 13.04.2016:

Lowest share price: TRL 1.23

Highest share price: TRL 1.68

Weighted average share price: TRL 1,46

Benefits From Buybacks for Related Parties

None.

Information on Affiliates That May Perform Buyback Within the Program, If Any
Akfen Gayrimenkul Ticareti ve Insaat A.S.

Buyback Program

A share Buyback amounting to TRL 3,338,783.24 was made between September 19, 2016 and December 29, 2016. Cumulative Purchase Information is presented below.

According to the Buyback program approved by the General Assembly on May 24, 2016, Buyback program's term is 3 years, where the nominal Buyback amount for the year 2017 is approximately TRL 6.1 million.

Cumulative Transaction Amount (TRL)	Cumulative Transaction Amount (Euro)	Nominal Value of Currently Owned Shares (TRL)	Nominal Value of Currently Owned Shares (Euro)	Ratio of the Shares to Company Capital After Transaction		Weighted Average Price
				(%)		
3.338.783,24	966.158	2.409.000,00	694.736	1,31		1,39

Public Disclosures

Buyback program prepared by the Executive Board shall be disclosed to the public with a special status statement at least three weeks prior to the general assembly meeting, excluding announcement and meeting dates, and shall be simultaneously published on www.akfenREIT.com.tr.

In the event of any amendment on the General Assembly approved Buyback program by the General Assembly, the amended program shall be disclosed to the public with a special status statement following the first business day after the general assembly date, and shall be simultaneously published on the company website.

As per the program, two days before starting Buyback transactions, company shall make a special status statement about the starting and ending dates of the Buyback term, nominal value of the purchasable shares, and capital ratio.

For every transaction realized by the company within scope of the Buyback program, a special status statements shall be made that includes nominal value of shares subject to transaction, transaction price, capital ratio, nominal value of the previously Buybackd shares within scope of the program, privileges attached to the shares, if any, and transaction date, before the start of the session on the following day of the transaction date,

In the event the Buybackd shares are sold, including the previous purchases, the company shall make a special status statement including information on the nominal value of the shares subject to transaction, transaction price, capital ratio, capital ratio of remaining shares, realized gain/loss value, privileges attached to the shares, if any, and transaction date, on the business day following the transaction date.

The Company shall disclose to the public, the maximum and average price paid for the Buybackd shares, cost of Buyback and used resources, total number of Buybackd shares and their ratio to the capital, within three business days following the expiration of the planned term for Buyback, expiration of the program and completion of the planned Buybacks within scope of the program. In the event the Buybackd shares are sold within the term of the program, disclosure will be made

about the total nominal value of the sold shares, total gain/loss value, average sale price, privileges attached to the shares, if any, and transaction dates. These information acting as a summary of the transactions realized within scope of the Buyback program shall be submitted to the information of the shareholders during the general assembly meeting.

Other information about the Buyback Program

Contingency reserves corresponding to the Buyback value of the Buybackd shares are retained and classified under the shareholder's equity as restricted contingencies. In the event the Buybackd shares are sold or redeemed, aforementioned contingencies shall be released on the amount corresponding to their Buyback values.

Acquired shares shall not be considered during calculation of general assembly meeting.

Financials

Independent Audit Report

Annex 3: Akfen REIT 2016 Activity Report, Independent Audit Report 13.03.2017

Financial Statements and Independent Audit Report

Annex 4: Akfen REIT 2016 Activity Report, Consolidated Financial Statements and Footnotes 31.12.2016