

AKFEN REIT 2017 ANNUAL REPORT

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From The Administration

Chairman's Message

The real estate and tourism sectors are in a leverage position for the Turkish economy with value added and employment opportunities, created by them. However, the tourism sector has followed a fluctuating course subject to geopolitical developments in the years of 2015 and 2016. In 2016, after the slowdown of the economy in 2017 and terrorist incidents, experienced in our country, it has shown important developments and had a rising trend.

"Important progresses were made in tourism within 2017"

The number of visitors having come to Turkey has shown an increase of 23,1 % in 2017 in comparison with the preceding year and turned out to be 38,6 millions. The tourism income increased by 18,9 % in 2017 in comparison with the preceding year and became 26 billion 283 million 656 thousand of US Dollars.

While 52,5 millions of tourists were touring within the country in the entire period of 2016, this figure was realized as 49,1millions in the first quarters of 2017. These increases show the developments, experienced in tourism in 2017, in a conspicuous and clear manner.

STR, an internationally known research and analysis company, published the data pertaining to the year of 2017. According to the declaration of TÜROB (Turkish Hoteliers' Association), the average occupancy rates at Turkish hotels in 2017 showed an increase of 18 per cent and was realized as 60,2 per cent in total, and Turkey has been the country having experienced the highest rates of increases in hotel occupancy rates in 2017. On the other hand, it has been Turkey that experienced the highest loss in room prices, average daily rates (ADR), with a fall of 12,4 per cent and average value of Euro 66,8.

"Notwithstanding that the sales and profit of Real Estate Investment Trusts (REIT) have arisen, the growth has lagged behind previous years"

At the end of all these developments, it is seen that the companies sustaining their activities especially as a Real Estate Investment Trust are over discounted in parallel to the general aspect at the real estate sector. The BIST (Istanbul Stock Exchange) Real Estate Investment Trust Index starting the year with 42.268 showed an increase of 3 per cent and could only reach 43.000s consequently. Only eight including Akfen REIT of 34 Real Estate Investment Trust shares trading at the stock exchange within the same process could acquire an "over-index income". Although the sales and profit of the Real Estate Investment Trusts were raised in nine-month period, the growth remained behind previous years.

"We are looking at the incoming years with hope"

Despite of fluctuations, experienced in the markets, we should indicate that it is necessary for us to look at future with hope. This is because Turkey has a population of 80 millions and hosts millions of visitors coming from abroad either for business or holiday. As a consequence, whatever problems, economically, socially or politically, may be experienced at our region, our country has an economical power and potential to overcome all of such obstacles, and always takes place in a good destination location in terms of both business and entertainment tourism sectors. Therefore, we have an expectation that the year 2018 will be a commencement, as was in 2017, of a new rising process for the Turkish real estate and tourism sectors.

"The number of our operational hotels in 2017 turned out to be 20; room numbers, however, 3.628"

We, as Akfen REIT, take place at the first and single real estate investment trust position focusing on urban hotel management concept in Turkey and Russia. At our investment strategy, there is a confidence and trust in the size (enormity) and potential of Turkey before all else. We keep on developing our urban hotels projects under the brands of Ibis and Novotel within the scope of our strategic cooperation with Accor that is the largest international chain hotel operator of Europe. According to this, we obtained a portfolio consisting of 20 hotels in Turkey, TRNC and Russia through our investments, made by us in the last 10 years. Together with the Hotel Ibis Tuzla, put into service in April of 2017, all hotels taking place in our portfolio became operational and our number of hotels went up to 20, and number of beds, however, was raised from 3.428 to 3.628.

We also added Bulvar Loft into our portfolio”

We have included the Bulvar Loft project, built up by Akfen İnşaat (Construction Co.), one of the members of the Akfen Groups of Company, at the İncek district of Ankara, in the portfolio of Akfen REIT. We enlarged our portfolio through this project consisting of 6 blocks and 822 residential units that take place at the junction of İncek Boulevard connecting the Oran, Mamak and İncek residential areas in eastward-westward direction and Yavuz Sultan Selim Boulevard connecting the northern settlement areas such as Etimesgut, Çayyolu and Beysukent that are evaluated as the golden triangle of the Capital City.

“First Bond Issuance that may be converted into share in Turkey”

We, as Akfen REIT, successfully realized a private sector bond issuance in January 2018 referring to a value of TRY 170 millions. The said issuance bears the characteristic of the first bond issuance in Turkey that may be convertible into share. I would like to indicate that starting with this bond issuance, we will continue our works in an increasing speed in 2018 as well.

We, as a company, believe that our guests add value to the time that they spent at the city where they stay. Whatever the conditions and circumstances may be, we will keep on hosting the millions at our hotels. For this occasion, I would like to take the opportunity to thank once again to all of our shareholders as well as managers and workmates spending intensive efforts in order to make our company showing efficient development in 2017 just after the elapse of a difficult year achieve its targets.



İbrahim Süha GÜÇSAV

Chairman of the Board of Directors

General Manager's Message

The year 2017 has been a year when the tourism and hotel management sector started to recover from a sharp fall in the preceding year. The hotel occupancies having started in March and continued with an increasing momentum in summer months made the sector happy. The reservations bring forth an expectation that the same recovery will continue in 2018. Notwithstanding that the rises and falls being the inevitable circumstances of economy are in force for this sector as well, the increase in the incomes of the sector do not progress positively at the same degree despite of the said recovery.

When the competition that showed an increase upon completion of hotel investments, begun until the year 2015, was added to the competition at the sector, the room prices remained just with a small move despite of increasing demand, and lagged much behind the envisions at the feasibility stages of investments. On the other hand, the fall in the exchange rate of the Turkish currency having continued during the entire year put considerable pressure on room prices, quoted in EURO of the hotels having sold their domestic accommodations in Turkish currency.

Despite of all, the value of our investments in our portfolio has shown an increase of 20 % on Turkish currency basis, our turnover by 17 % and equities, however, by 9 %. We realized all these by bringing our general management expenses down by a proportion of 25 %. In this context, while we had net period losses in the last 3 years, we achieved a net profit of TRY 39 millions despite of high foreign exchange loss in 2017. We wish and expect that the year 2018 will be a year when the room prices will be balanced a bit more after 2017 when the occupancy rates started to get better.

In order to get rid of the loss of profit, experienced at the tourism and hotel management sectors and support our Company with a high profitability housing project, the transfer of the Boulevard Loft Project, conducted within the structure of our group company Akfen İnşaat Turz. Tic. A.Ş., into the partnership, established by us on condition that 99 % of ownership will be held again by Akfen İnşaat, will make the profitability of our company more sustainable.

The bond, for which we have made preparations in the last quarter of 2017 and that we issued at the beginning of 2018 and had the nature of a first bond of Turkey that was issued by a stock exchange company and could be converted into share, has taken its place at the capital markets of our profitability.

Sertaç F. Karaağaoğlu General Director literature. The said bond shows the power and corporate approach of our principal investor at the points observing the benefits of all investors and provision of low-priced sources.

Notwithstanding that the period we go through various risks in economical aspects contains various uncertainties, I hope and wish that 2018 will be a fruitful and beneficial year for all of our shareholders, employees and stakeholders by focusing on our activities, incomes and sustainability of our profitability.

Sertaç F. Karaağaoğlu
General Director



Executive Board

İbrahim Süha Güçsav – Chairman



Mr. İbrahim Süha Güçsav was graduated from the Faculty of Economics of the University of Istanbul in 1992 and completed his master degree course at the Department of Business of the Social Sciences Institute of the Gazi University. He stepped in his professional career in 1992 at the company, titled as Alexander&Alexander Sigorta Brokerliği A.Ş. Mr. Güçsav who joined in the Akfen Holding family in 1994, has undertaken important roles there during his duties as Finance Group Chairmanship and Chairmanship of Executive Committee, conducted there under, on the matters such as vehicle inspection stations, privatization of Mersin International Port and IDO (Istanbul Sea Buses), establishment and investment processes of Akfen REIT, and public offerings of Akfen Holding and Akfen REIT, share sales from subsidiaries and long-term project finance. Mr. İbrahim Süha Güçsav, following his duty as the Vice Chairman of the Board of Directors of Akfen Holding, served by and between the years of 2003-2010, became a Member of the Board of Directors of Akfen Holding between March 2010 and May 2012. Mr. Güçsav, who has been the CEO of Akfen Holding since March 2010, serves the duties along with the one heretofore as the Chairmanship of the Board of Directors of Akfen REIT and Akfen Su, and Membership of the Board of Directors at the subsidiaries of the companies, titled as Mersin Uluslararası Liman İşletmeciliği A.Ş. and AkfenHES Yatırımları ve Enerji Üretim A.Ş. At the same time, Mr. Güçsav, who is the President of the Business Council of Turkey-Singapore, was appointed in October 2014 as the Honorary Business Representative of International Trade and Investment Agency in Turkey operating within the structure of the Ministry of Trade and Industry of Singapore.

Mustafa Keten – Vice-Chairman of the Board of Directors



Mustafa Keten graduated from the Economic Management Department of the Academy of Economics and Social Sciences of Istanbul in 1968. Mr. Keten, who started its career as an Assistant Specialist in the State Planning Organization in 1970, completed his master degree course in the field of the Development Administration in the Social Sciences Institute of Holland in 1978. Furthermore he served various duties as, for instance, the Head of the Regions with Development Priority at the DPI between 1979-1983, and then, Undersecretariat of Agriculture, Forestry and Rural Affairs, Consultancy of the Prime Ministry, Head of the Private Environment Protection Board, General Director for Foundation of the Prime Ministry and also Head of Assembly of the Foundations during the period covering years of 1984-1999. He took duty in the Boards of Directors of the Company, Petkim and Tamek Gıda, during the period when he was at the public sector, and served duty as the Chairman of Güneş Sigorta (Insurance) and Vakıfbank. Mr. Keten, who joined in Akfen Holding as the Vice-Chairman of the Board of Directors in 1999, serves duty as a teaching assistant in various educational institutions among the responsibilities in his work life. Along with these duties of him, serves duties as a Member of the Board of Directors of Eurasia Business Council, Turkish-Russian Business Council and Turkish-Georgian Business Council, and Chairmanship of the Turkish-Moldavian Business Council. He is currently engaged in the duties as the Vice-Chairman of the Board of Directors of IYD and Vice-Chairman of the Tourism Assembly of the TOBB (Union of Chambers and Commodity Exchanges of Turkey) and Member of the Board of Directors of TMOK (Turkish National Olympic Committee).

Pelin Akin Özalp – Board Member



(Mrs) Pelin Akin Özalp, who graduated from the Department of Management in Spanish of the Surrey University of United Kingdom in 2010, started her career firstly at the Strategy department of the Bank Finance department of Deutsche Bank in Madrid. Upon her return to Turkey, she began working within the structure of the Company, TAV Havalimanları Holding and took part in the MT program in order to be trained as a future (potential) manager. At current period, she serves duties as a Member of the Board of Directors and a Member of the Corporate Management Committee of Akfen Holding as well as the Member of the Board of Directors of IBS Sigorta İvereassürans Brokerliği and Akfen REIT. Mrs. Özalp taking place in various work groups at the Foreign Economic Relations Board Spanish Business Council and Foreign Economic Relations Board English Business Council is also engaged in active works as the Member of the Board of Directors as well as the Member of the Board of Trustees at TİKAV (Human Resources Education and Health Foundation of Turkey), founded by Akfen Holding in 1999. Mrs. Akin, who serves duty as the Deputy Chairman of the Duke of Edinburgh International Award Turkey Program, also conducts the duty as the Chairman of the Consultancy Board at the Contemporary Researches Department for Turkey, founded at the London School of Economics (LSE) since 2010. Furthermore, Mrs Pelin Akin Özalp, who has taken up the organization of the Tatlıdil Forum, founded in 2011 in order to strengthen the relationships in political, economic and cultural fields between Turkey and United Kingdom, has memberships at the TUSİAD (Turkish Industrialists' and Businessmen's Association), TİKAD (Turkish Businesswomen Association), TÜRKONFED (Turkish Enterprises and Business World Federation), Young Chairmen Organization (YPO), Substructure and Investments Committee at the B-20 Executive Committee, Young Entrepreneurs' Consultancy Group of the Union of Chambers and Commodity Exchanges of Turkey and World Economic Forum Global Shapers. Mrs Akin was elected to the substitute membership of the Board of Directors of the Turkish Industrialists' and Businessmen's Association (TUSİAD) in 2015 and furthermore, Memberships of the Board of Directors of TÜRKONFED, PODEM (Public Policy and Democracy Studies) and TAİDER (Association for Family Enterprises).

Selim Akin – Board Member



Mr. Selim Akin, who graduated from the Business Management Department of Surrey in the United Kingdom in 2006, served a duty as the Chairman of the Turkish Association during the university years and became a member of the Young Businessmen Association of Turkey when he returned to Turkey and currently, conducts the duty as the Chairman of the Trade Commission. Mr. Selim Akin started his career at the Accounting Department of Akfen Holding and worked at the Project Development and Finance Departments. The projects where he took on duty are predominantly privatization and finance of the Vehicles Inspection Stations, privatization and finance of the Mersin Port and public offering and bond issuance processes of Akfen Holding. Mr. Akin currently serves the duty as the Chairman of the Board of Directors of the Company, Akfen İnşaat ve Turizm A.Ş., and additionally, Vice-Chairman of the Board of Directors of Akfen Holding and a Member of the Board of Directors at the subsidiaries of Akfen Holding.

Sıla Cılız İnanç –Board Member



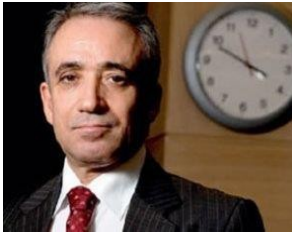
Mrs. Sıla Cılız İnanç graduated from the Faculty of Law of Marmara University in 1995 and joined in Akfen Holding in 1997 following the completion of her law internship in 1996. She was engaged in company and holding structuring along with the fields of construction, energy and competition law as well as the conduct of works such as Private Sector-Public Sector Partnerships (PPP) in Turkey, company takeovers, mergers of companies. Mrs. İnanç has involved in an active duty in the secondary legislation works of the Public Tender Law. She has also taken part in all processes including tender and assignment of the privatization applications as well as build-operate-transfer, right/privilege assignments where Akfen and its partnerships are a party thereof and establishment of finance structure of projects and loan contracts, and public offerings and conformance to the capital Market Committee by Akfen Holding A.Ş. and Akfen REIT Mrs. Sıla Cılız İnanç, who is currently Deputy General Director of Akfen Holding A.Ş., continues to serve duties of memberships in various partnerships of the Holding.

İrfan Erciyas – Board Member



Mr. İrfan Erciyas graduated from the Department of Economics and Finance of the Gazi University in 1977. He started his career as an Inspector and Branch Manager of the bank, Türkiye Vakıflar Bankası, and carried on his duty there between the years of 1996-2002 as the Deputy General Director and in 2002- 2003, however, as the General Director, and afterwards, he joined in Akfen Holding as the Vice-Chairman of the Board of Directors in 2003. Mr. Erciyas has served important duties at the Holding predominantly in the privatization process of vehicle inspection stations, Mersin International Port and IDO (Istanbul Sea Buses), and establishment and investment processes of the companies, Akfen REIT and Akfen Enerji, public offerings of Akfen Holding and Akfen REIT, share sales from the subsidiaries and long-term financing. Mr. İrfan Erciyas has been maintaining his duty as a Managing Director at Akfen Holding since March 2010 serves duty as a Chairman and Member of the Board of Directors in various subsidiaries and affiliates of the Holding.

Ahmet Ertürk – Independent Board Member



Mr. Ahmet Ertürk, who was born in Malatya in 1953, graduated from the Faculty of Political Sciences of the University of Ankara in 1975 and served duty as a Finance Inspector between 1976-1985 carried out a study for and on behalf of the Ministry of Finance on the “British privatization experience” in London during a period of 1984-1985. Mr. Ertürk, who served a duty as the Assistant Secretary General of the TÜSIAD (Turkish Industrialists' and Businessmen's Association) during the years of 1986-1988, took on the duties as a General and General Director's Consultant at the Turkish Marine Enterprises between the years of 1989-1991. Mr. Ahmet Ertürk having worked as the Deputy General Director of Albaraka Türk at the finance sector between the years of 1992-2002 has served a duty as a Member of the Capital Market Committee (SPK) and thereafter, took on the duty as a Chairman of the Saving Deposit Insurance Fund (TMSF) 2004-2009. Mr. Ertürk, who served duty as the Chief Consultant of the (Turkish) President in the field of economy between 2010-2014 is married and father of two, and in good command of English language. He is currently serving duty as the Independent Member of the Board of Directors at Akfen REIT.

Halil Eroğlu Ahmet Ertürk – Independent Board Member



Mr. Eroğlu, who was born in 1952 at Karşıya District (of İzmir), has completed his primary school education in seven different schools due to the fact that his father was a civil servant and graduated from the Faculty of Political Sciences of the Ankara University in 1974 after having studied for seven years a boarding student at the Government College of İzmir (Bornova Anatolian High School-BAL). After having served duty as an inspector in the Bank, Türkiye İş Bankası, where he started his banking career therein, he worked at various tasks in the General Directorate and branches, and served duty as a General Director at Dışbank (currently closed) and İş Leasing. He became a General Director at Sınai Yatırım Bankası (Industrial Investment Bank) in 2001. Following the merger of this Bank with Türkiye Sınai Kalkınma Bankası (TSKB/ Turkish Industrial Development Bank) in 2002, he worked there as a general director and retired in 2002. While working and after his retirement, he served duty as the chairman and member of the board of directors in various establishments. At current period, he works at REIT as an Independent Member of the Board of Directors.

Adnan Aydoğan – Ahmet Ertürk – Independent Board Member



Mr. Adnana Aydoğan graduated from the Government College of Diyarbakır in 1980, Elazığ High School in 1983 and Department of Public Administration of the Faculty of Economics and Administrative Sciences of the Gazi University in 1987. He completed his master degree course, however, at the Administrative Sciences of the Social Sciences Institute of the Gazi University, and served duty at the Undersecretariat of State for Defence Industry, as Specialist (Project Coordinator) and afterwards, as a Project Monitoring and Finance Branch Manager and Head of the Fund Management Division. Finally, Mr. Aydoğan, who works as a Chairman of Administrative Affairs and Subsidiaries within the structure of TAİ, quitted TAİ in 2013. Currently, serves duty as an Independent Member of the Board of Directors of Akfen REIT.

Executive Management

Sertac Karaağaoğlu – General Manager



Mr. Sertac Karaağaoğlu, who started his professional career as a portfolio manager at the bank, Toprakbank, in 1996 worked as the sportfolio manager at the Kentbank between 2000-2001. Mr. Karaağaoğlu having joined in the Fortisbank (Dışbank) in March 2001 took on duties at different managerial positions as the Portfolio Manager, Branch Manager, KOBİ (Small and Medium Scale Enterprises) Director of the Central Anatolia Regional Office, Manager of the Eastern Mediterranean Region and director responsible for Credits. Mr. Karaağaoğlu, who continued his professional career as the Credits Allocation Directors at TEB BNP Paribas between 2011-2012 worked at the Istanbul Stock Exchange between the years of 2012-2016 as a Quotation and Special Market Group Director in the fields of public offerings, bond issuances and company purchases. Mr. Sertac Karaağaoğlu, who graduated from the Department of Political Sciences and Public Administration of the Faculty of Economics and Administrative Sciences of the Middle East Technical University (ODTÜ) in 1996, completed his Master Degree Course in the field of Business Management at the Maltepe University in 2015

Cüneyt Baltaoğlu –Russia Projets Coordinator



Mr. Cüneyt Baltaoğlu, who graduated from the Faculty of Architecture of the Istanbul Technical University following his graduation from the German High School, began his professional career with the duty at the Russia-Tyumen Hotel project, construction of which was undertaken by Gama İnşaat in 1994. Mr. Baltaoğlu having worked the Moscow and Koray İnşaat Istanbul real estate development/investment projects being a Koray-Enka partnership between 1995-1998 completed his MBA education at the Dutch Erasmus University- Rotterdam School of Management between the years of 1999-2001, and afterwards, worked as the Lycos-Europe Founder General Director within the structure of Bertelsmann AG in Moscow. Mr. Baltaoğlu having joined in the structure of Akfen Gayrimenkul Yatırım Ortaklığı (REIT) in 2007 currently conducts the duty as of the Coordinatorship of Russia Investment Projects

Memduh Okyay Turan – Deputy General Manager Operations



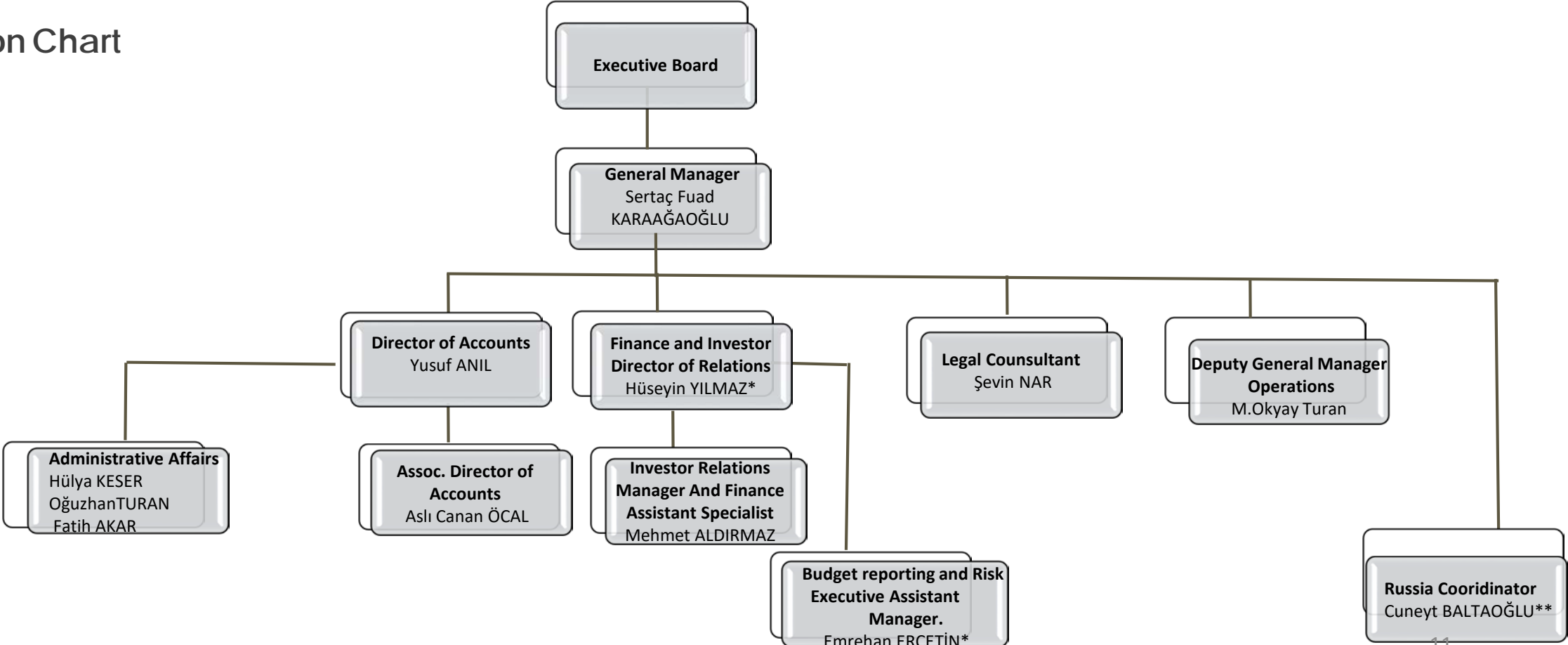
Mr. Memduh Okyay Turan graduated from the Tourism Hotel Management Department of the Bilkent University in 1993 and started his professional career at the Antalya Club Hotel Sera City& Resort and Antalya Dedeman Convention. Mr. Turan, who holds a Travel Agencies Information Certificate of the Ministry of Tourism, was subsequently engaged in managerial works at the departments of Mega Residence Hotel Front Office Management and Mega Residence Sales & Marketing. Mr. Turan, who served duties as a General Director and General Coordinator at the companies, St. Paul Tourism&Travel Agency and Mersin Hotel Chain Group, conducted a General Coordinatorship duty at the City Residence and Kuşadası Mersin Beach Resort, affiliated to the same group in subsequent years. Mr. Turan after having joined in the Akfen Family keeps on serving duty at Akfen Gayrimenkul Yatırım Ortaklığı as the Deputy General Director for Operations.

The total amount of financial benefits such as honorarium, fees, premium, bonuses, dividends and so on, provided to the managers of the Company are presented herein below:

Benefits, for Top Level Executives (Thuosand TRL)	2016	2017	Decrease (%)
Short-Term Benefits	2.301	1.902	-21

Apart from this, no other material right, allowance, representation expense, material right in kind, insurance and similar indemnity has been given. The total amount of short-term benefits, provided to the executive managers for Akfen REIT and its affiliates belonging to the year ending on December 31, 2017 refers to an amount of TRY 1.901.561 (December 31, 2016: 2.301.154) and all explanations, made pursuant to the legislation are conformed thereto and necessary process is conducted within the direction of the fee policy of the Company.

Organization Chart



* They have quitted their jobs as of December 31, 2018 . Mr. Mehmet Aldırmaz serves this duty as the Manager for Investor's Relationships from this date onward.

** The number of personnel available (employed) at affiliates in Russia is 11.

Akfen REIT Afiliates

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 Hotel Investment B.V.
Activity	Developing hotel 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	Hotel Development Investment B.V.
Activity	Developing hotel 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 İnşaat A.Ş.
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

Trade Name	Akfen İnşaat Turizm ve Ticaret A.Ş. Ve Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. Adi Ortaklığı
Activity	
Issued Capital	10.000,00
Company's Share in Capital	9.900.000
Currency	TL
Company's Share in Capital (%)	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 Otel Yaroslavl, Ibis Otel Samara, Ibis Otel Kaliningrad and Samara Office among Akfen REIT’s investments in Russia.

Akfen GT owns 97.72% of the shares of Russian Hotel 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.

RHI

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

RPI

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

HDI

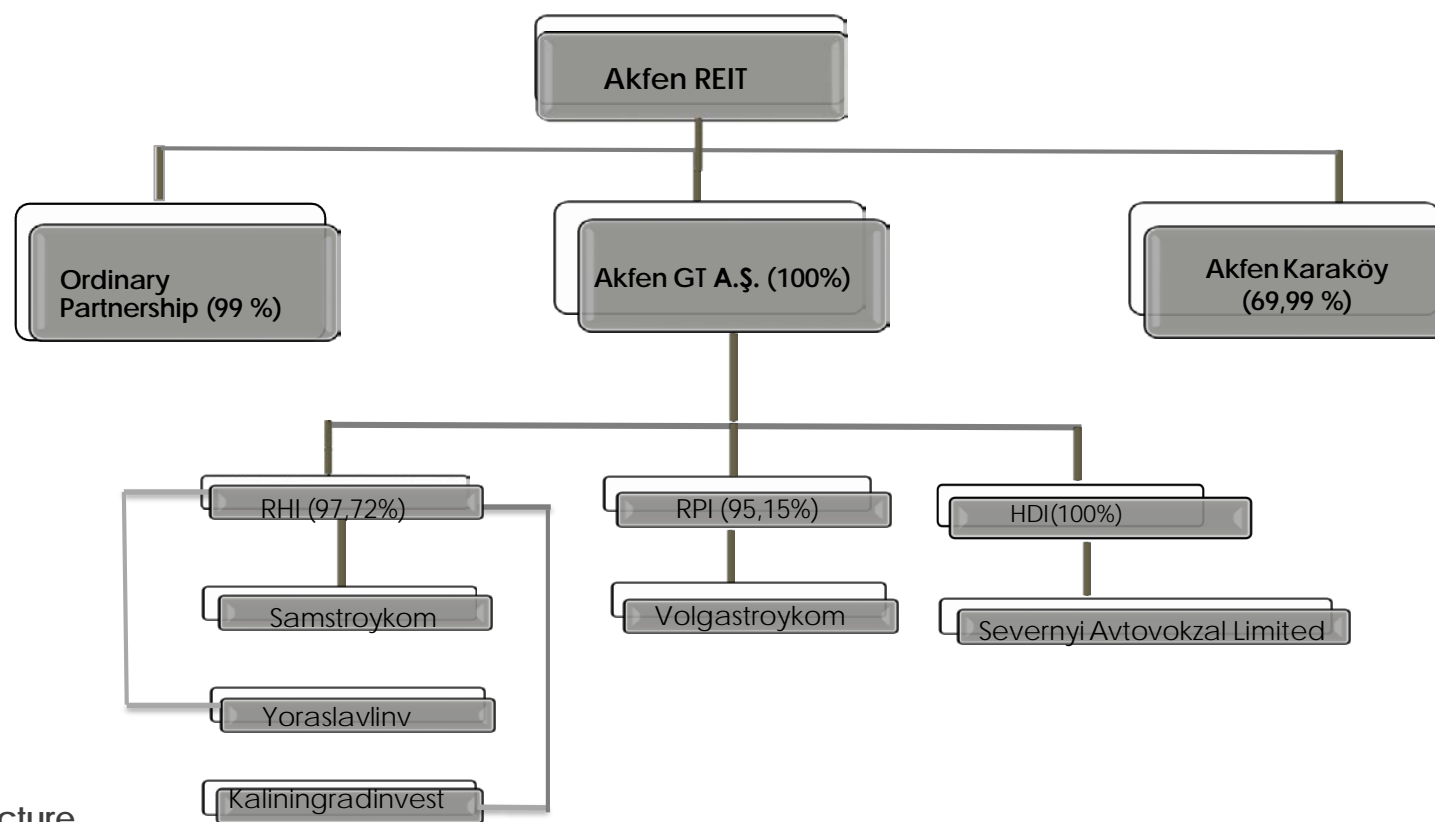
HDI, of which 100 % participation is held by Akfen GT, is established in Russia in order to develop hotel project(s) in Russia. The Company having its centre of activity located in Holland has realized a hotel project, put into operation in Moscow. All of the HDI shares, held by the Company, was sold to Akfen GT, which is one of the Affiliates of the Company by 100 %, on March 27, 2017 at a sales value of Euro 16.036.630 (TRY 62.624.644).

Akfen Karaköy Gayrimenkul Yatırımları ve İnşaat A.Ş. (“Akfen Karaköy”)

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, hotels and real estate investments are among the operations of the Company. The Company currently conducts a hotel project in Istanbul, Karaköy, operated by Accor

Ordinary Partnership of Akfen İnşaat Turizm ve Ticaret A.Ş. ve Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. (“Ordinary Partnership”)

The Contract (hereinafter shall briefly be referred to as "Boulevard Loft Contract"), executed by and between the companies, İller Bankası A.Ş. (hereinafter shall briefly be referred to as "İller Bankası") and Akfen İnşaat Turizm ve Ticaret A.Ş. ((hereinafter shall briefly be referred to as "Akfen İnşaat"), with relation to the Income Sharing Work against the Sales of the Land covering a surface of 36.947 square meters (sqm) and being registered under the Block no. 120573 and Plot no. 1, located at the Provincial City of Ankara, Gölbaşı Town and Kızılcaşar District, was assigned on the date of November 10, 2017 to the Ordinary Partnership, established by and between Akfen REIT and Akfen İnşaat on November 09, 2017 (at a share proportion of 99 % Akfen REIT - Akfen İnşaat 1 %)



Capital and Partnership Structure

December 31, 2017 Partnership Structure

Shareholder	Group	Share Value (TRY)	Number of Shares	Share (%)
Akfen Mühendislik A.Ş.	A	104,65,831	104,565,831	56.88
Hamdi Akın	A	30,350,088	30,350,088	16.5
Other	A	48,993,081	48,993,081	26.63
Total		184,000,000	184,000,000	100.00

The shares of Akfen REIT A.Ş. were assigned to the Company, Akfen Mühendislik A.Ş., as of February 16, 2017 following the contract by and between Akfen Holding A.Ş. and Akfen Mühendislik A.Ş. with relation to a partial division.

A number of 4.218.000 shares referring to 2,29 % from the public offering part were purchased within the scope of a buyback program of Akfen REIT A.Ş. between the dates of September 19, 2016 and May 23, 2017.

The shares of the Groups A, C and D has an exclusive right to designate candidate(s) in the election of the Members of the Board of Directors. Two of the Members of the Board of Directors shall be elected by the General Assembly among the candidates, designated by the Group A shareholders, two among the candidates, designated by the Group C shareholders and other two, however, among the candidates, designated by the Group D shareholders.

Novotel and Ibis Zeytinburnu

The Istanbul lands of Novotel Istanbul and Hotel Ibis was allocated by the State Treasury bearing a construction right contract, dated as December 04, 2003, for a period of 49 years.

It is an accommodation point convenient for commercial and touristic-purpose trips with its close proximity to the historical regions and business centres of Istanbul at a distance of 10 kms to the Atatürk Airport and 11 kms to Taksim. Its distance to various locations such as 0,5 kms to Veliefendi Hippodrome and Abdi İpekçi Sports Hall, 6 kms to the Olimpiyat Stadium, and 10 kms to the Sultanahmet and Beyazıt Districts give opportunity for hotel visitors to reach the activities easily, desired by them.

Surface of the Land	11,720m2
Surface of Construction Area	26,372 m2
Number of Novotel Rooms	208
Number of Hotel Ibis Rooms	228
Date of Opening	Mart 2007
Operator	Tamaris Turizm (Accor)

Hotel Ibis Istanbul Esenyurt

The Hotel Ibis Istanbul Esenyurt taking place at the District Esenyurt, which is one of the most rapidly developing regions of Istanbul through suburb projects and land of which is owned by Akfen REIT, was opened and put into operation on January 25, 2013. The Hotel is the E-5 Motorway-fronted and takes place within a close range of TÜYAP Exhibition and Congress Centre.

Surface of the Land	1,755.37 m2
Surface of Construction Area	7,331 m2
Number of Rooms	156 rooms
Date of Opening	January 2013
Operator	Tamaris Turizm (Accor)

Novotel Istanbul Bosphorus (Karaköy)

The land of Novotel Karaköy was obtained from the General Directorate of Foundations through an allocation for 49 years. It is constructed on the land of old Kozluca Han (Inn), located on the Rıhtım Caddesi (Avenue). The opening of this hotel bearing the characteristic of the first 5-star hotel in the world was made in February 2016.

Surface of the Land	3,074.58m2
Surface of Construction Area	21.440 m2
Number of Rooms	200 rooms
Date of Opening	February 2016
Operator	Tamaris Turizm (Accor)

The land of Novotel Karaköy Bosphorus was allocated by the General Directorate of Foundations for a period of 49 years and located along the Kemankeş Street and faces the Galataport. It was opened in February 2016 and it is the first and sole 5-star hotel of us.

Hotel Ibis Tuzla

The land of the Hotel Ibis Tuzla was purchased by Akfen REIT. It is located in the Anatolian Part of Istanbul and situated over the E-5 Motorway and close vicinity of Shipyard, Metro (Underground), Organized Industrial zones and Sabiha Gökçen Airport and opening of the hotel was made in April 2017.

Surface of the Land	4,688 m2
Surface of Construction Area	9,480 m2
Number of Rooms	200 rooms
Date of Opening	April 2017
Operator	Tamaris Turizm (Accor)

Hotel Ibis Bursa

The land of the Hotel Ibis Bursa was leased from the Bursa Uluslararası Tekstil Ticaret Merkezi İşletme Kooperatifi (Bursa International Textile Trade Centre Enterprise Cooperative) on May 09, 2008 providing advantage with its close location to the commercial centres in Bursa being one of the most important industrial and commercial regions of Turkey. The permanent and independent right of construction was registered at the deed office.

Surface of the Land	7,961.79 m2
Surface of Construction Area	7,523 m2
Number of Rooms	200rooms
Date of Opening	November 2010
Operator	Tamaris Turizm (Accor)

Hotel Ibis Alsancak

The land was leased on August 25, 2010from the General Directorate of Foundations of the Prime Ministry of the Republic of Turkey for a period of 49 years. The Hotel Ibis İzmir Alsancak provides a comfortable and modern accommodation opportunity with its central location in İzmir that is one of the major cities making substantial contribution with its location and workforce to the Turkish economy. The hotel taking place at the Alsancak District of the town Konak is located within the close vicinity of Alsancak Railway Station and Alsancak Port.

Surface of the Land	629 m2
Surface of Construction Area	5,555 m2
Number of Rooms	140 rooms
Date of Opening	June 2013
Operator	Tamaris Turizm (Accor)

Hotel Ibis Eskişehir

The building of the Hotel Ibis Eskişehir was leased from the Metropolitan Municipality of Eskişehir and the grain elevator building was converted into the Hotel Ibis. The hotel being located at a walking distance to all important shopping, business and entertainment centres of Eskişehir is also situated at a location considerably close to the campus of the Anatolian University that is one of the most important focal points of the city. Furthermore, the proximity of the hotel to the railway station increases the number of transportation alternatives to the hotel.

Surface of the Land	6,806 m2
Surface of Construction Area	5,868 m2
Number of Rooms	108 rooms
Date of Opening	April 2007
Operator	Tamaris Turizm (Accor)

Hotel Ibis Ankara Airport

The land of the Hotel Ibis Ankara Airport was purchased by Akfen REIT on July 21, 2011. The Hotel Ibis Ankara Airport taking place at a distance of only 1 km to the Esenboğa Airport is 28 kms away from the city centre of Ankara province.

Surface of the Land	7,134 m2
Surface of Construction Area	9,506 m2
Number of Rooms	147 rooms
Date of Opening	September 2014
Operator	Tamaris Turizm (Accor)

Hotel Ibis Adana

The land of the Hotel Ibis Adana was purchased by Akfen REIT on August 03, 2010. The Hotel Ibis Adana is located at the city centre of Adana taking place among the important industrial, commercial and agricultural centres of Anatolia.

Surface of the Land	2,213 m2
Surface of Construction Area	9,047 m2
Number of Rooms	165 rooms
Date of Opening	September 2012
Operator	Tamaris Turizm (Accor)

Novotel Trabzon

The land of the Novotel Trabzon that is located on the Black Sea shore was leased from the World Trade Centre of Trabzon for a period of 49 years. A permanent and independent construction right of it covering a period of 49 years was registered February 27, 2008 at the deed office in favour of Akfen REIT.

The Novotel Trabzon that offers a transportation advantage to its guests through its close proximity to the airport and city centre has an additional advantage since the fact that it is the first international hotel chain of the city and region. The hotel taking place just besides the World Trade Centre is one of the favourite hotels of Trabzon through its central location and design.

Surface of the Land	13,450 m2
Surface of Construction Area	15,232 m2
Number of Rooms	200 rooms
Date of Opening	October 2008
Operator	Tamaris Turizm (Accor)

Novotel and Hotel Ibis Gaziantep

A permanent and independent construction right was registered at the deed office (deed of the real estate) on July 17, 2007 in favour of Akfen REIT covering a period of 30 years over the land of Novotel and Hotel Ibis Gaziantep, leased from the Metropolitan Municipality of Gaziantep on May 31, 2007.

The area where the Hotel is located is at a walking distance to the city centre where public institutions such as City's Governor's Office, Metropolitan Municipality, Revenue Administration and so on and historical places are located in.

Surface of the Land	6,750 m2
Surface of Construction Area	18,825 m2
Novotel Number of Rooms	92 rooms
Hotel Ibis Number of Rooms	177 rooms
Date of Opening	January 2010
Operator	Tamaris Turizm (Accor)

Novotel and Hotel Ibis Kayseri

The land of Novotel and Hotel Ibis Kayseri was leased from the Chamber of Commerce and Industry of Kayseri on November 04, 2006 for a term of 49 years. A permanent and independent construction right covering a period of 49 years was registered August 17, 2007 at the deed office with relation to this land in favour of Akfen REIT.

The hotels being located at the city centre are at a distance of 10 minutes to the airport.

Surface of the Land	11,035.4 m2
Surface of Construction Area	11,064 m2
Novotel Number of Rooms	96 rooms
Hotel Ibis Number of Rooms	160 rooms
Date of Opening	March 2010
Operator	Tamaris Turizm (Accor)

Hotel Merit Park Girne (TRNC)

The land where the Hotel Merit Park Kyrenia was allocated by the Ministry of Finance of the TRNC covering a term of 49 years. The hotel taking place at the portfolio of the company, Akfen Gayrimenkul Ticareti ve İnşaat A.Ş., which is an affiliate of Akfen REIT, was leased to the company, Voyager Cyprus Limited Company (Voyager Kıbrıs Limited Şirketi) together with its casino for a period of 20 years through the Lease Contract, executed on May 15, 2012.

Surface of the Land	37,000 m2
Surface of Construction Area	33,387 m2
Number of Rooms	286 rooms
Date of Opening	April 2007
Operator	Voyager Kıbrıs Ltd. Şti (Net Holding)

Hotel Ibis Samara

Akfen REIT carried out two important projects in one of the major cities in Russia, Samara. The Hotel Ibis Samara and Samara Office are located on the main arterial road where the airport road is intersected, being situated 2 km away from the city centre of Samara having a population of 1.2 millions.

Samara also has one of the most important petrol refineries of Russia within its boundaries.

Surface of the Land	4,803.66 m2
Surface of Construction Area	11,749.25 m2
Leasable Office	4,637 m2
Number of Rooms	204 rooms
Date of Opening	March 2012
Operator	Russian Management Hotel Company (Accor)

Hotel Ibis Kaliningrad

The Hotel is located on the riverbank of Progolya River at a distance of 1.2 kms from the centre of the city, Kaliningrad that is an important transfer and tourism destination on the Baltic Sea shore. Its distance to the airport, however, is 20 kms.

Surface of the Land	5,099 m2
Surface of Construction Area	6,322 m2
Number of Rooms	167 rooms
Date of Opening	August 2013
Operator	Russian Management Hotel Company (Accor)

Hotel Ibis Yaroslavl

The 3-star hotel Ibis Yaroslavl draws attention with its quality service, offered by it in the city of Yaroslavl, visited very often by domestic and foreign tourists. Yaroslavl taking place within the periphery of 250 kms to Moscow is a very active region both in terms of cruise tourism in the River Volga and cultural and business tourism, brought forth by international conferences.

Surface of the Land	4,432 m2
Surface of Construction Area	7,916 m2
Number of Rooms	177 rooms
Date of Opening	September 2011
Operator	Russian Management Hotel Company (Net Holding)

Hotel Ibis Moscow

The Hotel, located at the centre of Moscow, takes place just beside the sporting facilities in the region Dynamo and at a walking distance of 15 minutes to the world-renowned Tretyakov Galery, and 10 minutes to the Paveletsky Railway Station. The Hotel Ibis Moscow offers a comfortable alternative to the business and tourism-focused trips through its modern architectural design and well-illuminated rooms, equipped with a warm decoration.

Surface of the Land	2,010 m2
Surface of Construction Area	13,250 m2
Novotel Number of Rooms	317 rooms
Date of Opening	July 2015
Operator	Russian Management Hotel Company (Accor)

Projects

Bulvar Loft

The project, started within the structure of Akfen İnşaat, consists of 6 buildings, 822 flats and a commercial facility of 7 thousands of square meters. While the project was at a level of 35,20 of the total foreseen cost, it was assigned to the company, Akfen İnş. Tur. Tic. A.Ş.-Akfen REIT A.Ş. Ordinary Partnership, of which 99 % share proportion is held by Akfen REIT: The flat sales and construction continue at the project, made through the Income Share Model on the land, owned by İller Bankası.

Surface of Construction Area	169,703 m2
Net Sellable Area	94,453 m2
Number of Flats	822 Flats
Commercial Area	7.000 m2

Overview of Akfen REIT

Financial Structure

TRL	2016	2017
Total Assets	1,498,018,392	1,763,195,286
Equities	560,795,264	607,819,213
Paid-up Capital	184,000,000	184,000,000
Turnover	54,180,018	63,539,265
Cost of Sales	(9,503,784)	(9,588,722)
Real Operating (Loss)/Profit*	(202,125,460)	256,829,469
Period (Loss)/Profit*	(272,142,116)	38,654,953
Investments	22,870,323	10,086,861

* The fixed asset value increase earnings/losses are included in the real operating profit and period profit.

Akfen REIT 2017
Total Portfolio Value

Akfen REIT 2017
Net Assets Value

1,217.1

(in million TRY)

636.5

(in million TRY)

Consolidated Rental Revenue

(in million TRY)

2016	2017	Increase (%)
54,2	63.5	17

EBITDA

(in million TRL)

2016	2017	Increase (%)
37,1	45,9	24

2017 Regional Rental Revenue Distribution
(%)

Turkey	TRNC	Russia
43	29	28

2017 Regional EBITDA Distribution
(%)

Turkey	TRNC	Russia
32	40	28

2017 Regional Real Estate Distribution
(%)

Turkey	TRNC	Russia
56	19	24

Portfolio

Status	Hotel	Date of Operation	Province
Operational Hotels	Hotel Ibis Istanbul	March 07	Istanbul
	Novotel Istanbul	March 07	Istanbul
	Hotel Ibis Eskişehir	April 07	Eskişehir
	Merit Park Otel	April 07	Girne – TRNC
	Novotel Trabzon	October 08	Trabzon
	Hotel Ibis Gaziantep	January 10	Gaziantep
	Novotel Gaziantep	January 10	Gaziantep
	Hotel Ibis Kayseri	March 10	Kayseri
	Novotel Kayseri	March 10	Kayseri
	Hotel Ibis Bursa	November 10	Bursa
	Hotel Ibis Yaroslavl	September 11	Yaroslavl - Russia
	Hotel Ibis Samara	March 12	Samara - Russia
	Office Samara	March 12	Samara - Russia
	Hotel Ibis Adana	September 12	Adana
	Hotel Ibis Istanbul Esenyurt	January 13	Istanbul
	Hotel Ibis İzmir Alsancak	June 13	İzmir
	Hotel Ibis Kaliningrad	August 13	Kaliningrad - Russia
	Hotel Ibis Ankara Airport	September 14	Ankara
	Hotel Ibis Moscow	June 15	Moskova - Russia
	Novotel Istanbul Bosphorus	February 16	Istanbul
Real Estate Projects	Hotel Ibis Tuzla	April 17	Istanbul
	Bulvar Loft	2019	Ankara
	Office Building	March 12	Samara-Russia

December 31, 2017

Number of Operational Hotels	Total Room Numbers of Operational Hotels	Flat	Commercial Area (in sqm.)
20	3.628	822	11.637

Akfen Holding in Brief

Akfen Holding exhibits a rapid growth through its correct and precise investment decisions at the sectors that bear a growth potential, and adds vision to the sectors where the Holding conducts its operation with the qualified and eligible as well as genuine projects, realized by it.

Akfen that was established in 1976 demonstrated a stable growth and gained a Holding status in 1999. Akfen being one of the leading substructure investment holdings of Turkey conducts its operations in the fields of engagement of construction, health, marine port operation, marine transportation, water distribution and wastewater services, mining, energy and real property.

The Group that reflects its innovative and dynamic approach to the fields of business exhibits a rapid growth both in Turkey and international markets through its correct and precise investment decisions at the sectors that bear a growth potential, and adds vision to the sectors where the Holding conducts its operation with the qualified and eligible as well as genuine projects, realized by it.

Leading brands in the world

The Holding that started the marine transportation activities in 2011 makes its name as one of the leading marine transportation establishments not only in Turkey but internationally as well through the company, IDO İstanbul Deniz Otobüsleri Sanayi ve Ticaret A.Ş.

The Group offers its services in the field of port management through the firm, Mersin Uluslararası Liman İşletmeciliği A.Ş., established jointly with the Company, Port of Singapore Authority International (PSA).

It keeps on maintaining its activities in the field of energy within the scope of a partnership with European Bank for Reconstruction and Development (EBRD) ve Uluslararası Finans Kurumu (IFC) and International Finance Corporation (IFC).

The Group also offers its services in the field of water and wastewater substructure investmentsthrough the company, Akfen Çevre ve Su Yatırım Yapım İşletme A.Ş. (hereinafter shall briefly be referred to as “Akfen Su”), established jointly with an international investment firm, established in Holland and titled as Kardan N.V. Furthermore, a copper mining investment project continues in Kastamonu.

Pioneer establishments in their sector

The Group takes its rank at the real estate sector through high standard projects, realized in this respect.

The Group engages in the construction sector through its company, TAV İnşaat, an affiliate of TAV Yatırım, following the assignment of Akfen İnşaat to the firm, Akfen Altyapı Danışmanlık A.Ş., in October 2015. It comes closer from day to day to achieve its target of becoming a world-renowned brand at the airport construction sector with prestigious projects, undertaken by it.

Akfen Holding realizes important investments in order to make contribution to meeting energy demand of Turkey increasing from day to day. The Holding aims to take place actively in the wholesale field in addition to the production with the investment decisions, made up-to-date at the energy sector. The holding has gathered its entire investments at renewable energy sector in 2016 under a single roof, called as “Akfen Yenilenebilir Enerji (Renewable Energy)”. In July 2016, a partnership contract was executed with EBRD and IFC in order to enable them to have a partnership proportion of 16,67 per cent each at the company. Akfen holding owns 80,01 % of Akfen Yenilenebilir Enerji as of December 31, 2017, and the rest of the shares are under the possession of EBRD and IFC at equal proportions.

The Group has been conducting its activities through its member company, Akfen Su, established in order to develop franchising projects at water and wastewater sector in Turkey since 2005 in the field of water distribution. The mission of Akfen Su is to regain substantial economical losses that occur at the available water and substructure sector of Turkey before all else, and ensure the people to obtain continuous, reliable and healthy water and substructure service. The Company aims to develop new technologies and ensure the sustainability of this circumstance and gain power at international markets through these technologies. Akfen Su that carries its expertise and experience available within the field of water and wastewater field into the disposal of solid wastes and environmental management services successfully continues to maintain the services, provided within the scope of a Waste and Environmental Management contract, signed up with IDO for the first time in 2012, by the addition of three public private sector partnership hospital projects and MIP into its portfolio in 2016.

Akfen keeps on its rise through successful strategic partnerships, set up with the pioneer companies of the national and international sector since its establishment. Akfen Holding that has been one of the example groups of Turkey through its management structuring, human resources potential and transparent policy, maintained without any concession will continue to grow and increase the values of Turkey.

Akfen keeps on rising through successful strategic partnerships, made with the pioneer companies of the sector.

Hosting millions of people

The numbers of guests, hosted in the hotels in Turkey and Russia up to date is 7.532.096. The average occupancy rate of all hotels in Turkey and Russia refers to a per cent of 62 as of December 2017. The rental income of the Company within the year of 2017 in Turkey has shown an increase of 17 % and reached to a number of TRY 63,5 millions. Among the total rental incomes, acquired from the hotels in Turkey & Russia & TRNC, in 2017, 43 % of it comes from Turkey, 28 % from Russia and 29 %, however, from the TRNC.

Akfen REIT that put the genuine examples of the contemporary examples of urban hotel management understanding takes the demands at the domestic tourism sector along with the dynamics at the Turkish world into consideration in its investment decisions. Akfen REIT that realizes qualified project at the real estate sector has gained a reliable position at the sector by remaining at first ranks among the Real Estate Investment Trust (REIT) of Turkey in respect of their net assets value.

While the consolidated EBITDA becomes TRY 45,9, the EBITDA margin is realized at the level of 72 %. Net asset value of Akfen REIT has been TRY 636,5 million as of December 31, 2017.

Akfen REIT went to public on May 11, 2011 and it is traded at the Istanbul Stock Exchange (BIST) through the share code of “AKFGY” as of this date.

Akfen REIT is registered under the registration number of 372279 and conducts its operations at its head office, located at the address of: Levent Loft Büyükdere Cad. No: 201 C Blok Kat: 8 34394, Levent/Istanbul. Further details of the Company takes place at the internet site of the Company: www.akfenREIT.com.tr.

Milestones of Akfen REIT

Akfen REIT keeps on making its progress through firm steps since the date of its establishment through the investment decisions, made on the precise time and correct point.

2005

- A cooperation was established between Akfen Holding and Accor S.A..

2006

- Aksel Turizm Yatırımları A.Ş. was converted into Akfen REIT upon approval of the Capital Market Committee.

2007

- Hotel Novotel Istanbul having a capacity of 208 rooms and Hotel Ibis Istanbul, however, 228 rooms were put into operation.
- Hotel Ibis Eskişehir having a capacity of 108 rooms was put into operation.
- Hotel Merit Park having a capacity of 286 rooms was put into operation in Kyrenia of TRNC.

2008

- Hotel Novotel Trabzon having a capacity of 200 rooms was put into operation.

2010

- Hotel Novotel Gaziantep having a capacity of 92 rooms and Hotel Ibis Gaziantep with 177 rooms were put into operation.
- Hotel Novotel Kayseri having a capacity of 96 rooms and Hotel Ibis Kayseri, however, 160 rooms were put into operation.
- Hotel Ibis Bursa with a room capacity of 200 was put into operation.
- The capital of the Company was raised from TRY 72 millions up to TRY 138 millions.

2011

- The Company raised its paid-up capital from TRY 138.000.000 up to TRY 184.000.000 through the public offering, effectuated in May 2011.
- The Company raised its share at the joint ventures in Russia from 50 % up to 95 %.
- The Hotel Ibis in Yaroslavl bearing a room capacity of 177 was put into operation

2012

- Hotel Ibis Samara having a capacity of 204 rooms was put into operation.
- Hotel Ibis Adana having a capacity of 165 rooms was put into operation
- The hotel taking place at the portfolio of the company, Akfen Gayrimenkul Ticareti ve İnşaat A.Ş., which is an affiliate of Akfen REIT, was leased to the company, Voyager Cyprus Limited Company (Voyager Kıbrıs Limited Şirketi) together with its casino for a period of 20 years through the Lease Contract.

2013

- Hotel Ibis Esenyurt having a capacity of 156 rooms was put into operation.
- Hotel Ibis Alsancak having a capacity of 140 rooms was put into operation.
- Hotel Ibis Kaliningrad having a capacity of 167 rooms was put into operation

2014

- Hotel Ibis Ankara Airport having a capacity of 147 rooms was put into operation

2015

- Hotel Ibis Moscow having a capacity of 317 rooms was put into operation..

2016

- Hotel Novotel İstanbul Bosphorus Karaköy having a capacity of 200 rooms was put into operation.

2017

- Hotel Ibis Tuzla having a capacity of 200 rooms was put into operation.
Akfen İnşaat Turizm ve Ticaret A.Ş. and Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. Ordinary Partnership (hereinafter shall briefly be referred to as “Ordinary Partnership”) was established on November 10, 2017.
- A contract pertaining to the assignment of the Boulevard Soft Contract was signed up by and between Akfen İnşaat Turizm ve Ticaret A.Ş. and Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. Ordinary Partnership as of November 10, 2017 as was agreed upon with İller Bankası within the framework of the approval of İller Bankası.
- The Issuance of Bond Convertible into Share was realized on January 17, 2018 for the first time in Turkey by a publicly trading corporation referring to a value of TRY 170.000.000.

Mission and Vision

Mission

To be a pioneer leader hotel investor having hotel projects, constructed at international standards both in Turkey and its surrounding geography, and operated accordingly.

Vision

To develop projects bearing high profitability at the real estate sector and acquire high capital and dividend earnings to their shareholders while realizing a stable balance sheet growth.

Strategy

- Strategic partnership with Accor that is one of the biggest hotel groups in Europe and a leading one among those in the world.
- Economic urban hotel management investment.
- A predictable and sustainable cash flow with long-term rental contracts.
- Know-how, acquired as a result of expertise in a single field.
- Rising rental earning with the performances of the hotels.

Akfen REIT

- Genuine business model
- Minimum operation risk
- Low-risk predictable cash flow
- Limitless and rapid growth opportunity.

Operation Map

Akfen REIT targets international standards in the contemporary urban management through its innovative approach and genuine business model.

- Operational Hotels
- Operational Office
- Bulvar Loft



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
(in million TRL)

2016	2017	Increase
54,2	63,5	%17

Akfen REIT consolidated rental revenues have reached TRL 63.5 million, by an increase of 17% in 2017.

TRY	2015	2016	2017
Total Assets	1.616.985.920	1.498.018.392	1.763.195.286
Shareholder's Equities	804.106.526	560.795.264	607.819.213
Issued Capital	184.000.000	184.000.000	184.000.000
Revenue	53.533.927	54.180.018	63.539.265
Sale Costs	(7.468.913)	(9.503.784)	(9.588.722)
Real Operating Profit/Loss*	55.293.536	(202.125.460)	256.829.469
Investments	(71.572.133)	(22.870.323)	(10.086.861)

* The fixed assets value increase profits/losses are included in the main operating profit.

Operations

REIT Industry

The real estate investment trust (REIT) sector in Turkey was put into practice in 1995 together with legal arrangements, completed by the Capital Market Committee. The real estate investment trusts started to be traded at the stock exchanged as of the year of 1997.

The real estate investment trust companies invest in the real properties bearing a high earning potential, projects that are based on real estate, rights pursuant to the real estate and capital market instruments within the scope of the Capital Market Law and aim to get a predictable and regular rental income and real estate purchase-sales earning out of the immovable properties that they may add in their portfolios through these investments.

When the big-scale real estate investment projects especially such as business centres or shopping centres come on the agenda, most of the companies come face to face with an equity problem. Those of companies that cannot provide sufficient finance may incline towards the financing by way of loan that may bring forth a substantial interest burden in order to carry out those types of projects.

The real estate investment trust companies provide the real estate projects where the companies may face difficulty in finding finance, with financial support along with their main fields of engagements. Thus, the finance problem, faced by the companies aiming to make investment, is relieved to a greater extent by the intervention of the REIT (real estate investment trust) in the matter. 1

Another circumstance at the real estate investments is the fact that the company comes face to face with an equity cost even if it has sufficient finance. Under such circumstances, however, the solution, proposed by REITs is the mode of use of the money due to be collected from the people in return to the shares of real estate investment trust in the finance of the said project.

It is observed that the investment replace the public spendings in the growth

While beginning of 2018, it is observed that the improvement in global economy and trade gets stronger. The reconstruction process at the conjuncture where extraordinary expansion steps, made under the guidance of the central banks of developed countries since the global crisis, has been completed to a greater extent in 2017.

Operating Report of Akfen REIT for 2015 -Page-152

The Turkish Contractors Association-The Report for the Construction Sector in Turkey and World,
January 2018.

Since the difference of public and private sector construction investments has been eliminated within the growth data, explained with a new calculation method by the Turkish statistics Institute (TUIK), it is not possible to make a detailed comparison on periodical basis. However, it is seen that the public spending have been replaced by investments in growth from the second quarter of the year onward. According to the last data, revealed in accordingly, the construction investments have shown an increase by 13,3 per cent in the first quarter of 2017, 22,5 per cent in the second quarter and 12,0 per cent, however, in the third.

Real Estate Sector Protects its Attraction

The construction sector confidence index turned out to be 81,6. In this respect, while the seasonally adjusted construction sector confidence index was 82,4 in the preceding month, this fell down by 1 % in December 2017 and to a value of 81,6. This fall in the construction sector confidence index was arisen from a fall in the number of initiative (enterprise) manager, who assesses the “current level of registered orders so taken” as over the normal seasonal value. The number of the enterprise managers, who expect a rise in the “number of total employees”, increased within the period of three incoming months. While the available level index of the recorded orders so received fell by a proportion of 3,5 % in comparison with the preceding month at the construction sector, the number of total employees expectation index increased by 0,8 %.

The factors such as continuing interests of investors from every part of the world in Istanbul as a brand-city and having laid the foundation for it to become a financial centre, and completion of substructure projects from year to year, and creation of interest and attraction by the development of new projects (especially, Osman Gazi ve Yavuz Sultan Selim Bridges, Eurasia Tunnel, 3rd Airport, rail transport system and underground projects, seen almost in all major cities, and Channel Istanbul works distract considerable attention), gradual increases of transportation vehicles and opportunities and as a consequence of this, expansion of the boundaries of major cities and growth of their living spaces, and putting the urban transformation and relevant arrangements, based on the same, into practice, natural effect of demand to have a young population structure, continuation of immigration from rural to urban areas, and that any measures, taken in order to encourage the purchase of housing units and saving, keep the sector alive and so on, make contribution to the real estate sector to keep its attraction.

Consequently, it is envisaged that the growth, caught in 2017, at the construction-real estate sector will continue in 2018 as well and investments go on without pausing.

Hotel and Accommodation Sector

Tourism reserves its feature of being an industry showing progress and development in Turkey as is throughout the world. When the data of the Ministry of Tourism, it is seen to which points Turkey has reached within the last quarter century within the field of tourism. While the number of visitors .

having come in the country for tourism objective in nineties when the tourism industry made a start was 4.4 millions, this figure exceeded 10 millions in 2000s. When we came to the years of 2010s, it occupied an important place and role in global market and the figures pertaining to the foregoing exceeded 30 millions. At the final point, Turkey occupied the 5th place on international ranking in 2015 at the most preferred categories, selected by tourists as a destination.

According to the TÜİK (Turkish Statistics Institute) data, the tourism expenditure having consisted of the expenses of our citizens showed an increase of 1.7 % in comparison with the preceding year and realized as US\$ 5,1 billions, US\$ 4 billions of this was personal and remaining S\$ 1 billion, however, package tour expenditures. On the other hand, the travel expenses of domestic tourists, made in domestic field, citizens showed an increase of 16.1 % in comparison with the preceding year and realized as US\$ 17 billion 201 millions of Turkish liras. Total expenditures in the preceding year were realized as 28 billions of Turkish Liras, the domestic expenses reached an amount of 29,7 Turkish Liras in the first three quarters.

The number of visitors coming to Turkey in 2017 increased by a proportion of 23,1 per cent in comparison with the preceding year and turned out to be 38,6 millions. 32,7 millions of this figure consisted of foreigners and 6,5 millions, however, of the citizens living abroad.

The tourist earnings were risen in 2017 by 18,9 in comparison with the preceding year and realized as 26 billion 283 millions and 656 thousand of US Dollars. 77,4 of the tourism earnings were obtained from foreigners and 22,6 per cent, however, from the citizens living abroad.

According to the date of the Ministry of Economy of the Republic of Turkey, the accommodation sector obtained incentives for 240 hotel projects corresponding to a budget of 3,6 billions of Turkish Liras for the objectives such as new investment and renewal within the 12-month period of 2017, and TRY 3,2 of the said incentives was completely allocated for the new investments. On the other hand, the number of people due to work at such facilities estimated to be 19.095 and 9.301 of them will be employed at new hotels.

The 3-, 4- and 5-star hotels will constitute 80 per cent of 192 hotels due to be constructed with incentives. 37,5 per cent of the said facilities will be 3-star facilities, and 29,7 per cent be 4-star hotels and 5-star hotels, however, takes a share of 13 per cent within the total projects.

Istanbul takes the first rank in terms of budget sizes of new investments with a percentage of 24 due to be made in this context.

The tourism earnings showed an increase of 18,9 % in 2017 in comparison with the preceding year and realized 26 billion 283 millions and 656 thousand of US Dollars. 77,4 of the tourism earnings were obtained from foreigners and 22,6 per cent, however, from the citizens living abroad.

Akfen REIT – Real Estate Appraisal Report of Hotel Ibis Adana – December 30, 2016.

While the numbers of tourists touring within the country throughout 2016 were 52,5 millions, this figure was realized as 49,1 millions in the first three quarter of 2017. These increases show the developments, experienced in tourism within 2017, in a net and clear manner.

The internationally known research and analysis company, STR, published the date pertaining to the year of 2017. According to the statement of TÜROB (Turkish hoteliers Association), the average occupancy rate at the Turkish hotels in 2017 was realized as 60,2 per cent by an increase of 18 per cent and Turkey has been the country having experienced the highest occupancy rates in 2017

On the other hand, it has still been Turkey having experienced the highest loss in room prices (ADR) referring to a fal of 12,4 per cent and an average of Euro 66,8. When it is taken into consideration on city terms from the point of view of occupancy rates, the highest rate of increase has been Istanbul with an rate of increase of 26 per cent and occupancy rate of 62,5, and the European destination having experienced the highest loss in room prices has turned out to be Istanbul by a fal of 14 per cent referring to a price of Euro 76,3.

Important Development of 2017

April 19, 2017 – “Notification Pertaining to the Procedures of the General Assembly of May 11, 2017” Agenda Topics:

1. Opening and Election (Formation) of the Presiding Board.
2. Discussion on granting authorization to the Presiding Board in order to sign up the meeting minutes.
3. Reading and Discussion of annual operating report, prepared/issued by the Board of Directors.
4. Reading of the Audit Report.
5. Reading, discussing and approving the financial tables.
6. Release of the members of the board of directors from their responsibilities.
7. Since the fact that no distributable profit is obtained in 2016 within the direction of the decision no. 2017/8, dated as March 29, 2017, of the Board of Directors, submission of the profit distribution table in the attachment to the attention of the General Assembly and the proposal in the direction of a non-dividend distribution to the attention of the General Assembly for approval;
8. Provision of information to the shareholders at the general assembly on the intra or out of group duties of the members, who are candidates for the Board of Directors including independent members;
9. Election of the Board of Directors;
10. Determination of rights for the members of the Board of Directors such as honorariums, premiums, bonuses and so on;
11. Submission of the matters such as determination of the company, TSKB Gayrimenkul A.Ş. , as the appraisal company, from which due appraisal service will be received for the assets taking place within the portfolio of the Company pursuant to the decision no. 2017/1, dated as January 17, 2017, of the Board of Directors within the direction of the arrangements of the Capital Market Committee and Turkish Commercial Code, and furthermore, determination of the companies, titled as TSKB Gayrimenkul Değerleme A.Ş. and Smart Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş., as appraisal companies due to provide appraisal services for the assets that may require appraisal and that may be taken into the portfolio of the company within the year of 2017, to the attention of our general assembly for approval;
12. Submission of the matter such as determination of the company, Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Ernst and Young), from which related service will be received as an independent auditing firm for 2017 pursuant to the decision no. 2017/7, dated as March 29, 2017, of the Board of Directors within the direction of the arrangements of the Capital Market Committee and 12.Turkish Commercial Code, to the attention of our general assembly for approval.
13. Giving information to the shareholders about the donations, made by the Company within 2016 and determination of an upper limit to be made within 2017;
14. The rental expertise values of the Company's assets, made subject to the long-term leasing contracts as is indicated in our KAP (Public Disclosure Platform) of January 16, 2017 pursuant to the Subparagraph no. 2 of Article 37 of the Communiqué no. III-48.1 of the Capital Market Committee on Principles Pertaining to the Real Estate Investment Trusts, and submission of the matter to the attention of the General Assembly indicating that the procedure for lower leasing than their expertise value is at issue.
15. Provision of information to the Shareholders on any incomes and benefits, obtained from or out of pledges, indemnities, mortgages and guarantees, given in favour of any third parties in 2016 as a requirement of arrangements of the Capital Market Committee;
16. Provision of information to the Shareholders on procedures, made with the Related Parties, included within the framework of the Corporate Management Communiqué in 2016 as a requirement of the arrangements of the Capital Market Committee;
17. Granting permission to the shareholders holding the dominance of the management, Members of the Board of Directors, executive managers and their spouses and blood relatives and next of kins of the same within the framework of the provisions of Articles 395 and 396 of the Turkish Commercial Law and notifying the Shareholders on the procedures, effectuated within this scope in 2016 within the direction of the Corporate Governance Communiqué of the Capital Market Committee.
18. Wishes and Views.

“Results of the Ordinary Assembly Meeting for 2016, held on May 11, 2017”

The Ordinary General Assembly Meeting of AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ for 2016 was held on May 11, 2017 at 14:00 hours at the Head Office of the Company, located at: Levent Loft Binası, Büyükdere Caddesi, No: 201 C Blok Kat: 8 Levent /İstanbul under the supervision of the Ministerial Representative, Mr. Mustafa Çolıřkan, designated by the letter no. 24890657, dated as May 10, 2017, of the Provincial Directorate of Commerce of the Governor’s Office of Istanbul of the Republic of Turkey.

It has been understood that the invitation belonging to the meeting, required to be held according to the provision of Article 414 of the Turkish Commercial Code, was made within the envisaged period of time by way of announcement from the Electronic General Assembly System of the Central Registry Agency (CRA) and at the internet site of the Company, in the issue no. 9305 of the Turkish Trade Registration Journal of April 13, 2017 in a manner to comprise the agenda and as is envisaged in the Turkish Commercial Code and Articles of Association of the Company.

Upon examination of the Attendant List, it has been understood that 1.000 Group A shares referring to a share value of TRY 1.000, 1.000 Group C shares referring to a share value of TRY 1.000, 1.000 Group D shares referring to a share value of TRY 1.000, and a total number of 139.830.919 Group B shares, namely 4.775 shares at electronic media and 139.826.164, however, as physically referring to a total share value of TRY 139.830.919,00 al in al corresponding to a total capital of TRY 184.000.000.- have been represented at the meeting, thus, the minimum meeting quorum, envisaged both at the applicable legislation and articles of association of the Company, was available at the meeting.

It has been determined that Mr. İbrahim Süha Güçsav, who is the Member of the Board of Directors of the Company; Mrs. Pelin Akın, who is the Member of the Board of Directors; and Mrs. Sıla Ciliz İnanc, who is the Member of the Board of Directors, and Mr. Mehmet can Altıntaş for and on behalf of Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Ernst and Young) have been available at the meeting. The Ordinary General Assembly Meeting was opened by the Managing Director of the Company, Mr. İbrahim Süha Güçsav, instantly both physical and electronic media and then, preceded with agenda topics.

Then, the agenda topics have been read by Mrs. Sıla Ciliz İnanc, the Member of the Board of Directors, and since there was not any proposal for the change of sequence of the agenda topics,it was continued to discuss the agenda topics during the period when they are announced.

The decisions at the agenda of the Ordinary General Assembly were accepted in unanimity and majority of votes as were indicated at the meeting minutes, attached hereto.

May 15, 2017 - Decision of the Board of Directors Pertaining to the Profit Distribution for the year of 2016

“Notification Pertaining to the Dividend Distribution”

Since no distributable profit has occurred according to the applicable regulation at our financial tables covering the accounting period of January 01, 2016 – December 31, 2016, prepared in accordance with the Turkish Accounting and Turkish Financial Reporting Standards that are published by the Public Observation, Accounting and Audit Standards Institution within the scope of provisions of the Communiqué no. II-14.1 of the Capital Market Committee (“SPK”) and made subject to an audit by the Company, Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Ernst and Young), it has been decided in unanimity to submit the matter indicating that no profit distribution would be made to the attention of the General Assembly of Akfen REİT A.Ş., held on May 11, 2017 for approval and discussed accordingly, and it has been decided in unanimity not to make any profit distribution.

May 22, 2017 – “Registration Procedure of the Ordinary General Assembly for 2016”

The Ordinary General Assembly Meeting of our Company for 2016, held on May 11, 2017, was registered by the Trade Registry Office of Istanbul as of May 22, 2017.

May 25, 2017 – Decision of the Board of Director of May 25, 2017 “On Representing and Binding Akfen REIT”

The following decisions, indicated herein below pursuant to the provisions of Article 390 (4) of the Turkish Commercial Code, were made by the unanimous votes of our Members of the Board of Directors at the meeting of the Board of Directors of our Company, held on May 25, 2017. In this respect, the attendants in the meetings hereby decided in unanimity:

1. . To appoint Mr. İbrahim Süha Güçsav as the Managing Director and Chairman of the Board of Directors of our Company; Mr. Mustafa KETEN as the Vice-Chairman of the Board of Directors irrespective of their previous duty periods;
2. . To appoint İbrahim Süha Güçsav, who is the Managing Director and Chairman of the Board of Directors of the Company, and members of the Board of Directors, Mrs. Pelin Akın Özalp and Mr. Selim Akın as the Group A signatories. and authorize any two of them to represent and bind the Company at any matter and with no limitation

May 25, 2017 – Election of the Management Board Committee;

“On the election of the Committee members pursuant to the Corporate Management Communiqué of the Capital Market Committee.”

The decisions, indicated herein below were made by the unanimous votes of our Members of the Board of Directors at the meeting no. 2016/11 of the Board of Directors, held on June 13, 2016, of our Company at the end of submission of the matters taking place at this Board of Directors Decision for the approval of all members of the Board of Directors pursuant of the provisions of Article 390 (4) of the Turkish Commercial Code, by our Board of Directors:

Pursuant to the Corporate Management Communiqué no. II-17.1 of the Capital Market Committee (“SPK”);

1. To appoint Mr. Halil Eroğlu, Independent Member of the Board of Directors; Mr. Adnan Aydoğan, Independent Member of the Board of Directors; Mr. Ahmet Ertürk, Independent Member of the Board of Directors; and Mr. Hüseyin Yılmaz (Finance and) Investor’s Relationships Manager, to the Corporate Management Committee for a period of 1 (one) year; and to designate Mr. Halil Eroğlu to serve duty as the Chairman of the Corporate Management Committee;
2. To have the Corporate Management Committee serve duty as a Nomination Committee and Fee Committee as well;
3. To appoint Mr. Halil Eroğlu, Independent Member of the Board of Directors; Mr. Adnan Aydoğan, Independent Member of the Board of Directors; and Mr. Ahmet Ertürk, Independent Member of the Board of Directors to the Committee Responsible for Audit to serve duty for a period of 1 (one) year; and to have Mr. Ahmet Ertürk serve duty as the Chairman of the Committee Responsible for Audit.
4. To appoint Mr. Halil Eroğlu, Independent Member of the Board of Directors; Mr. Selim Akin, Member of the Board of Directors and Mrs. Pelin Akin, Member of the Board of Directors to the Early Risk Detection Committee for a period of 1 (one) year; and to have Mr. Halil Eroğlu serve duty as the Chairman of the Early Risk Detection Committee.

September 20, Eylül 2017 – “Commencement of Negotiations with Akfen İnşaat”

Our Company has decided to start negotiations through the decision of the Board of Directors, dated as September 20, 2017, in order to assess any movable, immovable assets and other assets, held by the Company, Akfen İnşaat Turizm ve Ticaret A.Ş., within the structure of Akfen REIT.

At the end of negotiation, relevant updates will be made in accordance with applicable legislation on the contract, legal process and permissions that have to be taken in this respect.

October 09, 2017 – “On the Apopintment of General Director”

The General Director of our Company, Mr. Sertaç F. Karağaoğlu, has been reappointed to be authorized and serve duty until October 01, 2019 within the framework of Management Internal Directive of our Company, approved in the Meeting of the Board of Directors, dated as April 30, 2015 and regulated within the framework of Articles 367 and 371 of the Turkish Commercial Code no. 6102, dated as January 13, 2011.

October 10, 2017 "Setting up Ordinary Partnership by our company with the firm, Akfen İnş. Tur. Tic. A.Ş., Assignment of the Boulevard Loft Project and Issuance of Bond Convertible into Share “

A. The following decisions have been made in unanimity at the meeting of the Board of Directors of our Company, held on November 09, 2017:

1. It has been decided at the meeting of September 20, 2017 of our Board of Directors to start negotiations to asses any movable, immovable assets and other assets, owned by Akfen İnşaat Turizm ve Ticaret A.Ş. within the structure of our Company in order to extend the portfolio of the Company and this matter has been disclosed at the KAP (Public Disclosure Platform on the same date. The assignment of the Contract (hereinafter shall briefly be referred to as "Boulevard Loft Contract"), executed by and between the companies, İller Bankası A.Ş. and Akfen İnşaat Turizm ve Ticaret A.Ş. ((hereinafter shall briefly be referred to as "Akfen İnşaat"), with relation to the Income Sharing Work against the Sales of the Land covering a surface of 36.947 square meters (sqm) and being registered under the Block no. 120573 and Plot no. 1, located at the Provincial City of Ankara, Gölbaşı Town and Kızılcaşar District, to the Ordinary Partnership, established by and between Akfen REIT and Akfen İnşaat on November 09, 2017 (at a share proportion of 99 % Akfen REIT - Akfen İnşaat 1 %) has been submitted İller Bankası A.Ş. and then, found to be convenient by İller Bankası A.Ş. Within this scope, the establishment procedures of Akfen İnşaat Turizm ve Ticaret A.Ş. and Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. Ordinary Partnership ("Ordinary Partnership") have been completed and everything case to the signing stage of the assignment contract with İller Bankası A.Ş.; and to complete the procedure within the assessment report having forwarded by the company, Smart Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş., to form the basis for the same assignment.

1. Furthermore, it has been decided with reference to an arrangement, for which our Board of Directors is authorized hereunder, taking place in the Subparagraph no. II of Article 7, titled as “Borrowing Limitation and Issuance of Securities” of the Articles of Association of our Company pertaining to the issuance of bond convertible into shares, to issue bond due to be convertible into shares bearing 12 % and fixed interest rate for the first issue, having a term up to 3 (three) years with a nominal value up to TRY 300.000.000 (Three hundred million Turkish liras); and that the option of conversion into shares will belong to our Company; and to realize the issuance by a sales method to the qualified investor without offering to the public; and that the issuance might be made in due issues; and to authorize the General Directorate and Board of Directors of our Company to determine all other terms and conditions with relation to the said issue, undertaken by Akfen holding A.Ş. at the related party status or Mr. Hamdi Akın, who is at the status of the main shareholder of Akfen Holding A.Ş., to undertake the first issue; and to appoint Ünlü Menkul Değerler A.Ş. as an intermediary firm for the first issue of the procedures for issuance; and to make application to the Bank or all other related institutions and establishments within the scope of a loan contract, executed by and between our Company and Credit Europe Bank (hereinafter shall briefly be referred to as "Bank"), and to the Capital Market Committee of the Prime Ministry of the Republic of Turkey and also to Borsa İstanbul A.Ş. for trading application in order to get a Board approval for bonds to be issued to the qualified investor within the direction of the provisions of the Capital Market Law or pursuant to this Law, Registration Statement and Issue Document Communiqué no. II-5.1 of the Capital Market Committee of the Prime Ministry of the Republic of Turkey, Borrowing Instruments Communiqué no. II.31.1 and other regulation, and to complete all legal procedures following the obtainment of permissions.

B. The contract with relation to the assignment of the Boulevard Loft Contract was signed up by the company, Akfen İnşaat Turizm ve Ticaret A.Ş. ve Akfen REIT A.Ş. Ordinary Partnership as is agreed upon with the İller Bankası within the approval of the İller Bankası A.Ş. and delivered to İller Bankası A.Ş. as of the date of November 11, 2017. The difference between the rate of the realized investment to the total square meter project cost, realized as of the date of assignment and rate of the realized income to that of total income of the project will be netted off and closed in the assignment procedure between the Ordinary Partnership and Akfen İnşaat and no further payment of any amount in cash will be at issue.

October 10, 2017 – “Establishment of Akfen İnşaat Turizm ve Ticaret A.Ş. ve Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. Ordinary Partnership”
The assignment of the Contract (hereinafter shall briefly be referred to as "Boulevard Loft Contract"), executed by and between the companies, İller Bankası A.Ş. and Akfen İnşaat Turizm ve Ticaret A.Ş. ((hereinafter shall briefly be referred to as "Akfen İnşaat"), with relation to the Income Sharing Work against the Sales of the Land covering a surface of 36.947 square meters (sqm) and being registered under the Block no. 120573 and Plot no. 1, located at the Provincial City of Ankara, Gölbaşı Town and Kızılcaşar District, to the Ordinary Partnership, established by and between Akfen REIT and Akfen İnşaat on November 09, 2017 (at a share proportion of 99 % Akfen REIT - Akfen İnşaat 1 %) has been submitted İller Bankası A.Ş. and then, found to be convenient by İller Bankası A.Ş. Within this scope, the establishment procedures of Akfen İnşaat Turizm ve Ticaret A.Ş. and Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. Ordinary Partnership ("Ordinary Partnership") have been completed

Post-2017 Developments

January 17, 2018- “Issuance of PDT (Bond Convertible into Share)”
Book-building procedure with relation to the first issuance referring to a value of TRY 170.000.000 with regard to the issuance of bond that may be convertible into issue ceiling share of TRY 300.000.000 having a term of 3 years subject to a notification regarding the issue ceiling that our Company is published at the Public Disclosure Platform (KAP) on January 08, 2018, was completed on the date of January 16, 2018.

The Capital Market Committee indicated in its letter having addressed to our Company and containing the approval for the said PDT (bond convertible into share) and published at the KAP on December 25, 2017 saying:
In case the method of selecting the amortization of PDTs by way of their conversion into share, then, it is indicated to have been resolved to approve by making a conversion procedure in a manner not to cause any loss on our Company and/or shareholders of our Company and out of the one that may be in favour of our Company or its shareholders to be determined according to the subparagraph 4 of Article 18 of Borrowing Instruments Communiqué (“Communiqué ”) no. VII-128.8 and the price of conversion referring to TRY 2,75, determined in the attachment of the certificate of issuance, prepared with relation to the rate of conversion and announced at the KAP on January 05, 2018.
The “PDT” having the due date of January 15, 2021 started trading at the Istanbul Stock Exchange as of January 18, 2018.

28.02.2018- “On Merger Procedure of Our Main Shareholder”
The merger of the Company, Akfen Mühendislik A.Ş., which is the main shareholder of our Company, with Akfen Holding A.Ş. having the same shareholding structure with it without any liquidation process and as a whole within the framework of Articles 19 and 20 of the Corporate Tax Law (“KVK”) no. 5520 and provisions of Article 136 and subsequent provisions of the Turkish Commercial Code (“TTK”) no. 6102 and related registration procedures were completed on February 28, 2018.

Evaluation of Activities in 2017

Rental revenues of Akfen REIT taking place at leading ranks in terms of balance sheet size among the Real Estate Investment Trusts operating within the boundaries of Turkey have risen to TRY 63,5 millions as of December 31, 2017.

Evaluation of Activities in 2017

Akfen REIT that is managed by a professional and expert cadre both in financial and operational field continued to protect its financial performance in 2017 as well, and grow or expand successful projects, realized by it.

The Company has raised its capacity to create cash through the Hotel Ibis Tuzla, opened and put into operation in 2017 and the completion of the project, Boulevard Loft, will make contribution to the profitability of it.

- The consolidated rental income has risen by a proportion of 17 % in comparison with the preceding year and turned out to be TRY 63,5 millions.
- The consolidated EBITDA has risen by a proportion of 24 % in comparison with the preceding year and turned out to be TRY 45,9 millions.
- The consolidated debt was realized as TRY 940 millions.
- As of December 31, 2017, the net active value (assets) has risen with a proportion of 3 % in comparison with the preceding year and turned out to be TRY 636,5 millions.

Operational Performance

- The consolidated rental incomes have risen by a proportion of 17 % in comparison with 2016 and turned out to be TRY 63,5 millions.
- The Hotel Ibis Tuzla was put into operation in April 2017, and the average occupancy rate of all hotels operating in Turkey turned out to be 62 %, and average occupancy rate of the hotels operation in Russia be 60 % and average occupancy rates of all of the hotels taking place in the portfolio of the Company, however, has risen by a proportion of 2,4 % in comparison with the preceding year and was realized as 62 % on entire basis.
- As of the date of December 31, 2017, the average room price of the hotels operating in Turkey was Euro 37, and the average room price of the hotels operating in Russia was Euro 43 and average room price of all hotels, however, realized as of the same date was Euro 43.
- The consolidated hotel expenditures were realized as around TRY 9,6 millions at the end of 2017 almost at the same level of 2016.
- The consolidated general management expenses were fallen down by 25 % at the end of 2017 in comparison with the preceding year and was realized as around TRY 5,7 millions.
- While the consolidated EBITDA was around TRY 37,1 millions at the end of 2016, it was realized at a level of TRY 45,9 millions by an increase of 24 % at the end of 2017.
- The interest costs, however, have risen by a proportion of 36 % in comparison with the same period of 2017 and turned out to be TRY 52,7 millions.
- The net active (assets) value of the Company has risen at the end of 2017 by a proportion of 3 % in comparison with the preceding year and turned out to be TRY 636,5 millions.

Increase in the value of EBITDA in 2017

The total numbers of hotels that were constructed and leased by Akfen REIT have reached 20 as of the end of the year 2017.

EBITDA

(in million TRY)

2016	2017		Increase (%)	
37,1	45,9		24	
2017 (in million TRY)	Rental Revenue	EBITDA	EBITDA Margin (%)	Net Debt
Turkey	27,0	14,7	54	613,4
TRNC	18,6	18,3	99	65,9
Russia	17,9	12,9	72	260,6
Consolidated	63,5	45,9	72	939,9

Number of Employees	2016	2017	Change(%)
Turkey	10	11	10
TRNC	0	0	-
Russia	11	11	-
Consolidated	21	22	5

Rental Revenue (in million TRL)	2016	2017	Change (%)
Turkey	21,5	27,0	26
TRNC	15,9	18,6	17
Rusya	16,8	17,9	7
Consolidated	54,2	63,5	17

Total Revenue Avaiable Room	2016 (Jan.-Dec.)	2017 (Jan.-Dec.)	Increase Decrease Ratio (%)
• Turkey - Total Ibis	84	89	6
• Turkey - Total Novotel	137	176	28
• Turkey – Total Ibis&Novotel	102	117	15
• Russia – Total Ibis	99	149	51
• Turkey &Russia - Total Ibis&Novotel	101	126	24

Average Room Rate (Exclusive of VAT) (in TRY)	2016 (Jan.-Dec.)	2017 (Jan.-Dec.)	Increase Decrease Ratio (%)
Turkey - Total Ibis	112	120	7
Turkey - Total Novotel	168	193	14
Turkey - Total Ibis&Novotel	130	144	11
Russia - Total Ibis	122	177	45
Turkey &Russia - Total Ibis&Novotel	128	153	19

Occupany Rate (in million TRL)	2016 (January-Dec.)	2017 (January-Dec.)	Increase Decrease Ratio(%)
Turkey - Total Ibis	61	61	-
Turkey - Total Novotel	56	64	8
Turkey - Total Ibis&Novotel	59	62	3
Russia - Total Ibis	58	60	2
Turkey &Russia - Total Ibis&Novotel	59	62	2

Rental Revenue (in million TRL)	2016 (January-Dec.)	2017 (January-Dec.)	Increase Decrease Ratio(%)
Turkey - Total Ibis	11,6	13,7	18
Turkey - Total Novotel	9,9	13,3	35
Turkey - Total Ibis&Novotel	21,5	27,0	26
Russia - Total Ibis	15,1	15,5	3
Turkey &Russia - Total Ibis&Novotel	36,7	42,6	16
Grand Total*	54,2	63,5	17

* TRNC Merit Park Hotel and Samara Office rental incomes are included.

Invesment Property

The total value of the real assets bearing investment aims and taking place at our portfolio was realized as TRY 1.604 millions in 2017.

The construction of the Hotel Ibis Tuzla was completed in 2017 in Turkey and the value of this real estate was transferred from the class of the “on-going investment real estates” into the class of the “operational investment real estates”.

Investment Properties (in million TRY)	2016	2017	Variation (%)
Operational investment real estates	1.253	1.565	25
On-going investment real estates	50	-	-100
Plot Rentals	35	39	14
Total	1.338	1.604	20

Investment Properties	2016	2017	Change (%)
(in million TRY)			
Turkey	767	881	14
TRNC	241	303	26
Russia	296	381	28
Consolidated	1.304	1.565	20

Receivables and Debts from/to the Related Parties

Commercial Receivables from Related Parties	December 31, 2016	December 31, 2017 Aralık 2017
Akfen İnşaat Turizm ve Ticaret A.Ş.	7.414.000	2.050.647

The balance of commercial receivables from Akfen İnşaat and related parties as of December 31, 2016 and December 31, 2017 is the balance of receivable, remained with regard to the assignment of the plot, of which right of utilization is held by the Group pertaining to the Hotel Project in Bafra of the TRNC

Debts to the Related Parties	December 31, 2016	December 31, 2017
Akfen Mühendislik A.Ş.	-	5.978.094

Procedures with the Related Parties

a) On-going investment real estates

	December 31, 2016	December 31, 2017
Akfen İnşaat Turizm ve Ticaret A.Ş.	9.998.601	-

b) Rental Incomes

31 December, 2016 31 December, 2017

Hamdi Akın	423.166	300.144
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c) Sales and Marketing Expenses

	December 31, 2016	December 31, 2017
Akfen İnşaat Turizm ve Ticaret A.Ş.	-	2.417.599

Net Active (Assets) Value

Net active (assets) value of the Company was realized at a level of TRY 636,5 millions as of December 31, 2017.

Portfolio Table (in million TRL)	2016	2017
Operational hotels		
Hotel Ibis and Novotel Zeytinburnu	170,1	176,3
Novotel Trabzon	109,2	125,0
Hotel Ibis and Novotel Gaziantep	40,2	48,3
Hotel Ibis Esenyurt	41	44,6
Hotel Ibis and Novotel Kayseri	42,1	47,6
Hotel Ibis Bursa	37,3	38,3
Hotel Ibis İzmir	45	45,9
Hotel Ibis Adana	43,5	48,9
Hotel Ibis Ankara Airport	34,5	47,7
Hotel Ibis Eskişehir	11,5	11,0
Hotel Ibis Tuzla	49,8	67,1
Subsidiaries	427,9	415,7
Money & Capital Market Instruments	0,9	1,1
Total portfolio Value	1.052,90	1.117,4
Other Assets & Receivables	45,2	99,6
Debts	478,5	580,6
Net Active (Assets) Value	619,6	636,5

Real Estate Valuation Report Results

The total numbers of hotels that were constructed and leased by Akfen REIT have reached 20 as of the end of the year 2017.

Hotel Ibis and Novotel Zeytinburnu

The relevant valuation has been made in the mentioned appraisal work by the use of the cost approach and income approach method.

The building cost value in the said cost approach has been assessed by taking into consideration the technical specifications of buildings, materials that are used at buildings, construction costs of the building that are constructed in the same characteristics at the market and costs, calculated pursuant to our previous experiences. The depreciation value at the buildings is appraised in consideration of the visible physical status of the building related thereto subject to the experiences of the real estate appraiser. The hotel-type real estate has been evaluated as a revenue-generating property and income approach is used in the appraisal of the real estate. A market research has been made for the real estates in similar types at the area with regard to the data, used in the income approach. In this respect, the income approach has been made in two different ways by taking into consideration of incomes of the real estate, obtained according to the current rental contract and cash flow due to be obtained potentially at the market.

The said hotel has been leased to the Accor Group of Companies in order to be operated at current period. In this direction, the value of the real estate has been calculated by making a reduction with a lower risk premium for the rental incomes, put under guarantee through a contract. In another way, however, an appraisal has been made according to the potential net cash flows that may be acquired by the hotel according to the market research, made in this context.

Within this scope, the value of the real estate, appraised in terms of income approach of the real estate is appraised by taking the average of two values, found with the reduction of potential net cash flows of the enterprise and calculated according to the rental income, put under guarantee according to the rental contract.

It is hereby observed at the end of studies, carried out at the market that the said real estate and similar-typed real estates are evaluated as a revenue-generating real property. In this direction, as the report-outcome value, the market value, calculated by income approach has been appraised as a report-outcome value and as a consequence, the value of the hotel was found to be TRY 176.000.000 (Euro 38.800.000).

Novotel Trabzon

The relevant valuation has been made in the mentioned appraisal work by the use of the reduced cash flow method that is the cost approach and income approach method in the said evaluation study.

The real estate bearing the feature of a hotel has been evaluated as a revenue-generating property and the income approach has been used as well in the appraisal of the real estate. A market research was carried out for the real estates in similar nature at the region towards the data, used in the income approach. In this respect, the income approach has been made in two different ways in consideration of the incomes, obtained according to the current rental (lease) contract of the real estate and cash flow that it might obtain potentially at the market.

The said hotel has been leased to the Accor Group of Companies in order to be operated at current period. In this direction, the value of the real estate has been calculated by making a reduction with a lower risk premium for the rental incomes, put under guarantee through a contract. In another way, however, an appraisal has been made according to the potential net cash flows that may be acquired by the hotel according to the market research, made in this context.

Within this scope, the value of the real estate, appraised in terms of income approach of the real estate is appraised by taking the average of two values, found with the reduction of potential net cash flows of the enterprise and calculated according to the rental income, put under guarantee according to the rental contract.

It is hereby observed at the end of studies, carried out at the market that the said real estate and similar-typed real estates are evaluated as a revenue-generating real property. In this direction, as the report-outcome value, the market value, calculated by income approach has been appraised as a report-outcome value and as a consequence, the value of the hotel was found to be TRY 124.995.000 (Euro 27485.000).

Novotel ve Hotel Ibis Gaziantep

The relevant valuation has been made in the mentioned appraisal work by the use of the reduced cash flow method that is the cost approach and income approach method.

The real property, of which appraisal is made at the market approach, has been compared with the sales of similar real estates, realized at the market. At the studies, carried out at the market, various equivalents in similar qualities with the said real estate have been reached and concrete data been obtained. At the cost approach, however, cost value of the building cost approach has been assessed through the cost approach by taking into consideration the technical specifications of buildings, materials that are used at buildings, construction costs of the building that are constructed in the same characteristics at the market and costs, calculated pursuant to our previous experiences. The depreciation value at the buildings has been appraised in consideration of the visible physical status of the building related thereto subject to the experiences of the real estate appraiser.

The hotel-type real estate has been evaluated as a revenue-generating property and income approach is used in the appraisal of the real estate as well. A market research has been made for the real estates in similar types at the area with regard to the data, used in the income approach. In this respect, the income approach has been made in two different ways by taking into consideration of incomes of the real estate, obtained according to the current rental contract and cash flow due to be obtained potentially at the market.

The value of the real estate in revenue-generating properties are subject to the performance and it is convicted that the value being calculated according to the income approach among two different methods, used there under, reflects the value of the real property better.

In this direction, as the report-outcome value, the market value, calculated by income approach has been appraised as a report-outcome value, and as a consequence, the value of the hotel was found to be TRY 48.320.000 TL (Euro 10.625.000 EUR).

Novotel and Hotel Ibis Kayseri

The relevant valuation has been made in the mentioned appraisal work by the use of the reduced cash flow method that is the cost approach and income approach method in the said evaluation study.

The real property, of which appraisal is made in the market approach, is compared with the sales of similar properties, realized at the market. At the studies, carried out at the market, various equivalents in similar qualities with the said real estate have been reached and concrete data been obtained. At the cost approach, however, cost value of the building cost approach has been assessed through the cost approach by taking into consideration the technical specifications of buildings, materials that are used at buildings, construction costs of the building that are constructed in the same characteristics at the market and costs, calculated pursuant to our previous experiences. The depreciation value at the buildings has been appraised in consideration of the visible physical status of the building related thereto subject to the experiences of the real estate appraiser.

The hotel-type real estate has been evaluated as a revenue-generating property and income approach is used in the appraisal of the real estate as well. A market research has been made for the real estates in similar types at the area with regard to the data, used in the income approach. In this respect, the income approach has been made in two different ways by taking into consideration the incomes of the real estate, obtained according to the current rental contract and cash flow due to be obtained potentially at the market. The mentioned hotel is leased to the Accor Group of Companies in order to be operated at current period. In this direction, the value of the real estate has been calculated by making a reduction with lower risk premium for the rental incomes, put under guarantee through the contract. In another way, however, an assessment has been made according to the potential net cash flows that the hotel may have acquired according to the market research, made in this context.

Within this scope, the value of the real estate, evaluated in terms of income approach of the real estate is appraised by taking the average of two values, found with the reduction of potential net cash flows of the enterprise and calculated according to the rental income, put under guarantee according to the rental contract. The value of the real estate in revenue-generating properties are subject to the performance and it is convicted that the value being calculated according to the income approach among two different methods, used there under, reflects the value of the real property better.

In this direction, as the report-outcome value, the market value, calculated by income approach has been appraised as a report-outcome value, and as a consequence, the value of the hotel was found to be TRY 47.552.500 (Euro 10.460.000).

Hotel Ibis Eskişehir

The relevant valuation has been made in the mentioned appraisal work by the use of reduced cash flow method that is an income approach method.

The real properties in the type of Hotel, restaurant and Sporting Hall are evaluated as a revenue-generating property, and the income approach method has been used in the appraisal of the real property. A market research has been carried out for the real estates of the same types and qualities at the area with relation to the data, used at the income approach. The income approach is made in two different ways in consideration of the cash flow that the real estate may acquire according to the existing rental/lease contract and cash flow that it may acquire potentially at the market. The mentioned hotel, restaurant and sporting hall have been leased to the Accor Group of Companies through a rental contract for operation at current period.

In this direction, the value of the real estate has been calculated by making a reduction with lower risk premium for the rental incomes, put under guarantee through the contract. In another way, however, an assessment has been made according to the potential net cash flows that the hotel may have acquired according to the market research, made in this context. In this respect, the income approach has been made in two different ways by taking into consideration of incomes of the real estate, obtained according to the current rental contract and cash flow due to be obtained potentially at the market. The value of the real estate in revenue-generating properties are subject to the performance and it is convicted that the value being calculated according to the income approach among two different methods, used there under, reflects the value of the real property better. In this direction, as the report-outcome value, the market value, calculated by income approach has been appraised as a report-outcome value, and as a consequence, the value of the hotel was found to be TRY 10.995.000 (Euro 2.417.500).

Hotel Ibis Bursa

The relevant valuation has been made in the mentioned appraisal work by the use of the cost approach and income approach method.

The building cost value in the said cost approach has been assessed by taking into consideration the technical specifications of buildings, materials that are used at buildings, construction costs of the building that are constructed in the same characteristics at the market and costs, calculated pursuant to our previous experiences. The depreciation value at the buildings is appraised in consideration of the visible physical status of the building related thereto subject to the experiences of the real estate appraiser. The hotel-type real estate has been evaluated as a revenue-generating property and income approach is used in the appraisal of the real estate. A market research has been made for the real estates in similar types at the area with regard to the data, used in the income approach. In this respect, the income approach has been made in two different ways by taking into consideration of incomes of the real estate, obtained according to the current rental contract and cash flow due to be obtained potentially at the market.

Within this scope, the value of the real estate, appraised in terms of income approach of the real estate is appraised by taking the average of two values, found with the reduction of potential net cash flows of the enterprise and calculated according to the rental income, put under guarantee according to the rental contract.

It is hereby observed at the end of studies, carried out at the market that the said real estate and similar-typed real estates are evaluated as a revenue-generating real property. In this direction, as the report-outcome value, the market value, calculated by income approach has been appraised as a report-outcome value and as a consequence, the value of the hotel was found to be TRY 38.290.000 (Euro 8.420.000).

Hotel Ibis Adana

The relevant valuation has been made in the mentioned appraisal work by the use of the reduced cash flow method that is the cost approach and income approach method in the said evaluation study.

The real property, of which appraisal is made in the market approach, is compared with the sales of similar properties, realized at the market. At the studies, carried out at the market, various equivalents in similar qualities with the said real estate have been reached and concrete data been obtained. At the cost approach, however, cost value of the building cost approach has been assessed through the cost approach by taking into consideration the technical specifications of buildings, materials that are used at buildings, construction costs of the building that are constructed in the same characteristics at the market and costs, calculated pursuant to our previous experiences. The depreciation value at the buildings has been appraised in consideration of the visible physical status of the building related thereto subject to the experiences of the real estate appraiser.

*In the income approach, since the independent section no. 1 among the said real properties is in a nature of a "Hotel", the incomes of the real estates in similar nature at a market research, carried out within the region and the fact that they will be able to acquire annual rental for the independent section no. 2, are taken into consideration and the said immovable assets are evaluated as a revenue-generating property. The mentioned independent section no. 1 is appraised as a revenue-generating real estate and the income approach is used in the appraisal of the immovable asset. A market research has been carried out at the region for the real estates in similar nature with relation to the data, used in the income approach.

In this respect, the income approach has been made in two different ways by taking into consideration of incomes of the real estate, obtained according to the current rental contract and cash flow due to be obtained potentially at the market. The said hotel has been leased to the Accor Group of Companies in order to be operated at current period. In this direction, the value of the real estate has been calculated by making a reduction with a lower risk premium for the rental incomes, put under guarantee through a contract. In another way, however, an appraisal has been made according to the potential net cash flows that may be acquired by the hotel according to the market research, made in this context.

Within this scope, the value of the real estate, evaluated in terms of income approach of the real estate is appraised by taking the average of two values, found with the reduction of potential net cashflows of the enterprise and calculated according to the rental income, put under guarantee according to the rental contract. The value of the real estate in revenue-generating properties are subject to the performance and it is convicted that the value being calculated according to the income approach among two different methods, used there under, reflects the value of the real property better. In this direction, as the report-outcome value, the market value, calculated by income approach has been appraised as a report-outcome value, and as a consequence, the value of the hotel was found to be TRY 48.870.000 (EURO 10.745.000).

Hotel Ibis Esenyurt

The relevant valuation has been made in the mentioned appraisal work by the use of the cost approach and income approach method.

The building cost value in the said cost approach has been assessed by taking into consideration the technical specifications of buildings, materials that are used at buildings, construction costs of the building that are constructed in the same characteristics at the market and costs, calculated pursuant to our previous experiences. The depreciation value at the buildings is appraised in consideration of the visible physical status of the building related thereto subject to the experiences of the real estate appraiser. The hotel-type real estate has been evaluated as a revenue-generating property and income approach is used in the appraisal of the real estate. A market research has been made for the real estates in similar types at the area with regard to the data, used in the income approach. In this respect, the income approach has been made in two different ways by taking into consideration of incomes of the real estate, obtained according to the current rental contract and cash flow due to be obtained potentially at the market.

The said hotel has been leased to the Accor Group of Companies in order to be operated at current period. In this direction, the value of the real estate has been calculated by making a reduction with a lower risk premium for the rental incomes, put under guarantee through a contract. In another way, however, an appraisal has been made according to the potential net cash flows that may be acquired by the hotel according to the market research, made in this context.

Within this scope, the value of the real estate, appraised in terms of income approach of the real estate is appraised by taking the average of two values, found with the reduction of potential net cash flows of the enterprise and calculated according to the rental income, put under guarantee according to the rental contract.

It is hereby observed at the end of studies, carried out at the market that the said real estate and similar-typed real estates are evaluated as a revenue-generating real property. In this direction, as the report-outcome value, the market value, calculated by income approach has been appraised as a report-outcome value and as a consequence, the value of the hotel was found to be TRY 44.610.000 (EURO 9.810.000).

Hotel Ibis İzmir Alsancak

The real estate in the feature of a hotel has been evaluated as a revenue-generating property and the income approach has been used as well in the appraisal of the real estate. A market research was carried out for the real estates in similar nature at the region towards the data, used in the income approach. In this respect, the income approach has been made in two different ways in consideration of the incomes, obtained according to the current rental (lease) contract of the real estate and cash flow that it might obtain potentially at the market.

The said hotel has been leased to the Accor Group of Companies in order to be operated at current period. In this direction, the value of the real estate has been calculated by making a reduction with a lower risk premium for the rental incomes, put under guarantee through a contract. In another way, however, an appraisal has been made according to the potential net cash flows where the hotel may acquire according to the cash flow according to the market research, made in this context.

Within this scope, the value of the real estate, appraised in terms of income approach of the real estate is appraised by taking the average of two values, found with the reduction of potential net cash flows of the enterprise and calculated according to the rental income, put under guarantee according to the rental contract.

It is hereby observed at the end of studies, carried out at the market that the said real estate and similar-typed real estates are evaluated as a revenue-generating real property. In this direction, as the report-outcome value, the market value, calculated by income approach has been appraised as a report-outcome value and as a consequence, the value of the hotel was found to be TRY 45.910.000 (EURO 10.095.000 EUR).

Hotel Ibis Tuzla Project

The relevant valuation has been made in the mentioned appraisal work by the use of the cost approach and income approach method.

The building cost value in the said cost approach has been assessed by taking into consideration the technical specifications of buildings, materials that are used at buildings, construction costs of the building that are constructed in the same characteristics at the market and costs, calculated pursuant to our previous experiences. The depreciation value at the buildings is appraised in consideration of the visible physical status of the building related thereto subject to the experiences of the real estate appraiser.

The hotel-type real estate has been evaluated as a revenue-generating property and income approach is used in the appraisal of the real estate as well. A market research has been made for the real estates in similar types at the area with regard to the data, used in the income approach. In this respect, the income approach has been made in two different ways by taking into consideration of incomes of the real estate, obtained according to the current rental contract and cash flow due to be obtained potentially at the market.

The said hotel has been leased to the Accor Group of Companies in order to be operated at current period. In this direction, the value of the real estate has been calculated by making a reduction with a lower risk premium for the rental incomes, put under guarantee through a contract. In another way, however, an appraisal has been made according to the potential net cash flows that may be acquired by the hotel according to the market research, made in this context.

Within this scope, the value of the real estate, appraised in terms of income approach of the real estate is appraised by taking the average of two values, found with the reduction of potential net cash flows of the enterprise and calculated according to the rental income, put under guarantee according to the rental contract.

It is hereby observed at the end of studies, carried out at the market that the said real estate and similar-typed real estates are evaluated as a revenue-generating real property. In this direction, as the report-outcome value, the market value, calculated by income approach has been appraised as a report-outcome value and as a consequence, the value of the hotel was found to be TRY 67.080.000 (EURO 14.755.000).

Hotel Ibis Ankara Airport

The relevant valuation has been made in the mentioned appraisal work by the use of the reduced cash flow method that is the cost approach and income approach method in the said evaluation study.

The real property, of which appraisal is made in the market approach, is compared with the sales of similar properties, realized at the market. At the studies, carried out at the market, various equivalents in similar qualities with the said real estate have been reached and concrete data been obtained. At the cost approach, however, cost value of the building cost approach has been assessed through the cost approach by taking into consideration the technical specifications of buildings, materials that are used at buildings, construction costs of the building that are constructed in the same characteristics at the market and costs, calculated pursuant to our previous experiences. The depreciation value at the buildings has been appraised in consideration of the visible physical status of the building related thereto subject to the experiences of the real estate appraiser.

The hotel-type real estate has been evaluated as a revenue-generating property and income approach is used in the appraisal of the real estate as well. A market research has been made for the real estates in similar types at the area with regard to the data, used in the income approach. In this respect, the income approach has been made in two different ways by taking into consideration the incomes of the real estate, obtained according to the current rental contract and cash flow due to be obtained potentially at the market. The mentioned hotel is leased to the Accor Group of Companies in order to be operated at current period. In this direction, the value of the real estate has been calculated by making a reduction with lower risk premium for the rental incomes, put under guarantee through the contract. In another way, however, an assessment has been made according to the potential net cash flows that the hotel may have acquired according to the market research, made in this context.

Within this scope, the value of the real estate, evaluated in terms of income approach of the real estate is appraised by taking the average of two values, found with the reduction of potential net cash flows of the enterprise and calculated according to the rental income, put under guarantee according to the rental contract. The value of the real estate in revenue-generating properties are subject to the performance and it is convicted that the value being calculated according to the income approach among two different methods, used there under, reflects the value of the real property better. In this direction, as the report-outcome value, the market value, calculated by income approach has been appraised as a report-outcome value, and as a consequence, the value of the hotel was found to be TRY 47.730.000 TL (EURO 10.495.000).

Affiliate Appraisal Results

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

The Net Asset Value method is used in the determination of fair market value of Akfen GT. The Net Asset Value method is based on finding a “Corrected Book Value” with the deduction of market value of all debts from this amount by calculating approximate market value of all assets, available within the structure of the Firm independent from cash flows that the Firm may create in future.

Within this scope, the Net Asset Value is reached by way of deduction of financial and other liabilities from the value, obtained after the determination of expertise values of the fixed assets and estimated real values of the assets, owned by the Firm for this purpose and indication of historical cost items taking place at the balance sheet with current market values.

The Net Asset Value of Akfen GT has been calculated in consideration of its balance sheet bearing the date of December 31, 2017 and being the most current financial table.

The most important fixed asset item of the Firm at the balance sheet of December 31, 2017 under the topic of “Investment Properties and On-going Investment Properties” is revised by the Firm with the current market value at the expertise report, dated as December 29, 2017, of TSKB Gayrimenkul Değerleme A.Ş. The values pertaining to the liabilities of the Firm and items taking place in the assets of Akfen GT are calculated out of the values taking place at the balance sheet are calculated out of the amounts taking place at the balance sheet.

The Net Asset Value of the the Firm is determined as TRY 390.391.680 (Euro 86.455.763) according to the balance sheet of December 31, 2017.

Net Asset Value as of December 31, 2017	TRY
Cash and Cash Equivalents	69.117
Trade Receivables	8.216
Intra-Group Receivables	93.775
Other Circulating Assets	2.800
Betterment	39.510
Investment Properties	684.873
Other Fixed Assets	31.393
Total Assets	929.684
Trade Debts	54.654
Instalment of Principal	25.548
Intra-Group Debts	5.978
Other Short-Term Debts	11.363
Total Short-Term Debts	97.544
Other Financial Debts	369.822
Other Long-Term Debts	71.928
Total Long-Term Debts	441.750
Total Short- and Long Term Debts	539.293
Net Assets Value	390.391

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

The Net Asset Value method is used in the determination of fair market value of Akfen Karaköy. The Net Asset Value method is based on finding a "Corrected Book Value" with the deduction of market value of all debts from this amount by calculating approximate market value of all assets, available within the structure of the Firm independent from cash flows that the Firm may create in future.

Within this scope, the Net Asset Value is reached by way of deduction of financial and other liabilities from the value, obtained after the determination of expertise values of the fixed assets and estimated real values of the assets, owned by the Firm for this purpose and indication of historical cost items taking place at the balance sheet with current market values.

The Net Asset Value of Akfen Karaköy has been calculated in consideration of its balance sheet of the Firm, dated as December 31, 2017 and shared with us.

The most important fixed asset item of the Firm at the balance sheet of December 31, 2017 under the topic of "Investment Properties and On-going Investment Properties" is revised by the Firm with the current market value at the expertise report, dated as January 05, 2018, of TSKB Gayrimenkul Değerleme A.Ş. The values pertaining to the liabilities of the Firm and items taking place in the assets of Akfen Karaköy are calculated out of the values taking place at the balance sheet are calculated out of the amounts taking place at the balance sheet.

The Net Asset Value of the Firm is determined as TRY 36.093.300 (Euro 7.993.135) according to the balance sheet of December 31, 2017.

Net Asset Value as of December 31, 2017	TRL
Cash and Cash Equivalents	24
Other Circulating Assets	3.147
Investment Properties	196.612
Other Fixed Assets	19.678
Total Assets	219.461
Instalment of Principal	7.138
Trade Debts	29
Other Short-Term Debts	3.013
Total Short-Term Debts	10.180
Other Financial Debts	59.363
Intra-Group Debts	93.775
Other Long-Term Debts	20.050
Total Long-Term Debts	173.188
Total Short- and Long Term Debts	183.368
Net Assets Value	36.093

Akfen İnşaat Turizm ve Ticaret A.Ş.And Akfen Reit Ordinary Partnership

The cost analysis and income reduction method is used in the mentioned appraisal study and an appraisal determination is made accordingly. The Cost analysis method is used in the determination of the project according to the current construction level. Upon completion of the project, the Income reduction method is used for the determination of the market value of the part falling into the share of Adi Ortaklık (Ordinary Partnership), and a Cost Analysis is used in our country in order to avoid any misleading results as a result of non-consideration of betterments of the real properties in the plot share account referring to independent units.

The Market value of 853 independent units taking place within the Project structure has been determined for informative purpose.

	TRY	USD
Value Upon Completion of the Project (in TRY)	536.096.322,83	138.461.780,78
Current Increase Value of Project (According to Cost Basis (in TRY)	239.868.865,00	61.952.803,61
Value of Remaining Part of the Project (in TRY)	370.709.568,13	95.746.053,03
Predictable Profit for the Remaining Part of the Project	184.712.285,10	47.707.083,29

Project Cost, Made (Inclusive of İller Bankası Payments) (TRY)	117.203.929,00
Total Investment Cost (Inclusive of Payments of İller Bankası)(Current Value) (in TRY)	303.201.212,03
Construction's Level Rate (%)	35,20 %
Realized Amount of Turnover (in TRY)	152.140.354,27
Amount of Total Project Value (in TRY)	536.096.322,83
Realization Per Cent of the Turnover (in TRY)	28,38 %

Akfen REIT Portfolio Table

TRY	December 31, 2017	Discount Rates
Operational Hotels		
Novotel and Hotel Ibis Istanbul	176.300.000	8,00 % and 10,00 %
Novotel Trabzon	124.995.000	8,00 % and 10,00 %
Novotel and Hotel Ibis Gaziantep	48.320.000	8,00 % and 10,00 %
Hotel Ibis Esenyurt	44.610.000	8,00 % and 10,00 %
Novotel and Hotel Ibis Kayseri	42.096.000	8,00 % and 10,00 %
Hotel Ibis Bursa	38.290.000	8,00 % and 10,00 %
Hotel Ibis Alsancak	45.910.000	8,00 % and 10,00 %
Ibis Hotel Adana	48.870.000	8,00 % and 10,00 %
Hotel Ibis Ankara Airport	47.730.000	8,00 % and 10,00 %
Hotel Ibis Eskişehir	10.995.000	8,00 % and 10,00 %
Hotel Ibis Tuzla Project	67.080.000	8,00 % and 10,00 %
Subsidiaries		
Akfen Gayrimenkul Ticaret ve İnşaat A.Ş.	390.391.680	
Akfen Karaköy Gayrimenkul Yat. Tic. A.Ş.	36.093.000	

Portfolio Limitations

The conformance control table of the Company to the portfolio limitations according to the “Communiqué on Principles Pertaining to Real Property Partnerships” of the Capital Market Committee having the Series: III and No. 48.1 is as follows:

Non-Consolidated (individual)				
	financial table main account items	Related Regulation	Dec. 31,2016	Dec. 31, 2017
A	Money and Capital Market Instruments	III-48.1. Art. 24 / (b)	851.716	1.120.603
B	Real Properties, projects, based on real property, rights, based on real property	III-48.1. Art. 24 / (a)	643.531.638	722.815.403
C	Subsidiaries	III-48.1. Art. 24 / (b)	427.864.488	415.653.381
	Receivables from Related Parties (non-commercial)	III-48.1. Art. 23 / (f)	-	-
Other assets			25.831.483	77.464.113
D	Total assets (total amount of assets)	III-48.1. Art. 3 / (p)	1.098.079.325	1.217.053.500
E	Financial debts	III-48.1. Art. 31	452.976.482	548.298.049
F	Other financial liabilities	III-48.1. Art. 31	25.493.790	32.263.760
G	Financial leasing debts	III-48.1. Art. 31	-	-
H	Debts to Related Parties (non-commercial)	III-48.1. Art. 23 / (f) -	-	
I	Total resources	III-48.1. Art. 3 / (p)	1.098.079.325	1.217.053.500

	<u>Non-consolidated (individual) other financial information</u>	<u>Related Regulation</u>	<u>Dec. 31, 2016</u>	<u>Dec. 31, 2017</u>
A1	Part of money and capital market instruments, held for 3-year real property payments	III-48.1. Art. 24 / (b)	-	-
A2	Demand/Term Saving/Private Current Participation account in foreign currency account and term saving/participation account in TRY	III-48.1. Art. 24 / (b)	837.969	1.104.842
A3	Foreign capital market instruments	III-48.1. Art. 24 / (d)	-	-
B1	Foreign real properties, Projects based on real property, Rights based on real property	III-48.1. Art. 24 / (d)	-	-
B2	Plots/lands, held idle	III-48.1. Art. 24 / (c)	-	-
C1	Foreign subsidiaries	III-48.1. Art. 24 / (d)	-	-
C2	Participation in the operator company	III-48.1. Art. 28//1	-	-
J	Non-cash loans	III-48.1. Art. 31	180.873.629	219.585.899
K	Mortgage values of mortgaged Plots not owned by partnership and A project will be developed on	III-48.1. Md. 22 / (e)		
L	Total amount of investments of money and capital market instruments in a sole company	III-48.1. Art. 22/ (I)	612.101	394.940

	Portfolio Limitations	Related Regulation	Current Period	Previous Period	Minimum/ Maximum Rate
1	Mortgage values of the Plots under Mortgage, not owned by Partnership and where a Project will be developed on	III-48.1. Art. 22/ (e)	0,00 %	0,00 %	< 10 %
2	Real Properties, Projects Based on Real Properties, Rights Based on Real Properties	III-48.1. Art. 24/ (a). (b)	59,39 %	58,61 %	> 51 %
3	Money and capital Market Instruments and Subsidiaries	III-48.1. Art. 24/ (b)	34,24 %	39,04 %	< 50 %
4	Foreign Real Properties, Projects Based on Real Properties, Rights Based on Real Properties, Subsidiaries, Capital Market Instruments	III-48.1. Art. 24/ (d)	34,15 %	38,96 %	< 50 %
5	Plots/Lands, Held Idle	III-48.1. Art. 2/ (c)	0,00 %	0,00 %	< 20 %
6	Participation in the Operator Company	III-48.1. Art. 28/ 1(a)	0,00 %	0,00 %	< 10 %
7	Borrowing Limitation	III-48.1. Art. 31	125,71 %	106,41 %	< 500 %
8	Demand-Deposit savings/private current-participation account in foreign currency and Deposit savings/ participation account in Turkish currency	III-48.1. Art. 24/ (b)	0,09 %	0,08 %	< 10 %
9	Total Amount of Investments of Money and Capital Market Instruments in a Sole Company	III-48.1. Art. 22/ (I)	0,03 %	0,06 %	< 10 %

As of the date of December 31, 2017, the information, indicated at the footnote that is titled as “Control of Conformance to Portfolio Limitations” in the nature of summary information, compiled from financial tables pursuant to the provision of Article 16 of the “Communiqué on Principles Pertaining to Financial Reporting at the Capital Market” having the SPK (Capital Market Committee) Series: II, No. 14.1 and prepared within the framework of the provisions pertaining to the control of conformance to the portfolio limitations of the “Communiqué on Making Amendment at the Communiqué on Principles Pertaining to the Real Property Investment Partnerships” having the SPK (Capital Market Committee) Series: III, No. 48.1a, published at the Official Gazette of January 23, 2014 having the issue number: 28891 and “Communiqué on Principles Pertaining to the Real Property Investment Partnerships” having the SPK (Capital Market Committee) Series: III, No. 48.1, published at the Official Gazette of May 28, 2013 having the issue number: 28660. Furthermore, since the information at the table is not consolidated data, it may not coincide with the information taking place at the consolidated table.

Corporate Governance

Human Resources

Akfen REIT reflects the dynamism at the management understanding into the human resources applications and put relevant strategies conforming to the corporate structure and targets of the Company into practise. It is among preliminary targets in the human resources policy of Akfen REIT to offer every employee an employment environment to enable him/her to develop his/her personal/professional skills at a position suitable to the qualifications, owned by the same.

Akfen REIT has formed up its human resources policy within the framework of following principles:

- The principle to provide the persons at equal qualifications at recruitment, training and progress, pricing (fee Payment) and career planning with equal opportunities is adopted.
- The criteria for recruitment are determined in writing and these criteria in applications are conformed thereto.
- The employees are treated equally on progress and promotion matters, and various progress policies and plans are created towards the increase/rise of knowledge, skills and experiences of the employees.
- The job definitions, performance assessment and award criteria of the employees of the Company are determined by the managers and shared with the employees.
- The relationships with the employees are conducted by the Corporate Communication, Human Resources and Administrative Affairs Department, and no discrimination is made among the employees.

Dispersion of Employees in Terms of Their Education Status

Company	Number of Employees	Master Degree	University Graduate	Undergraduate	High School Graduate
Akfen REIT	11	2	6	-	3
RHI, RPI and HDI	11	1	8	-	2

Akfen REIT aims to create a work environment that is dynamic, transparent and supports development for the high motivation of the employees through these principles. The company that believes in the importance lifelong learning offers opportunities to the employees in order to allow them to maintain their personal and professional trainings. The employees carry out their current duties successfully on the one hand through the training programs, organized within or out of the establishment, and can also develop them on the other.

Akfen REIT attributing priority to the satisfaction of personnel requirements to the human resources conducts an intra-company career planning process where an equal opportunity and impartiality is valid and applicable and assessment results are taken as basis. The openness of the employees to innovations and transformations in intra-company career arrangements, motivations on their development from personal and professional point of view and their success-orientation become effective.

Akfen REIT reaches an employee profile that may identify the corporate targets with individual targets, fulfils their responsibilities with high motivation, has team spirit and believes in ethical values and social responsibility at the end of human resources strategies, applied by it successfully. As of the end of 2017, the number of employees at Akfen REIT is 11, at affiliates, however, 11 and all in al a total number of 22.

The average age of the employees is 42 and 28 % of them consists of females.

While Akfen REIT supports the mission and vision of the Company, it will maintain its human resources policies that conform to contemporary values in 2017 as well.

Risk Management

Early Risk Detection works were brought into a final state within 2012 through the consultancy support of the Company, DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. [Deloitte], and the Risk Management Handbook is submitted to the Board of Directors of the Company. It has been decided that the principles taking place at the Risk Management Handbook will be taken as basis in the subsequent internal audits of the Audit Committee. The Risk Management Handbook takes place in the attachment of the report of the Company. In this context, the Company has decided through the decision no. 2013/9 of the Board of Directors, dated as April 25, 2013, to conduct the duties of the Early Risk Detection Committee being conducted currently by the Corporate Management Committee by setting up a separate committee pursuant to the Communiqué having the Series: IV and No. 63 amending the Communiqué having the Series: IV and no. 56 of the Capital Market Committee. Then, the Committee submits the reports, prepared by it with relation to the potential risks, provided to be once in two month-period, to the Board of Directors towards the application of necessary measures and remedies for it, early diagnosis of causes putting the existence and development of Group from the date of its establishment up to the report date and management of the risk, and financial structure, financial position and performance of the Company have been assessed as of December 31, 2017, and no circumstance raising doubt about the loss of capital or company’s insolvency has been determined.

Audit Committee

Company’s consolidated and individual financial status table, comprehensive income table, cash flow table and equity change table and Board of Directors Operating Table belonging to the said period were approved together with the footnotes, prepared in conformity with the related Capital Market Committee Communiqué ;

- Not gone through a limited audit belonging to the accounting period of January 01, 2017-March 31, 2017; by the Audit Committee and Board of Directors on the date of June 05, 2017;
- Gone through a limited audit belonging to the accounting period of January 01, 2017-June 31, 2017; by the Audit Committee and Board of Directors on the date of August 04, 2017;
- Not gone through a limited audit belonging to the accounting period of January 01, 2017-September 30, 2017; by the Audit Committee and Board of Directors on the date of October 27, 2017;
- Gone through a independent audit belonging to the accounting period of January 01, 2017-December 31, 2017; by the Audit Committee and Board of Directors on the date of March 07, 2018.

The meeting where important matters, examined by the independent audit firm within the scope of audit and content of independent inspection and audit for 2017 was held on December 19, 2017.

Audit Report on Early Risk Detection System and Committee

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

- We have audited the early risk detection system and committee, established by Akfen Gayrimenkul Yatırım Ortaklığı Anonim Şirketi ("Company").
Responsibility of the Board of Directors
- The Board of Directors pursuant to the first subparagraph of Article 378 of the Turkish Commercial Code ("TTK") no. 6102, is responsible for setting up a specialized committee for early diagnosis of causes putting the existence, development and continuation of the Company at jeopardy, application of necessary measures and remedies for this and management of thi risk, and operate and develop the system Responsibility of the Independent Audit Firm.
- Our responsibility is to reach a conclusion with regard to the early risk detection system and committee pursuant to the audit, made by us. In this respect, the audit, carried out by us, has been conducted in accordance with the "Principles Regarding Early Risk Detection System and Committee", published by the Public Oversight, Accounting and Auditing Standards Authority and Turkish Commercial Code. These Principles require the determination of the fact that whether the company has established an early risk detection system and committee, and if established, to evaluate whether the said system and committee are functional within the framework of Article 378 of the Turkish Commercial Code. The conformability of remedies, shown by the early risk detection committee against the risks and any applications, made by the management against the risks, do not take place within the scope of our audit.
Information on the Early Risk Detection System and Committee
- The Company has set up the early risk detection system and committee, and committee consists of two members, one of them independent member of the board of directors, and the head of the committee will be the independent member. The committee has served duty for early diagnosis of risks putting the existence and development of the Company at jeopardy from its date of establishment until the report date and for this, taking necessary measures and application of remedies and management of risk, and convened six times in 2017 and submitted the reports, prepared by it to the Board of Directors.
Conclusion
- At the end of the audit, conducted by us, it has been concluded that the early risk detection system and committee of the Company, Akfen Gayrimenkul Yatırım Ortaklığı Anonim Şirketi, is sufficient through all important aspects of it within the framework of Article 378 of the Turkish Commercial Code.

Profit Distribution Policy

Our Company determines the profit distribution decisions by taking into consideration the provisions of the Turkish Commercial Cod, Capital Market Regulation, Arrangements and Decisions of the Capital Market Committee, Tax Laws, other legislation and Articles of Association of our Company.

Akfen Gayrimenkul Yatırım Ortaklığı adopted a profit distribution policy, based on the submission of a proposal to the General Assembly for the distribution of at least 30 % of the distributable profit from the accounting year of 2012 in consideration of general profitability status of our Company" through the decision of its Board of Directors, made on February 25, 2011.

The Profit Distribution Policy is submitted to the information of the shareholders at the General Assembly. Since there is not any distributable period profit for 2016, it has been decided in unanimity that it was not possible to make any profit distribution at the General Assembly, held in 2017.

The Profit Distribution Policy of our Company is disclosed to Public at the internet site of our Company.

State Incentives and Aids

According to the Investment Incentive Law no. 47/2000, the Group has an investment incentive at 100 % out of the investments due to be made by it in the TRNC until December 31, 2008.

Loyalty Report

Conclusion

Our Company is a member of the group of companies of Akfen holding A.Ş. and we have commercial relationships with the companies, affiliated to the said group of companies. However, when the procedures, made in favour of a controlling company, an affiliate of the controlling company or this or a firm, affiliated to it by the direction of the controlling company, are taken into consideration, there is not any loss in the operating year of 2017, and it is not on the agenda to equalize any interests or loss, incurred by the controlling company.

As a requirement of Article 199 of the Turkish Commercial Code no. 6102, the Board of Directors of our Company has made the following statement at the loyalty report, issued about the relationships of it with the controlling company and any affiliate of the controlling company.

All measures, avoided to be taken or taken in favour of the controlling company or a firm, affiliated to the controlling company in 2017 at the legal procedures, made in favour of the controlling company or a firm, affiliated to the controlling company, through the guidance of the controlling company according to the circumstances and conditions, known by us in all procedures, made in the operating year of January 01, 2017-December 31, 2017 with our Company, controlling company and firms, affiliated to it, have been assessed in this respect.

We hereby declare that our Company has not incurred such loss as a result of any procedure, created according to the circumstances and conditions, known with relation to the operating year of 2017 and no interest has been procured and at the same time, it is not on the agenda to equalize the interests or loss, incurred by the controlling company.

Report on Compliance to Corporate Governance Principles

Section: I- Statement of Compliance with Corporate Governance Principles

Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. (“Company” or “Akfen REIT”) conforms to all principles of Obligatory Corporate Governance Principles taking place in the attachment of the “Corporate Governance Communiqué” having the Series: II-17.1 in the period of 2017.

The Company continues to conduct necessary works to conform to the principles that are not obligatory to apply and the approach of our Company with relation to the principles, not complied yet, and final situation are indicated herein below.

Our Company takes necessary steps perpetually in order to reach the highest standards in the field of corporate governance and maintains the works continuously to put some provisions, arranged in an advisory manner into practice. Akfen REIT sees the principles of ethical rules, transparency, fairness, responsibility and accountability as a part of the Company culture.

The Articles of Association of Akfen REIT has been brought into a status conforming to the arrangements that have to take place at the articles of association pursuant to the Corporate Governance Principles through amendments, made from time to time. The Department for Investor Affairs directly reports to the General Director and prepares report at least once annually with relation to the activities, conducted by it, and submit to the Board of Directors. The Manager for the Investor Affairs Department is appointed as the Corporate Management Committee member. Furthermore, one personnel has been appointed in order to serve duty at Department for Investor Affairs, and all these matters were disclosed at the Public Disclosure Platform.

A Committee Responsible for Audit and Corporate Governance Committee were formed up pursuant to the Decision of the Board of Directors, dated as February 16, 2011 in accordance with the corporate governance principles.

Pursuant to the Decision of the Board of Directors of our Company, dated as March 14, 2013, it has been decided for the duties of the Early Risk Detection Committee that are conducted

by the Corporate Governance Committee to be conducted as a separate committee pursuant to Communiqué having the Series: IV and No.: 63 amending the Communiqué having the Series: IV No.56 of the Capital Market Committee.

It has been decided in the resolution of the Board of Directors of our Company bearing the date of May 11, 2017 pursuant to the Corporate Governance Communiqué ("Communiqué") having the Series: II-17.1 :

1. To appoint Mr. Halil Eroğlu, Independent Member of the Board of Directors, Mr. Adnan Aydoğan, Independent Member of the Board of Directors, Mr. Ahmet Ertürk, Independent Member of the Board of Directors and Mr. Servet Hüseyin Yılmaz, Manager for (Finance and) Investor's Relationships for a period of 1 (one) year, and designate Mr. Halil Eroğlu to serve duty as the Chairman of the Corporate Governance Committee therein;
2. To designate the Corporate Governance Committee to serve duty as the Nomination Committee and Fee (Salary) Committee of the Corporate Governance Committee as well.
3. To appoint Mr. Halil Eroğlu, Independent Member of the Board of Directors, Mr. Adnan Aydoğan, Independent Member of the Board of Directors and Mr. Ahmet Ertürk, Independent Member of the Board of Directors to the Committee Responsible for Auditing for a period of 1 (one) year, and designate Mr. Ahmet Ertürk to serve duty as the Chairman of the Committee Responsible for Auditing therein;
4. To appoint Mr. Halil Eroğlu, Independent Member of the Board of Directors, Mr. Selim Akin, Member of the Board of Directors and Mrs. Pelin Akin, Member of the Board of Directors, and designate Mr. Halil Eroğlu to serve duty as the Chairman of the Early Risk Detection Committee therein.

The Board of Directors of Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. supports the Executive Management and all employees at every stage so that the Corporate Governance Principles to be placed in the structure of the enterprise.

Following the adaptation of the Corporate Governance Principles within the structure of the Company, the Corporate Governance Principles Compliance Report where it is declared that the activities will be realized within the direction of equality, transparency, accountability and responsibility, has been disclosed in the attachment of the Company's Operating Report.

Section: II - Shareholders

2.1. Investor's Relationship Department

The applicable legislation, Articles of Association of the Company and other intra-Company arrangements are conformed thereto in the exercise of shareholding rights, and relevant measures that will allow the exercise of such rights are taken.

- The Investor's Relationship Department reports to Mr. Fuad Sertaç Karaağaoğlu, General Director of Akfen REIT.
- The Investor's Relationship Department submitted the report that it prepared with relation to the activities, conducted within 2017 to the attention of the Board of Directors and executive management of the Company on December 31, 2017.
- The Investor's Relationship Department is conducted by Mr. Hüseyin Yılmaz, Finance and Investment Relationship Manager of Akfen REIT holding the Capital Market Committee Advanced Level and Corporate Governance Rating Expertise.

The Investor's Relationship Department operates to present accurate, timely and consistent information on Akfen Gayrimenkul Yatırım Ortaklığı to the current and potential investors; and raise the recognition and credibility of the Company and to bring down the capital cost of the Company by the application of corporate governance principles, and to ensure communication between the Board of Directors and capital market participants. In parallel to this target, our Company attributes great importance to the communication with the shareholders and investors, and maintains active investor's relationships program.

The Investor's Relationship Department reports to the General Director at the organization chart and at the same time, makes reporting to the Board of Directors about its activities. Primary duties of the Investor's Relationship Department that is a communication bridge between the Board of Directors and financial world are as follows

The Investor's Relationship Department pay necessary attention and care to use electronic communication opportunities and internet site of the Company in its entire activities or works.

- To ensure the correspondences, made by and between the Investors and Company and records pertaining to other information and documentation in a sound, reliable and current manner;
- To answer the written information requests of the partnership shareholders with relation to the partnership;
- To prepare documents that have to be submitted to the information and examination of the shareholders with relation to the General Assembly; and take measures that will ensure the general assembly meeting to be held in accordance with the related regulation, articles of association and other intra-partnership arrangements; and
- To observe and follow up the fulfilment of obligations arising from the capital market regulation including all sorts of matters pertaining to the Corporate Governance and public disclosure.

The information for access of the Investor's Relationship Department is published at the internet site: www.akfengyo.com.tr and operating reports. It is possible to get in touch with the Investor's Relationship Department for all sorts of requests and questions through the address of: gyoyatirimci@akfengyo.com.tr.

Various negotiations were made with the existing and potential investors in 2017. Face-to-face negotiations have been made upon requests coming on the activity results, performance and other developments of our Company with the shareholders and analysts, and furthermore, the questions of our individual investors through telephone calls have been answered.

2.2 Exercise of Rights to Information by the Shareholders

It is a principle to behave equally in the exercise of the right to information and examination by and between the shareholders, potential investors and analysts and to convey our explanations to everybody at the same time with the same content. All sorts of information that may interest the shareholders and market players are announced through special status explanations within the scope information sharing and all special status explanations take place at our internet site both in Turkish and English.

Various numbers of written and verbal information requests coming from the shareholders are answered under the supervision of the Investor's Relationship Department and within the Capital Market Regulation arrangements without any delay. For the objective to extend the shareholders' rights to information, all sorts of information that may affect the exercise of rights are presented to the information of the shareholders at our internet site. All information taking place at our internet site is presented in Turkish and English on an equal basis to the use of domestic and foreign shareholders.

There is not any arrangement or restriction available at the Articles of Association of the Company with relation to a request for the appointment of a special auditor. There is an article in the Internal Directive on the Work Principles and Procedures of the General Assembly of the Company saying a special audit request of any shareholders irrespective of whether it takes place on the agenda or not is resolved. The Company avoids from any procedures making the execution of a special audit difficult. No request was made to our Company about the appointment of any special auditor.

2.3 General Assembly Meetings

The Ordinary General Assembly Meeting of Our Company for 2016 was held at the Meeting Hall, located at the Head Office of our Company, on the date of May 11, 2017 at 14:00 hours. The invitation pertaining to the meeting, required to be held in accordance with the provision of Article 414 of the Turkish Commercial Code, has been made within the envisaged period of time through announcement at the Electronic General Assembly System of the Central Registry Agency and at the internet site of the Company, and at the Turkish Trade Registration Journal of April 13, 2017 having the issue number: 9305 in a manner to contain the agenda and in a way as is envisaged at the Turkish commercial Code and Articles of Association of the Company.

Upon examination of the attendants' List, it has been understood that 1.000 Group A Shares referring to a share of TRY 1.000, 1.000 Group C Shares referring to a share of TRY 1.000, 1.000 Group D Shares referring to a share of TRY 1.000, and a total number of 139.830.919 Group B Shares, 4.755 of which at electronic media and 139.826.64 physically referring to a total value of TRY 139.830.919, all in all, a total amount of capital of the Company as a whole corresponding to TRY 184.000.000 were represented at the meeting, thus, minimum meeting quorum, envisaged at the applicable regulation and articles of association was available therein.

The subject matters taking place at the agenda have been indicated in an impartial and detailed manner as well as a clear and comprehensible way, the wording or expressions, used there under, are not in nature causing different interpretations; the shareholders were allowed to bring forth and explain their opinions under equal opportunities, and a sound discussion environment created.

It is possible to reach the minutes of our General Assembly meeting from our internet site (www.akfenREIT.com.tr), Public Disclosure Platform and Turkish trade Registration Journal.

The matter indicating that the Company made donations and aids in 2016 referring to a total sum of TRY 500.000,00 has been submitted to the attention of the General Assembly.

Furthermore, it is accepted by a majority to determine that the total upper limit for donations to be made in 2017 will be TRY 500.000,00.

2.4 Voting Rights and Minority Rights

Applications making the exercise of voting rights are avoided at our Company, and every shareholder is provided the easiest and most convenient manner to exercise the voting right

According to the articles of association of our Company, all shares have 1 voting right for each share. The Group A, C and C shares are the registered shares and not traded at the BİAŞ (Istanbul Stock Exchange).

There is not any arrangement at our company that will envisage the exercise of voting right after a certain period of time from its date of acquisition.

There is not any provision at the articles of association of our Company preventing the person, who is not a shareholder, from voting as a representative.

The exercise of minority rights at our Company is subject to the communiqués and decisions of the Capital Market Committee, Turkish Commercial Code, Capital Market Law and related regulation. There has not been any regulation, included at the articles of association, in addition to these provisions. It is envisaged to exercise minority rights at our Company in conformance to the mentioned regulation. Furthermore, it is ensured that the minority is represented at the management through three independent member taking place at the Board of Directors.

2.5 Dividend Right

Our Company determines its dividend distribution decisions by taking the provisions of the Turkish Commercial Code, Capital Market Regulation, Capital Market Committee Arrangements and Decisions, Tax Laws and other related legislation into consideration

There is not any privilege between the share groups in the dividend distribution.

Our Company strategies, capital requirement of our subsidiaries and affiliates, investment and finance policies, profitability and cash position are taken into consideration in the dividend distribution decision.

The mode and time of the profit, decided to be distributed, will be resolved by the General Assembly upon proposal of the Board of Directors on the subject matter thereof. The dividend to be distributed subject to the decision to be made at the General Assembly may either be cash as a whole or bonus share on entire basis, or it is possible to determine the same as partially in cash and partially bonus share.

Approved at the General Assembly Meeting of Akfen. Gayrimenkul Yatırım Ortaklığı A.Ş. through a Board of Directors' Decision, made on February 25, .2011;

“By taking the general profitability status of our Company into consideration, a profit distribution policy has been adapted, based on a principle “to submit a proposal to the General Assembly for the distribution of at least 30 % of the distributable profit from the accounting period of 2011, and the said Profit Distribution Policy aims to make the mentioned profit distribution, made on May 11, 2017 with relation to the year 2016, within a period of six months the latest following the distribution decision of the General Assembly, and it is the General Assembly that will decide upon on the profit distribution date. The General Assembly or the Board of Directors in case related authorization is granted upon it, to the Capital Market Arrangements as are indicated heretofore, and profit distribution policy, approved by the shareholders at the general assembly, as is indicated hereinabove are included at the operating report and published at the Turkish trade Registration Journal and announced to the public at the internet site of the Company and Public Disclosure Platform.

Since there is not any period profit to be distributed in 2016, it has been decided in unanimity at the General Assembly that it is not possible to distribute any profit.

The internet site of our Company is actively used in the Public Disclosure as is envisaged by the Principles of the Capital Market Committee Principles.

2.6 Assignment of Shares

Assignment and transfer of bearer shares at our Company are subject to the provisions of the Turkish Commercial Code, Capital Market Law and related regulation. The assignment of bearer shares cannot be restricted according to the articles of association of our Company.

According to the articles of association of our Company, the assignment of partnership shares before Public offering is subject to the permission of the Board irrespective of any rate. In the share Assignments taking place within the scope of this article, the qualifications, sought at the incorporations, are sought in new partners (shareholders), who will acquire share at the partnership.

Section: III – Public Disclosure and Transparency

3.1. Corporate Internet Site and its Content

All matters pertaining to the “Department for Investor’s Affairs” take place at the internet site: www.akfenREIT.com.tr .

All information taking place at the Internet site is prepared in English Language in order to enable any foreign investors

There is an opportunity of access into the information, disclosed by our Company to the Public, out of the Internet. The following information takes place at the internet site: www.akfenREIT.com.tr :

- History (Background) of our Company,
- Management and Partnership Structure as of the final position,
- Board of Directors and Board of Director committees,
- Final Status of the Articles of Association,
- Meeting Agenda of the General Assembly, notification document, form for the exercise of voting in proxy,
- Explanations and public offering circular,
- Continuous information form,
- Real property appraisal reports,
- Monthly investor reports,
- Profit distribution policy,
- Trade Registration information,
- Operating reports,
- Corporate Governance Principles Compliance Report,
- Information Policy,
- Profit Distribution Policy,
- Ethical Rules,
- Periodic financial tables and reports,
- Special status/situation explanations,
- Information, graphs pertaining to the Share certificate price and performance,
- Investor’s affairs communication information,
- Company communication information.

All of the Capital Market Committee Corporate Management Principles that may be in nature to be applicable on our company are published at the internet site of our company and updated accordingly.

3.2 Operating Report

The operating report of Akfen Gayrimenkul Yatırım Ortaklığı is prepared in due details enabling the public to have accurate and correct information about the activities of the Company and in accordance with the matters, indicated in the applicable regulation.

The operating reports are prepared in consideration of all matters, indicated at the Corporate Governance Principles and additionally, the arrangements taking place both at the Turkish Commercial Code and Capital Market Committee regulation and information due to take place pursuant to the Regulation on Determination of Minimum Content of Annual Operation Reports of the Companies, issued by the Ministry of Customs and Trade and published in the Official Gazette, dated as August 28, 2012.

Section: IV - Stakeholders

4.1. Informing the Stakeholders

The corporate governance applications and ethical rules of our Company guarantee the rights of the stakeholders, regulated by applicable regulations and reciprocal contracts. The stakeholders are informed continuously within the framework of information policy, created by the Company as a requirement of existing legislation. Furthermore, it is also aimed to inform all stakeholders through press bulletins, operating report, internet site and information policy of us, based on transparency.

The employees of our Company are expected to fulfil their obligations while doing their works, by valuing the interests of the Company above the interests of their own, family and close associates. The employees keep avoiding from all sorts of initiatives that may mean deriving personal benefits or providing interests to their close associates.

Any predictable circumstances of conflict of interest and circumstances, defined by the management of the Company are shared with the Company's employees and at this point, the Company takes necessary measures.

The stakeholders are able to transmit any procedures of the Company that are contrary to applicable regulation and not convenient from ethical point of view to the Corporate Governance Committee and Committee Responsible for Audit through the independent members, who are the heads of such committees at the same time

4.2. Participation of the Stakeholders in the Management

There is not any model and mechanism on the participation of the stakeholders in the management. However, the independent members taking place at the Board of Directors enable all stakeholders along with the shareholders of the Company to be represented at the management. The opinions of the stakeholders are

4.3. Human Resources Policy

The fundamental principles of the human resources policy of our Company are summarized herein below:

- Our Basic Human Resources policy to bring together the requirements of the work with the skills and qualifications of the employees and select the human resources according to modern criteria and principle of equal opportunity for everyone, and develop, evaluate and conduct the same in this respect.
- The Human Resources management is obliged to create a dynamic, innovative and progressive environment and raise the performance of the employees and to bring the corporate target down to personal targets, by doing so, give support to achieve the targets of the Company in an effective and efficient manner.
- Our employee profile is a high and distinguished human resource being open to transformation and development, having high motivation, believing in teamwork and group spirit, using the sources and time efficiently and having social responsibility sentiment.
- The relationships with the employees are conducted by the Accounting Manager (Human Resources and Administrative Affairs), Mr. Yusuf Anil on representation basis.
- Our ethical understanding constitutes the basic foundation of our field of work. A comfortable and efficient work environment is created in our Company away from any discrimination, mobbing and favouritism, and through a fair and transparent approach. There has not been any complain so far delivered by any of our employees on the subject matters hereof.

As of December 31, 2017, the total numbers of employees working at Akfen Gayrimenkul Yatırım Ortaklığı and its affiliates and enterprises subject to common management are 22.

4.4 Ethical Rules and Social Responsibility

Ethical Rules

Akfen Gayrimenkul Yatırım Ortaklığı has declared the “Ethical Rules”, which it has defined in order to add material value to the stakeholders and raise the corporate value of the same, as the principles and rules that have to be conformed by all managers and employees, and published these rules at its internet site.

It is aimed by these rules to ensure the managers and employees of the Company, Akfen Gayrimenkul Yatırım Ortaklığı, to exhibit behaviours at high standards, be aware of the corporate effects of their behaviours and acts, and ensure the use of the most accurate and correct methods with relation to the shareholders and company’s activities and exhibition of the highest qualification actions.

Social Responsibility

Our Company pays utmost attention to behave sensitively towards its social responsibilities in its activities and provides support to any organizations pertaining to its own sector.

With relation to these matters, there is not any inspection, legal action or any other legal dispute or sanction, filed or initiated in disfavour of our Company or its subsidiaries.

Section: V – Board Directors

5.1 Executive Board and Formation

The formation and election of the Board of Directors are effectuated in accordance with the Corporate Governance Principles, and the principles pertaining to the foregoing take place at the Articles of Association of our Company.

According to this:

The management of the Company, binding and representation of the same towards any third parties are carried out by a Board of Directors consisted of 9 (nine) members and majority of whom is not designated at execution and bearing the qualifications, indicated at the Capital Market Regulation and Turkish Commercial Code and elected by the General Assembly within the framework of the provisions of the Turkish Commercial Code.

The Board of Directors shall elect a Chairman in the first Board of Directors meeting among its members in order to chair the meetings of the Board of Directors and a Vice-Chairman to act as a Chairman in his/her absence. A sufficient number of independent members of the Board of Directors shall be elected by the General Assembly within the framework of principles pertaining to the independence of the members of the Board of Directors, indicated in the Corporate Governance Principles of the Capital Market Committee, to the Board of Directors, provided not to be less than two (2). An explanation pertaining to the independence of the members of the Board of Directors takes place at the annual operating report of the Board of Directors.

Names, Surnames and backgrounds of our Members of the Board of Directors being determined in accordance with the Articles of Association of our Company and serving duty in 2017 are indicated herein below:

- Mr. İbrahim Süha Güçsav, Chairman of the Board of Directors/ Managing Director – Member of the Executive Board of Directors
- Mr. Mustafa Keten, Vice- Chairman of the Board of Directors – Member of Non-Executive Board of Directors
- Mrs. Pelin Akın Özalp, Member of the Board of Directors – Member of the Executive Board of Directors
- Mr. Selim Akın, Member of the Board of Directors – Member of the Executive Board of Directors
- Mrs. Sıla Ciliz İnanc, Member of the Board of Directors – Member of the Non-Executive Board of Directors
- Mr. İrfan Erciyas, Member of the Board of Directors – Member of the Non-Executive Board of Directors
- Mr. Adnan Aydoğan – Independent Member of the Non-Executive Board of Directors
- Mr. Halil Eroğlu - Independent Member of the Non-Executive Board of Directors
- Mr. Ahmet Ertürk - Independent Member of the Non-Executive Board of Directors

Our Company does not have any Executive Committee. The Chairman of the Board of Directors and General Director are not the same person. There is not any member of the Board of Directors, authorized to represent and bind the Company on individual basis.

In the event that the Independent Members of the Board of Directors submit a declaration of independence to the Board of Directors pursuant to the applicable regulation and their independences disappear in any manner, it will be obligatory for them on immediate basis to notify the Board of Directors about the subject matter thereof. Any person, who may have served a membership duty at the Board of Directors for a total duration of 6 years within the last ten years, cannot be appointed as an independent member to the Board of Directors.

The assignment of any other duty(ies) by the members of the Board of Directors apart from our Company are not made subject to and/or limited by certain rules. The duties of the members of the Board of Directors beyond the Company are indicated in their backgrounds.

Backgrounds of the Members of Our Board of Directors

İbrahim Süha Güçsav – Chairman of the Board of Directors

Mr. İbrahim Süha Güçsav was graduated from the Faculty of Economics of the University of Istanbul in 1992 and completed his master degree course at the Department of Business of the Social Sciences Institute of the Gazi University. He stepped in his professional career in 1992 at the company, titled as Alexander&Alexander Sigorta Brokerliği A.Ş. Mr. Güçsav, who joined in the Akfen Holding family in 1994, has undertaken important roles there during his duties as Finance Group Chairmanship and Chairmanship of Executive Committee, conducted there under, on the matters such as vehicle inspection stations, privatization of Mersin International Port and IDO (Istanbul Sea Buses), establishment and investment processes of Akfen REIT, and public offerings of Akfen Holding and Akfen REIT, share sales from subsidiaries and long-term project finance. Mr. İbrahim Süha Güçsav, following his duty as the Vice Chairman of the Board of Directors of Akfen Holding, served by and between the years of 2003-2010, became a Member of the Board of Directors of Akfen Holding between March 2010 and May 2012. Mr. Güçsav, who has been the CEO of Akfen Holding since March 2010, serves the duties along with the one heretofore as the Chairmanship of the Board of Directors of Akfen REIT and Akfen Su, and Membership of the Board of Directors at the subsidiaries of the companies, titled as Mersin Uluslararası Liman İşletmeciliği A.Ş. and Akfen HES Yatırımları ve Enerji Üretim A.Ş. At the same time, Mr. Güçsav, who is the President of the Business Council of Turkey-Singapore, was appointed in October 2014 as the Honourary Business Representative of International Trade and Investment Agency in Turkey operating within the structure of the Ministry of Trade and Industry of Singapore.

Mustafa Keten – Vice-Chairman of the Board of Directors

Mustafa Keten graduated from the Economic Management Department of the Academy of Economics and Social Sciences of Istanbul in 1968. Mr. Keten, who started its career as an Assistant Specialist in the State Planning Organization in 1970, completed his master degree course in the field of the Development Administration in the Social Sciences Institute of Holland in 1978. Furthermore he served various duties as, for instance, the Head of the Regions with Development Priority at the DPI between 1979-1983, and then, Undersecretariat of Agriculture, Forestry and Rural Affairs, Consultancy of the Prime Ministry, Head of the Private Environment Protection Board, General Director for Foundation of the Prime Ministry and also Head of Assembly of the Foundations during the period covering years of 1984-1999. He took duty in the Boards of Directors of the Company, Petkim and Tamek Gıda, during the period when he was at the public sector, and served duty as the Chairman of Güneş Sigorta (Insurance) and Vakıfbank. Mr. Keten, who joined in Akfen Holding as the Vice-Chairman of the Board of Directors in 1999, serves duty as a teaching assistant in various educational institutions among the responsibilities in his work life. Along with these duties of him, serves duties as a Member of the Board of Directors of Eurasia Business Council, Turkish Russian Business Council and Turkish-Georgian Business Council, and Chairmanship of the Turkish-Moldovian Business Council. He is currently engaged in the duties as the Vice-Chairman of the Board of Directors of IYD and Vice-Chairman of the Tourism Assembly of the TOBB (Union of Chambers and Commodity Exchanges of Turkey) and Member of the Board of Directors of TMOK (Turkish National Olympic Committee).

Pelin Akin Özalp – Member of the Board of Directors

(Mrs) Pelin Akin Özalp, who graduated from the Department of Management in Spanish of the Surrey University of United Kingdom in 2010, started her career firstly at the Strategy department of the Bank Finance department of Deutsche Bank in Madrid. Upon her return to Turkey, she began working within the structure of the Company, TAV Havalimanları Holding and took part in the MT program in order to be trained as a future (potential) manager. At current period, she serves duties as a Member of the Board of Directors and a Member of the Corporate Management Committee of Akfen Holding as well as the Member of the Board of Directors of IBS Sigorta İvereassürans Brokerliği and Akfen REIT.

Mrs. Özalp taking place in various work groups at the Foreign Economic Relations Board Spanish Business Council and Foreign Economic Relations Board English Business Council is also engaged in active works as the Member of the Board of Directors as well as the Member of the Board of Trustees at TİKAV (Human Resources Education and Health Foundation of Turkey), founded by Akfen Holding in 1999. Mrs. Akin, who serves duty as the Deputy Chairman of the Duke of Edinburgh International Award Turkey Program, also conducts the duty as the Chairman of the Consultancy Board at the Contemporary Researches Department for Turkey, founded at the London School of Economics (LSE) since 2010. Furthermore, Mrs Pelin Akin Özalp, who has taken up the organization of the Tatlıdil Forum, founded in 2011 in order to strengthen the relationships in political, economic and cultural fields between Turkey and United Kingdom, has memberships at the TUSİAD (Turkish Industrialists' and Businessmen's Association), TİKAD (Turkish Businesswomen Association), TÜRKFED (Turkish Enterprises and Business World Federation), Young Chairmen Organization (YPO), Substructure and Investments Committee at the B-20 Executive Committee, Young Entrepreneurs' Consultancy Group of the Union of Chambers and Commodity Exchanges of Turkey and World Economic Forum Global Shapers. Mrs Akin was elected to the substitute membership of the Board of Directors of the Turkish Industrialists' and Businessmen's Association (TÜSİAD) in 2015 and furthermore, Memberships of the Board of Directors of TÜRKFED, PODEM (Public Policy and Democracy Studies) and TAİDER (Association for Family Enterprises).

Selim Akin – Member of the Board of Directors

Mr. Selim Akin, who graduated from the Business Management Department of Surrey in the United Kingdom in 2006, served a duty as the Chairman of the Turkish Association during the university years and became a member of the Young Businessmen Association of Turkey when he returned to Turkey and currently, conducts the duty as the Chairman of the Trade Commission. Mr. Selim Akin started his career at the Accounting Department of Akfen Holding and worked at the Project Development and Finance Departments. The projects where he took on duty are predominantly privatization and finance of the Vehicles Inspection Stations, privatization and finance of the Mersin Port and public offering and bond issuance processes of Akfen Holding. Mr. Akin currently serves the duty as the Chairman of the Board of Directors of the Company, Akfen İnşaat ve Turizm A.Ş., and additionally, Vice-Chairman of the Board of Directors of Akfen Holding and a Member of the Board of Directors at the subsidiaries of Akfen Holding.

Sıla Ciliz İnanç – Member of the Board of Directors

Mrs. Sıla Ciliz İnanç graduated from the Faculty of Law of Marmara University in 1995 and joined in Akfen Holding in 1997 following the completion of her law internship in 1996. She was engaged in company and holding structurings along with the fields of construction, energy and competition law as well as the conduct of works such as Private Sector-Public Sector Partnerships (PPP) in Turkey, company takeovers, mergers of companies. Mrs. İnanç has involved in an active duty in the secondary legislation works of the Public Tender Law. She has also taken part in all processes including tender and assignment of the privatization applications as well as build-operate-transfer, right/privilege assignments where Akfen and its partnerships are a party thereof and establishment of finance structure of projects and loan contracts, and public offerings and conformance to the capital Market Committee by Akfen Holding A.Ş. and Akfen REIT A.Ş. Mrs. Sıla Ciliz İnanç, who is currently Deputy General Director of Akfen Holding A.Ş., continues to serve duties of memberships in various partnerships of the Holding.

İrfan Erciyas – Member of the Board of Directors

Mr. İrfan Erciyas graduated from the Department of Economics and Finance of the Gazi University in 1977. He started his career as an Inspector and Branch Manager of the bank, Türkiye Vakıflar Bankası, and carried on his duty there between the years of 1996-2002 as the Deputy General Director and in 2002- 2003, however, as the General Director, and afterwards, he joined in Akfen Holding as the Vice-Chairman of the Board of Directors in 2003. Mr. Erciyas has served important duties at the Holding predominantly in the privatization process of vehicle inspection stations, Mersin International Port and IDO (Istanbul Sea Buses), and establishment and investment processes of the companies, Akfen REIT and Akfen Enerji, public offerings of Akfen Holding and Akfen REIT, share sales from the subsidiaries and long-term financing. Mr. İrfan Erciyas has been maintaining his duty as a Managing Director at Akfen Holding since March 2010 serves duty as a Chairman and Member of the Board of Directors in various subsidiaries and affiliates of the Holding.

Ahmet Ertürk – Independent Member of the Board of Directors

Mr. Ahmet Ertürk, who was born in Malatya in 1953, graduated from the Faculty of Political Sciences of the University of Ankara in 1975 and served duty as a Finance Inspector between 1976-1985 carried out a study for and on behalf of the Ministry of Finance on the “British privatization experience” in London during a period of 1984-1985. Mr. Ertürk, who served a duty as the Assistant Secretary General of the TÜSİAD (Turkish Industrialists' and Businessmen's Association) during the years of 1986-1988, took on the duties as a General and General Director's Consultant at the Turkish Marine Enterprises between the years of 1989-1991. Mr. Ahmet Ertürk having worked as the Deputy General Director of Albaraka Türk at the finance sector between the years of 1992-2002 has served a duty as a Member of the Capital Market Committee (SPK) and thereafter, took on the duty as a Chairman of the Saving Deposit Insurance Fund (TMSF) 2004-2009. Mr. Ertürk, who served duty as the Chief Consultant of the (Turkish) President in the field of economy between 2010-2014 is married and father of two, and in good command of English language. He is currently serving duty as the Independent Member of the Board of Directors at Akfen Gayrimenkul Yatırım Ortaklığı A.Ş.

Halil Eroğlu – Independent Member of the Board of Directors

Mr. Eroğlu, who was born in 1952 at Karşıya District (of İzmir), has completed his primary school education in seven different schools due to the fact that his father was a civil servant and graduated from the Faculty of Political Sciences of the Ankara University in 1974 after having studied for seven years a boarding student at the Government College of İzmir (Bornova Anatolian High School-BAL). After having served duty as an inspector in the Bank, Türkiye İş Bankası, where he started his banking career therein, he worked at various tasks in the General Directorate and branches, and served duty as a General Director at Dışbank (currently closed) and İş Leasing. He became a General Director at Sınai Yatırım Bankası (Industrial Investment Bank) in 2001. Following the merger of this Bank with Türkiye Sınai Kalkınma Bankası (TSKB/ Turkish Industrial Development Bank) in 2002, he worked there as a general director and retired in 2002. While working and after his retirement, he served duty as the chairman and member of the board of directors in various establishments. At current period, he works at Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. as an Independent Member of the Board of Directors.

Adnan Aydoğın – Independent Member of the Board of Directors

Mr. Adnan Aydoğın graduated from the Government College of Diyarbakır in 1980, Elazığ High School in 1983 and Department of Public Administration of the Faculty of Economics and Administrative Sciences of the Gazi University in 1987. He completed his master degree course, however, at the Administrative Sciences of the Social Sciences Institute of the Gazi University, and served duty at the Undersecretariat of State for Defence Industry as a Specialist (Project Coordinator), and afterwards, as a Project Monitoring and Finance Branch Manager and Head of the Fund Management Division. Finally, Mr. Aydoğın, who works as a Chairman of Administrative Affairs and Subsidiaries within the structure of TAI quit TAI in 2013. Currently, serves duty as an Independent Member of the Board of Directors of Akfen Gayrimenkul Yatırım Ortaklığı A.Ş.

F. Sertac Karaağaoğlu – General Director

Mr. Sertac Karaağaoğlu, who started his professional career as a portfolio manager at the bank, Toprakbank, in 1996 worked as the portfolio manager at the Kentbank between 2000-2001. Mr. Karaağaoğlu having joined in the Fortisbank (Dışbank) in March 2001 took on duties at different managerial positions as the Portfolio Manager, Branch Manager, KOBİ (Small and Medium Scale Enterprises) Director of the Central Anatolia Regional Office, Manager of the Eastern Mediterranean Region and director responsible for Credits. Mr. Karaağaoğlu, who continued his professional career as the Credits Allocation Directors at TEB BNP Paribas between 2011-2012 worked at the Istanbul Stock Exchange between the years of 2012-2016 as a Quotation and Special Market Group Director in the fields of public offerings, bond issuances and company purchases. Mr. Sertac Karaağaoğlu, who graduated from the Department of Political Sciences and Public Administration of the Faculty of Economics and Administrative Sciences of the Middle East Technical University (ODTÜ) in 1996, completed his Master Degree Course in the field of Business Management at the Maltepe University in 2015

Qualifications of the Members of the Board of Directors

Those of persons, who are nominated in the election to the memberships of the Board of Directors and elected as members there under, have the qualifications taking place in the Corporate Governance Principles of the Capital Market Committee.

The Board of Directors is structured in a manner to ensure effect and activity at the highest possible level. The principles pertaining to the subject matter have been indicated in Article 14 of the Articles of Association of the Company. It is a principle to elect the members of the Board of Directors among the persons, who have fundamental knowledge about legal principles regulating due procedures and dispositions pertaining to the field of engagement of the Company, and are educated and have experience on company management, and have competence to discuss and examine financial tables and reports and are preferably graduated from a higher education institution.

5.2. Principles of Activity of the Board of Directors

The members of the Board of Directors are ensured to obtain all sort of information in a timely manner in order to enable them to fulfil their duties on full basis.

A Board of Directors Secretariat reporting to the Chairman of the Board of Directors was formed up in order to give services to the members of the Board of Directors for keeping the documentation with relation to the meetings of the Board of Directors in a regular manner.

Our Board of Directors meetings are planned and realized in an effective and efficient manner. The members of the Board of Directors are convened at times when the affairs of the Company may necessitate as is regulated through the Articles of Association.

- The Board of Directors may convene upon a call by the Chairman or Vice-Chairman, or application by any member of the Board of Directors in writing to the Chairman or Vice-Chairman and request them to make a call upon the Board for a meeting.
- The agenda of the meetings of the Board of Directors is determined by the Chairman of the Board of Directors, and it is possible to make an amendment on the agenda through a decision of the Board of Directors.
- The Independent Member of the Board of Directors receives a monthly honorarium to be determined by the General Assembly. No payment is made to the Members of the Board of Directors, who are not independent.
- The meeting quorum of the Board of Directors is established by the attendance of at least 5 members.

- Decisions at the meeting of the Board of Directors are made by the exercise of majority voting by the attendants at the meeting in the same direction.
- Every member has one voting rights at meetings and the voting right is exercised in person. Unless any of the members comes up with a request to hold a meeting, then it may be possible to make a decision through notification of the consent of other members in writing.
- If any denunciation is made by a legal entity shareholder to the Board of Directors indicating that the member representing the legal entity shareholder had no connection any longer with the said legal entity, then, the mentioned member will be deemed as resigned and the Board of Directors elects the person, determined by the related legal entity shareholder, as the member of the Board of Directors instead of the foregoing member.
- The members, who do not attend in the meeting, cannot cast their votes either in writing or any other way unless it is based on a reasonable excuse.

The Board of Directors convened 17 times in total within 2017. A great of majority of meetings have been attended in full and decisions pertaining thereto have been made in unanimity. A "Manager Liabilities' Insurance having a total limit of Euro 12.000.000 was bought for the members of the Board of Directors referring to the period of 2016-2017.

Prohibition to Compete and Execute Transactions with the Company

The request to grant authorizations upon the Chairman and members of the Board of Directors on the execution of procedures, written in Articles 395 and 396 and Article 1.3.7. of the Communiqué Pertaining to the Determination and Application of the Corporate Governance Principles, published by the Capital Market Committee has been approved by the shareholders at the General Assembly meeting of May 11, 2017.

Authorizations and Responsibilities of the Managers and Members of the Board of Directors

The Board of Directors consisting of 9 (nine) members having the qualifications, indicated in the Turkish Commercial Code and Capital Market Committee, is elected by the General Assembly for a maximum period of 3 (three) years and majority of the Board of Directors consists of the non-executive members. Furthermore, the independent members bearing the independence criteria, defined in the Corporate Governance Principles of the Capital Market Committee and deemed as obligatory there under are elected in number, provided not to be less than 2 (two) persons. It is possible for the members whose duty periods are expired, to seek re-election.

At current period, a total number of 9 (nine) persons, three of whom independent members of the Board of Directors, nominated by the Board of Nomination, have been elected to the Board of Directors to serve duty for a period of 1 (one) year at the Ordinary General Assembly Meeting, held on May 11, 2017, and duty period of the Board of Directors will expire on May 10, 2018.

The Board of Directors fulfils the duties, granted upon it, according to the provisions of the Turkish Commercial Code, Capital Market Law, Articles of Association of the Company, general assembly resolutions and provisions of related legislation. The Board of Directors is authorized to make decision(s) on all matters remaining beyond the subject matters due to be subject to a decision, made by the General Assembly, and applicable law and Articles of Association.

The Company will be managed by the Board of Directors, and bound and represented by the same in external matters. The Board of Directors is authorized to assign the management duty to one or more members of the Board of Directors or any third party according to an internal directive due to be issued by it. This internal directive arranges the management of the company, and defines duties necessary for this and indicates related positions of them, and determines especially who will report to who and who is obliged to provide information. In case the management is not assigned, then, it will belong to all members of the Board of Directors. The Board of Directors may assign its authorization for representation to one or more managing directors or any third parties as a director. It is necessary for at least one member of the Board of Directors to have a representation authorization.

The mentioned Internal Directive ("Internal Directive") has been approved at the Board of Directors Meeting of April 30, 2015 pursuant to Articles 367 and 371 of the Turkish Commercial Code no. 6102, dated as January 13, 2011 and registered on the date of May 28, 2015 and came into force upon its publication at the Turkish Trade Registration Journal of June 03, 2015 having the issue no. 8833. The duties, authorizations and responsibilities of the Group A Members of the Board of Directors, General Directors, Deputy General directors and Project Managers are regulated at the Internal Directive in a clear manner.

Within the framework of the Internal Directive, the following individuals, named as:

- Mr. Fuad Sertac Karaağaoğlu has been elected as the General Director until the date of October 01, 2019;
- Mr. Memduh Okyay Turan has been elected as the Deputy General Director for Hotel Operations until the date of April 30, 2018, and
- Mr. Yusuf Anıl, however, as the Deputy General Director for Financial Affairs until the date of October 01, 2019.

5.3. Number, Structure and Independence of the Committees, Formed up at the Board of Directors

Necessary committees will be formed up within the structure of the Board of Directors in order that the duties and responsibilities of the Board of Directors are fulfilled in a sound manner pursuant to the arrangements of the Capital Market Committee and related regulation. The matters such as the fields of duties of the Committee, principles of works and which members they will be consisted of will be determined by the Board of Directors and disclosed to the public.

The Board of Directors may set up sufficient number(s) of committee(s) or commission(s) among its members on various matters such as following up the functioning of affairs, preparation of the matters to be submitted to it, deciding on the preparation of the balance sheet especially on all important matters and observation of the application of decisions so made.

The committees are convened at required frequency for the affectivity of the works.

Corporate Governance Committee

The Corporate Governance Board works in a manner of directly reporting to the Board of Directors provides help to the Board of Directors for the formation and development of necessary structure and applications for the management of the Company in accordance with the Corporate Governance Principles, accepted at international level, and setting up a salary system for the executive managers, and coordination of development and career planning.

The Corporate Governance Committee gives support to the Board of Directors by way of conducting works on the matters for the conformance of Akfen REIT to the principles of corporate governance principles; determination of the members of the Board of Directors and executive managers, fee, award and performance evaluation, career planning, investor's affairs and public disclosure and so on. The Corporate Governance Committee consists of three members to be appointed among the members of the Board of Directors and Department Manager on Investor's Affairs. The head of the Corporate Governance Committee is appointed by the Board of Directors.

The Corporate Governance Committee is responsible to follow up the conformance of the Company to the corporate governance principles, and have a duty especially for the realization of following matters:

To search thoroughly to what degree the corporate governance principles are applied at the Company and in case they are not applied, then, to determine the reasons behind it and to find out any negative matters developing as a result of the lack of full application and to propose the relevant remedial measures to be taken,

- and to propose the relevant remedial measures to be taken,
- To ascertain any methods that will provide transparency in the determination of member candidates to be proposed to the Board of Directors,
- To carry out works and develop proposals on the numbers of the members of the Board of Directors and managers,
- To develop proposals pertaining to the principles and applications on the performance evaluation and award of the members of the Board of Directors and managers, and follow up the applications there under,
- To observe the works of the Investor's Relationships.

The Members of the Corporate Governance Committee are indicated herein below:

- Head of the Corporate Governance Committee
 - Halil Eroğlu, Independent Member of the Board of Directors
- Members of the Corporate Governance Committee
 - Ahmet Ertürk, Independent Member of the Board of Directors
 - Adnan Eydoğan, Independent Member of the Board of Directors
 - Hüseyin Yılmaz, Manager for Finance and Investor's Relationships

The Corporate Governance Committee also fulfils the duties of the Nomination Committee and Salary Committee as well within the framework of the principles and Articles of Association of our company.

Audit Committee

The Audit Committee provides the Board of Directors with support in order to ensure the auditing of financial information about the accounting system of Akgen REIT and public disclosure of it and functioning and observation of the internal control system. The Audit Committee consists of three members to be appointed among the members of the Board of Directors.

The members of the Audit Committee and Corporate Governance Committee are appointed by the Board of Directors within the direction of principles, determined at the Articles of Association of Akfen REIT, and its duties and authorizations are determined by the Board of Directors as well.

The Audit Committee is responsible for taking all measures in order to execute all sorts of internal and independent external audit in a sufficient and transparent manner, and conduct of duties, granted upon by the Capital Market Regulation and the Corporate Governance Communiqué .

The Audit Committee convenes at least four times, provided to be once in every quarter.

The Audit Committee Members are listed herein below:

- The Head of the Audit Committee Denetimden Sorumlu Komite Başkanı
 - Mr.Ahmet Ertürk, Independent Member of the Board of Directors
- The Members of the Audit Committee Denetimden
 - Mr. Adnan Aydoğan, Independent Member of the Board of Directors
 - Mr. Halil Eroğlu, Independent Member of the Board of Directors

Three independent members taking place at the Board of Directors take place both at the Corporate Governance Committee and Audit Committee ensuring the participation of the minority shares and stakeholders in the management.

Early Risk Detection Committee

Our Company has decided through the resolution of the Board of Directors, dated as March 14, 2013 to set up a committee pursuant to the Communiqué of having Series: IV, No. 63 amending the Communiqué of the Capital Market Committee and conduct the duty of the Early Risk Detection Committee, currently conducted by the Corporate Governance Committee.

The Early Risk Detection Committee is responsible for early detection of risks that may put the existence, development and continuation of the Company at jeopardy, and taking necessary

measures pertaining to the risks so detected and management of the risk in question; and the risk management systems are observed at least once annually. Furthermore, the Committee present a report to the Board of Directors once in every two months and gives information on the detected risks and action plans so taken.

- Head of the Early Risk Detection Committee
 - Halil Eroğlu, Independent Member of the Board of Directors
- Members of the Early Risk Detection Committee
 - Selim Akin, Member of the Board of Directors
 - Pelin Akin Özalp, Member of the Board of Directors

5.4. Risk Management and Internal Control Mechanism

Our Company has decided to carry out works consisting of trainings, one-to-one meetings and workshops on the Early Risk Detection through the support of the company, DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Deloitte) in order to activate the Risk Detection activities, and the said works were finalized within 2012 and our Risk Management Handbook was presented to the Board of Directors. It is decided to take the principles taking place at the Risk Management Handbook as basis in subsequent internal audits of the Audit Committee.

The Internal Control Mechanism fulfils the duties, granted by the Board of Directors, upon it in an effective manner with the establishment of the Audit Committee within the organization of the Audit Committee. Mr. Ahmet Ertürk, Independent Member of the Board of Directors, conducts the duty as the Head of the existing Audit Committee.

5.5. Strategic Targets of the Company

Mission

To become a leading hotel investor developing hotel projects due to be operated at highest standards by the international hotel operators of Turkey and surrounding geography.

Vision

To develop projects bearing high profitability at the real estate sector and provide high capital and dividend revenue for its shareholders while realizing a stable balance sheet growth.

Strategic Perspective

Akfen REIT has been positioned in the best manned for a steady/stable growth at the urban hotel management and specialized in urban hotel management at international standards.

- Exclusive partnership with the largest hotel group in Europe and one of the leading hotel groups internationally, Accor;
- Raising commercial activity in the major cities of Turkey;
- Rising volume of the domestic and external tourism in Turkey;
- High level of hotel investment know-how at the end of specialization on a single field of engagement;
- Export of know-how to neighbouring geography; and
- Low-risk and long-term leasing contracts that do not contain any operation responsibility, and regular rental revenue rising with the performances of the hotels.

Corporate Policy

To use the accumulation of knowledge, organization competence and opportunities, offered by technology, from the first day onward through the driving power that will be created by quality employees and specialist teamwork.

Principles

To work with well-educated/trained and experience human resources, and take the quality forefront in production, manufacturing and business management, and to complete the works under its undertaking in a timely manner and with high quality;

The Board of Directors holds negotiations with the Managing Director and executive management and determines the strategic targets pertaining to the related periods. The Board of Directors, furthermore, observes the Company's degree of achieving targets, activities and past performances within the scope of the end of year performance assessment process.

5.6. Financial Rights

A certain amount of fee, determined there under, is paid up to the Independent Member of the Board of Directors serving duties as an independent member within the framework of the Corporate Governance Principles of the Capital Market Committee in order to enable them to fulfil their membership time investment and requirements. It was decided by the General Assembly at the Ordinary General Assembly Meeting, held on May 11, 2017 for the activities of 2016 to pay a monthly salary of TRY 3.500,00 to each of the Independent Members of the Board of Directors, and not to pay any fees and honorariums to the other members of the Board of Directors.

As a requirement of the Corporate Governance Principles, the shareholders have been notified on the payments, made within the scope of “Salary Policy” for the members of the Board of Directors and Executive Managers at the Ordinary General Assembly Meeting, held on May 11, 2017 for 2016.

There are not any procedures such as lending money, providing credit facilities by the Company to the members of our Board of Directors or managers, giving guarantee in their favour have not been at issue.

Independence and Responsibility Statements

Appendix: 1- Independence Statements

Appendix: 2 - Akfen REIT Capital Market Committee and Operating Report Responsibility Statements for 2017

Agenda of the Ordinary General Assembly Meeting for 2016 Activities

1. Opening and Formation of the Presiding Board of the Meeting.
2. Discussion on granting authorization upon the Presiding Board of the Meeting to sign the Meeting Minutes;
3. Reading and discussion of the Operating Report, prepared by the Board of Directors for the year of (...).
4. Reading the Audit Report
5. Reading, discussion and approval of the Financial Tables and approval of the same.
6. Releasing the members of the Board of Directors from their obligations.
7. Since there has been no distributable profit in 2016 within the direction of the decision no. 2017/8 of the Board of Directors, dated as March 29, 2017, presenting the profit distribution table at the attachment to the General Assembly for information and again submission of the proposal not to make any profit distribution for the approval of the General Assembly.
8. Providing information to the shareholders at the General Assembly on the duties of the members being nominated for the Board of Directors within or out of the group including the independent members.
9. Election of the members of the Board of Directors.
10. Determination of the salaries/fees of the members of the Board of Directors and the rights such as honorariums, bonuses, premiums and so on.
11. Determination of the appraisal company, from which appraisal services will be purchased for the assets taking place at the portfolio of the Company, as TSKB Gayrimenkul A.Ş. within the direction of the arrangements of the Turkish Commercial Code and Capital Market Committee, and furthermore, submission of the matter to determine the companies, TSKB Gayrimenkul Değerleme A.Ş. and Smart Kurumsal Gayrimenkul Değerleme Danışmanlık A.Ş., as appraisal companies, from which appraisal services will be purchased for the assets that may be taken into the Company's portfolio for 2017 and require an appraisal.
12. Presentation of the matter to determine the firm, Güney Bağımsız Denetim ve Serbest Muhasebeci
13. Informing the shareholders about the donations, made by our Company within 2016 and determination of an upper limit for the donations to be made in 2017.
14. The rental expertise values of the company assets having been made subject to the long-term leasing contracts as we indicated in our declaration to the Public Disclosure Platform bearing the date of January 16, 2017 pursuant to the 2nd subparagraph of Article 37 of the Communiqué no. III-48.1 on Principles Pertaining to the Real Estate Investment Trusts of the Capital Market Committee, have been caused to be determined, and submission of the matter for information to the General Assembly indicating that there was leasing transaction under the expertise value.
15. As a requirement of the arrangements of the Capital Market Committee, informing the shareholders about the transactions, made with the Related Parties coming into the framework of the Corporate Governance Communiqué in 2016.
16. As a requirement of the Capital Market Committee, Informing the Shareholders on Related procedures coming into the framework of the Corporate Governance Communiqué for 2017.
17. Giving permission to the shareholders controlling the management, executive managers, members of the Board of Directors and their spouses and relatives up to second degree and relatives by marriage within the framework of Articles 395 and 396 of the Turkish Commercial Code, and informing the shareholders on the procedures, realized within this scope within 2015 in the direction of the Corporate Governance Communiqué of the Capital Market Committee.
18. Wishes and Views.

Akfen REIT

Buyback Program of the Company's Shares

Objective of the Repurchase

It is aimed in this respect is that upon fall in the share price of our Company having begun trading at the Borsa Istanbul A.Ş. (Istanbul Stock Exchange) on May 11, 2011 substantially below its public offering price (level) as a result of instabilities having arisen at the geography where Turkey is located in, failure of the values, realized at Borsa Istanbul A.Ş., to reflect the real performance of the activities of our company and possibility to repurchase the shares trading at Borsa Istanbul A.Ş., when it is deemed as necessary, upon assessment of current market conditions to bring down the price fluctuations and follow up of the price trends due to occur at the stock exchange in coming period through the authorization, taken from the General Assembly within this scope and when the applicable conditions require to be able to purchase its own shares.

The Period When the Repurchase Program Will Be Applied

Thirty six (36) months

Maximum Number of Shares to Be Repurchased

The repurchase of the maximum rate of the Company's shares is envisaged within the scope where the applicable legislation allows doing so. In this respect it is possible to make buyback within the framework of the provisions of legal regulation up to the figure referring to 10 % of the Company's Capital. In case of any amendment in the regulation or increase of the capital within this period, then, the related procedure will be made pursuant to the increased capital and amended regulation.

The program will be finalized upon reaching the maximum number of shares subject to the buyback.

Total Amount and Source of the Fund, Allocated for the Repurchase

A fund amount of TRY 41.950.000,00 due to be created from the income being procured from the operations and sources of the Company for buyback has been determined.

The nominal value of the repurchased shares cannot exceed 30 % of the issued capital including previous purchases. Those of shares, disposed during the term of the program, being repurchased in this respect cannot be taken into consideration in the calculation of this rate.

The total value of the repurchased shares cannot exceed the total sum of the resources that may be made to be subject to the profit distribution.

Lower and Upper Limits for the Repurchase of the Shares

The lower price limit in the repurchase of the share is 0 (zero), upper price limit, however, is TRY 2,28 (Two Point Twenty Eight Turkish Liras).

Transaction Procedure and Authorization Period, Required from the General Assembly

The Board of Directors of our Company has been authorized for a period of 3 (three) years.

The Board of Directors of our Company has been authorized on the repurchase of the shares and disposition of such shares so purchased and execution of necessary procedures pursuant to applicable regulation during a period of three (3) years following the date when it is authorized by our General Assembly, Provided to remain within this authorization period, our Board of Directors may realize a shorter period or more buyback programs.

Our Board of Directors may decide to initiate a buyback program again during an authorization Period of 3 (three) years at the end of a terminated buyback program. In this case, the aforementioned procedure will be repeated.

Our Board of Directors is authorized to finalize the sales without disposition of the entire numbers of the shares, repurchased in this respect, and to initiate a new buyback program.

Authorization for Buyback

Mr. Fuad Sertac Karaağaoğlu has been authorized for purchases.

Number of Shares, Repurchased and Still Not Disposed of, Their Proportion to the Capital and Results of the Preceding Program

The Number of Shares, Repurchased and Still Not Disposed of: 0

Their Proportion to the Capital: 0

No buyback has been made by our Company previously within the scope of the related regulation.

The Lowest, Highest and Weighted Average Share Price Information on Annual Basis

As of January 01, 2017, annually;

The lowest share price: TRY 1,20

The highest share price: TRY 2,70

Weighted average share price: TRY 1,70

The Lowest, Highest and Weighted Average Share Price Information for the last 3 months (quarter)

As of January 01, 2017, for the last quarter;

The lowest share price: TRY 2,0

The highest share price: TRY 2,70

Weighted average share price: TRY 2,41

Benefits to be provided by the Related Parties

None.

Information Pertaining to the Affiliates That May Make Repurchase, If Included in the Scope of Program

Akfen Gayrimenkul Ticareti ve İnşaat A.Ş.

Buyback Program

A buyback transaction referring to a value of TRY 2.266.570,85 was made between the dates of April 03, 2017-May 23, 2017. Cumulative Purchasing Information is presented herein below.

According to the buyback program, accepted at the General Assembly, held on May 24, 2016, the buyback program period is 3 years and nominal buyback value referring to 2018 is 3.8 million Turkish Lira on approximate basis.

Amount of Cumulative Transaction Referring to 2017 (in TRY)	Nominal Value of Shares, Owned as of Current Period (in TRY)	Amount of Cumulative Transaction as of Current Period (in TRY)	Proportion of Shares, Owned After the Transaction within the Company Capital (%)	Weighted Average Price
TRY 2.266.570,85	TRY 4.218.000	TRY 5.605.354.09	2.29%	1,33

Notifications to Be Made to Public

The buyback program, prepared by the Board of Directors, will be disclosed to the public with a special circumstance disclosure to be made by the Company at least three weeks in advance from the general assembly meeting date exclusive of announcement and meeting dates and published at the website: www.akfenREIT.com.tr of the Company simultaneously.

In case any change is made by the general assembly in the buyback program, submitted to the attention of the General Assembly, the program so changed will be disclosed to the public with a special circumstance disclosure to be made by the partnership within the first business day following the General Assembly date and published at the website of the Company simultaneously.

Two business days in advance of commencement of the buyback transactions pursuant to the program, the commencement and completion dates when the buyback is planned to be made, nominal amount of shares subject to the buyback and special circumstance disclosure pertaining to the capital proportion will be made.

For each transaction, realized by the Company within the framework of the buyback program, a special circumstance disclosure containing the nominal value of the shares subject to the transaction (procedure), their transaction price, proportion to the capital, nominal value of the shares, repurchased before within the framework of the program, and priorities and transaction date subject to these shares, if any, in advance of the commencement of the session on the business day following the date of transaction.

In the event that the repurchased shares are disposed of including previous purchases, the Company will make a special circumstance disclosure containing the nominal value of the shares subject to the transaction (procedure), their transaction price, proportion to the capital, capital proportion of remaining shares, amount of realized profit/loss, and priorities and transaction date subject to these shares, if any, in advance of the commencement of the session on the business day following the date of transaction

Maximum and average value, paid up for the repurchased shares, source being used for the cost of the repurchase, total number of shares repurchased and the proportion of these shares to the capital will be disclosed by the Company to the public within a period of three business days following the expiry of time, termination of the program and completion of repurchases, planned within the scope of the program. In the event that the shares, repurchased by the Company, have are disposed of within the program period, additionally in the same way, the total nominal value of the shares disposed of, total profit/loss amount and average sales price, and priorities and transaction date subject to purchase and sale, if any, will be disclosed.

This information in the nature of summary of the transactions, realized within the framework of the buyback program is submitted to the attention of the shareholders at the first general assembly.

Other information pertaining to the buyback program

An amount of reserve fund as much as the repurchase value of the shares repurchased will be allocated and classified as limited reserve funds under the equities. The said reserve funds so allocated will be released at a value to meet their repurchased values in case the repurchased shares are sold or amortised.

The acquired shares will not be taken into consideration in the calculation of the meeting quorum at the general assembly.