IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS ("**QIBS**") IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), PROVIDED BY RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") OR (2) NON-U.S. PERSONS LOCATED OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**") AND, IF SUCH INVESTORS ARE RESIDENT IN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (THE "**EEA**"), NOT RETAIL INVESTORS (AS DEFINED BELOW).

IMPORTANT: You must read the following before continuing. The following applies to the offering circular following this disclaimer (the "**Offering Circular**"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them, any time you receive any information from BNP Paribas, HSBC Bank plc or J.P. Morgan Securities plc (together, the "**Joint Bookrunners**" and each a "**Joint Bookrunner**") and ING Bank N.V., London Branch and UniCredit Bank AG (together with the Joint Bookrunners, the "**Joint Lead Managers**" and each a "**Joint Lead Manager**") or Rönesans Gayrimenkul Yatırım A.Ş. (the "**Issuer**") as a result of such access and you agree that the Issuer, together with its subsidiaries and affiliates, and the Joint Lead Managers will rely upon the truth and accuracy of the following representations, acknowledgements and agreements.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES (AS DEFINED IN THE OFFERING CIRCULAR) HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THE OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your representations: In order to be eligible to view the Offering Circular or make an investment decision with respect to the Notes, investors must be either (1) QIBs (within the meaning of Rule 144A under the Securities Act) or (2) non-U.S. persons (within the meaning of Regulation S under the Securities Act) located outside the U.S.; provided that if such investors are resident in a Member State of the EEA, they must also not be retail investors (as defined below). The Offering Circular is being sent at your request and by accepting the e-mail and accessing the Offering Circular, you shall be deemed to have represented to the Issuer and the Joint Lead Managers that (1) you and any customers you represent are either (a) QIBs or (b) not U.S. persons (within the meaning of Regulation S under the Securities Act), that the electronic mail address that you gave us and to which the Offering Circular has been delivered is not located in the U.S. and, if you are resident in a Member State of the EEA, you are not a retail investor (as defined below), and (2) you consent to delivery of such Offering Circular by electronic transmission. For the purposes of this disclaimer, a "**retail investor**" means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC, as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Offering Circular to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and any of the Joint Lead Managers or any of their respective affiliates is a licensed broker or dealer in that jurisdiction, the offer shall be deemed to be made by such Joint Lead Managers or affiliate on behalf of the Issuer in such jurisdiction.

No person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of the Notes other than in circumstances in which Section 21(1) of the FSMA does not apply.

The Offering Circular may only be distributed to, and is only directed at (a) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**"), (b) high net worth bodies corporate falling within Article 49(2) of the Order, and (c) any other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "**relevant persons**"). Any person who is not a relevant person should not act or rely on the Offering Circular or any of its contents.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Joint Lead Managers or any person who controls them, nor any director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

NOT FOR GENERAL DISTRIBUTION IN THE UNITED STATES

Rönesans Gayrimenkul Yatırım A.Ş.
U.S.$300,000,000 7.250 per cent. Notes due 2023

The U.S.$300,000,000 7.250 per cent. Notes due 2023 (the "**Notes**") are issued by Rönesans Gayrimenkul Yatırım A.Ş. (the "**Company**", "**Issuer**" or "**RGY**" and, together with its subsidiaries, the "**Group**").

Interest on the Notes is payable semi annually in arrear on 26 April and 26 October in each year and the first payment shall be made on 26 October 2018. The Notes mature on 26 April 2023. All payments in respect of the Notes shall be made without withholding or deduction for, or on account of, taxes imposed or levied by or on behalf of a Relevant Taxing Jurisdiction (as defined in "*Terms and Conditions of the Notes—Definitions*") to the extent described under "*Terms and Conditions of the Notes—Taxation*". Under current Turkish tax law, withholding tax at the rate of 0 per cent. applies to payments of interest on the Notes. See "*Taxation—Certain Turkish Tax Considerations*".

The Issuer may, at its option: (i) redeem the Notes in whole, but not in part, at any time at par plus accrued interest, in the event of certain tax changes as described under "*Terms and Conditions of the Notes—Redemption and Purchase—Redemption for Taxation Reasons"*; and (ii) redeem the Notes in whole or in part at any time at the greater of 100 per cent. of the principal amount of the Notes to be redeemed or the Optional Redemption Price (as defined in the Terms and Conditions of the Notes (the "**Conditions**")) together, in each case, with accrued interest as described under "*Terms and Conditions of the Notes — Redemption and Purchase – Make-whole call*".

On the occurrence of a Change of Control Put Event (as defined in the Conditions), each Noteholder shall have the option to give notice requiring the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) each Note held by the relevant Noteholder on the Change of Control Put Date (as defined in the Conditions) purchase date, at 101 per cent. of the principal amount of such Notes together with accrued interest (if any). See "*Terms and Conditions of the Notes—Redemption and Purchase - Redemption at the option of the Noteholders upon a Change of Control*".

In the event that the Issuer fails to comply with certain of its obligations under the financial covenants in the Conditions, the Issuer will have the right to cure any such breach by applying net amounts received in respect of any new equity issue or Subordinated Shareholder Debt; or depositing a cash amount of U.S. dollars in the Account (each term as defined in the Conditions), as applicable. See "*Terms and Conditions of the Notes – Covenants – Equity Cure and Account Bank Cure*".

This Offering Circular has been approved by the Central Bank of Ireland as competent authority under Directive 2003/71/EC, as amended (including the amendments made by Directive 2010/73/EU) (the "**Prospectus Directive**"). The Central Bank of Ireland only approves this Offering Circular as meeting the requirements imposed under Irish and European Union law pursuant to the Prospectus Directive. Such approval relates only to the Notes that are to be admitted to trading on the regulated market (the "**Main Securities Market**") of the Irish Stock Exchange plc trading as Euronext Dublin ("**Euronext Dublin**") or on another regulated market for the purposes of Directive 2014/65/EU (as amended, "**MiFID II**") and/or that are to be offered to the public in any member state (a "**Member State**") of the European Economic Area (the "**EEA**").

Application has been made to Euronext Dublin for the Notes to be admitted to the official list of Euronext Dublin (the "**Official List**") and to trading on the Main Securities Market of Euronext Dublin. References in this Offering Circular to Notes being listed (and all related references) shall mean that such Notes have been admitted to trading on the Main Securities Market and have been admitted to the Official List.

Application has been made to the Capital Markets Board (the "**CMB**") of the Republic of Turkey ("**Turkey**"), in its capacity as competent authority under Law No. 6362 (the "**Capital Markets Law**") of Turkey relating to capital markets, for its approval of the issuance and sale of the Notes by the Issuer outside Turkey. The Notes cannot be sold before the necessary approvals and an approved issuance certificate (*ihraç belgesi*) in respect of the Notes are obtained from the CMB. The CMB's approval of the issuance certificate, based upon which the offering of the Notes will be conducted, was obtained on 15 March 2018, and the written approval of the CMB relating to the issue of the Notes (which may be in the form of a tranche issuance certificate (in Turkish: *tertip ihraç belgesi*) is expected to be obtained from the CMB on or before the Issue Date (as defined below).

The Notes are expected to be rated Ba2 by Moody's Investors Service Ltd. ("**Moody's**") and BB+ by Fitch Ratings Limited ("**Fitch**"). Each of Moody's and Fitch is established in the European Union, domiciled in the United Kingdom, and is included in the list of credit rating agencies registered in accordance with Regulation (EC) No. 1060/2009 on Credit Rating Agencies as amended by Regulation (EU) No. 513/2011 (the "**CRA Regulation**"). This list is available on the European Securities and Markets Authority ("**ESMA**") website (https://www.esma.europa.eu/supervision/credit-rating-agencies/risk) (last updated 15 March 2018). A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating organisation.

Issue Price: 99.485 per cent. plus accrued interest, if any, from the Issue Date.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("Regulation S") except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Notes are being offered, sold and delivered only: (a) to qualified institutional buyers ("QIBs") (as defined in Rule 144A under the Securities Act ("Rule 144A")) in reliance on, and in compliance with, Rule 144A; and (b) outside the United States to non-U.S. persons in reliance on Regulation S. Each purchaser of the Notes will be deemed to have made the representations described in "*Selling and Transfer Restrictions*" and each purchaser of the Rule 144A Notes is hereby notified that the offer and sale of Notes to it is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A. In addition, until 40 days after the commencement of the offering, an offer or sale of any of the Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if the offer or sale is made otherwise than in accordance with Rule 144A.

The Notes will be issued in registered form in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. The Notes will initially be represented by two global certificates in registered form (the "**Global Certificates**"), one of which will be issued in respect of the Notes (the "**Rule 144A Notes**") offered and sold in reliance on Rule 144A (the "**Restricted Global Certificate**") and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("**DTC**") and the other of which will be issued in respect of the Notes ("**Regulation S Notes**") offered and sold in reliance on Regulation S (the "**Unrestricted Global Certificate**") and will be registered in the name of a nominee for a common depositary of Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). Interests in the Restricted Global Certificate will be subject to certain restrictions on transfer. See "*Selling and Transfer Restrictions*". Beneficial interests in the Global Certificates will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear and Clearstream, Luxembourg and their participants. It is expected that delivery of the Global Certificates will be made on 26 April 2018 or such later date as may be agreed (the "**Issue Date**") by the Issuer and the Joint Lead Managers (as defined under "*Subscription and Sale*"). Except in limited circumstances, individual certificates will not be issued in exchange for beneficial interests in the Global Certificates.

An investment in Notes involves certain risks. Prospective investors should have regard to the factors described under the heading "*Risk Factors*", beginning on page 18 of this Offering Circular.

Joint Lead Managers and Joint Bookrunners

BNP PARIBAS **HSBC** **J.P. MORGAN**

Joint Lead Managers

ING **UNICREDIT BANK**

The date of this Offering Circular is 24 April 2018

IMPORTANT NOTICES

This Offering Circular constitutes a prospectus for the purposes of the Prospectus Directive.

We accept responsibility for the information contained in this Offering Circular. To the best of our knowledge (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information. Any information sourced from third parties contained in "*Industry Overview*" has been accurately reproduced and, as far as we are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third-party information has been used in this Offering Circular, the source of this information has been identified.

TSKB Gayrimenkul Değerleme Anonim Şirketi ("**TSKB**") accepts responsibility for the information contained in the section "*Valuation Report*" and, to the best of its knowledge (having taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

Neither the Joint Lead Managers nor BNY Mellon Corporate Trustee Services Limited (the "**Trustee**") has independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers or the Trustee as to the accuracy or completeness of the information contained in this Offering Circular or any other information provided by us or TSKB in connection with the offering of the Notes. None of the Joint Lead Managers and the Trustee accepts any liability in relation to the information contained in this Offering Circular or any other information provided by us or TSKB in connection with the offering of the Notes or their distribution. **The contents of this Offering Circular are not, are not to be construed as, and should not be relied on as, legal, business or tax advice and each prospective investor should consult its own legal and other advisers for any such advice relevant to it.**

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by us, any of the Joint Lead Managers or the Trustee.

Neither this Offering Circular nor any other information supplied in connection with the offering of the Notes constitutes an offer or invitation by or on behalf of us, any of the Joint Lead Managers or the Trustee to any person to subscribe for or to purchase any Notes.

The information contained in this Offering Circular is correct as of the date hereof. Neither the delivery of this Offering Circular nor the offering, sale or delivery of the Notes shall in any circumstances imply that the information contained herein is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Lead Managers and the Trustee expressly do not undertake to review our financial condition or affairs during the life of the Notes or to advise any investor in the Notes of any information coming to their attention.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. We, the Joint Lead Managers and the Trustee do not represent that this Offering Circular may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by us, the Joint Lead Managers or the Trustee which is intended to permit a public offering of the Notes or the distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the European Economic Area (the "**EEA**"), the United Kingdom, Turkey and Canada. See "*Subscription and Sale*".

The offering of the Notes has been authorised by the CMB only for the purpose of the issuance and sale of the Notes outside Turkey in accordance with Article 15(b) of Decree 32 on the Protection of the Value of the Turkish Currency (as amended from time to time, the "**Decree 32**") and the Communiqué, No. VII-128.8 on the Debt Instruments (the "**Communiqué**"). The Notes (and any beneficial interests therein) must be offered or sold only outside Turkey, and the CMB has authorised the offering of the Notes on the basis that, following the primary sale of the Notes, no transaction that may be deemed as a sale of the Notes (or any beneficial interests therein) in Turkey by way of private placement or public offering may be engaged in. Pursuant to Article 15(d)(ii) of Decree 32, there is no restriction on the purchase or sale of the Notes (or beneficial interests therein) in offshore transactions on an unsolicited basis by residents of Turkey, provided that such sale or purchase is made through licenced banks authorised by the Banking Regulation and Supervision Authority ("**BRSA**") and/or licensed brokerage institutions authorised pursuant to CMB regulations and the purchase price is transferred through such licenced banks. As such, Turkish residents should use such licenced banks or licensed brokerage institutions when purchasing any Notes (or beneficial interests therein) and transfer the purchase price through such licenced banks. The Issuer has obtained the CMB approval letter dated 15 March 2018 and numbered 29833736-105.02.02.02-E.3038 together with the CMB approved issuance certificate (*onaylanmış ihraç belgesi*) dated 15 March 2018 and numbered 12/366 and the written approval of the CMB relating to the issue of the Notes (which may be in the form of a tranche issuance certificate (*tertip ihraç belgesi*)) will be obtained from the CMB before any sale and issuance of the Notes.

Pursuant to the Communiqué, we are required to notify the Central Registry Agency (*Merkezi Kayıt Kuruluşu A.Ş.*) (the "**CRA Turkey**") within three business days from the issue date of the Notes of the principal amount, the issue date, the ISIN (if any), the interest commencement date, the maturity date, the interest rate, the name of the custodian and the currency of the Notes and the country of issuance.

IN CONNECTION WITH THE ISSUE OF THE NOTES, HSBC BANK PLC AS STABILISATION MANAGER (THE "STABILISATION MANAGER") (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISATION MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES. NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, WE SHALL NOT (WHETHER THROUGH OVER-ALLOTMENT OR OTHERWISE) ISSUE MORE NOTES THAN HAVE BEEN APPROVED BY THE CMB.

This Offering Circular is being provided in the United States to a limited number of QIBs for informational use solely in connection with the consideration of the purchase of the Notes. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

Each purchaser or holder of interests in the Notes will be deemed, by its acceptance or purchase of any such Notes, to have made certain representations and agreements as set out in "*Selling and Transfer Restrictions*".

In this Offering Circular, the terms "**Group**", "**we**", "**us**" and "**our**" refer to the Issuer and collectively to the Issuer and its subsidiaries on a consolidated basis as the context requires.

SUITABILITY OF INVESTMENT

Neither this Offering Circular nor any other information supplied in connection with the offering of the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or any of the Joint Lead Managers that any recipient of this Offering Circular or any other information supplied in connection with the offer or sale of the Notes should purchase the Notes. Each person contemplating making an investment in the Notes must make its own investigation and analysis of the creditworthiness of the Issuer and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience, and any other factors that may be relevant to it in connection with such investment. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Offering Circular or any applicable supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal and profit payments is different from the potential investor's currency;

- understand thoroughly the terms of the Notes and be familiar with the behaviour of financial markets in which they participate; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk based capital or similar rules.

None of the Issuer, the Joint Lead Managers or any of their respective representatives is making any representation to any offeree or purchaser of the Notes (or beneficial interests therein) regarding the legality of any investment by such offeree or purchaser under applicable legal investment or similar laws. Each investor should consult with its own advisers as to the legal, tax, business, financial and related aspects of an investment in the Notes.

NOTICE TO PROSPECTIVE INVESTORS

MIFID II product governance / Professional investors and Eligible Counterparties only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

PRIIPs Regulation/Prohibition of sales to EEA retail investors – The Notes are not intended to be offered or sold to and should not be offered or sold to any retail investor in the EEA. For these purposes, a "**retail investor**" means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes to retail investors in the EEA has been prepared. Offering or selling the Notes to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

Notice to Prospective Investors in the United States

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY OTHER STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY IN THE UNITED STATES, NOR HAS ANY SUCH COMMISSION OR REGULATORY AUTHORITY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

THE NOTES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, AND APPLICABLE STATE SECURITIES LAWS PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. AS A PROSPECTIVE INVESTOR, YOU SHOULD BE AWARE THAT YOU MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. PLEASE REFER TO THE SECTIONS IN THIS OFFERING CIRCULAR ENTITLED "*SUBSCRIPTION AND SALE*" AND "*SELLING AND TRANSFER RESTRICTIONS*".

Notice to prospective investors in Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal, that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), or section 1.1 of National Instrument 45-106 Prospectus Exemptions and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the Prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Circular (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal adviser.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Joint Lead Managers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

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OVERVIEW

This overview highlights some information from this Offering Circular. It does not contain all of the information that is important in making a decision whether to invest in the Notes. You should read the following overview together with the more detailed information regarding the Group and the Notes being sold in this offering included and incorporated by reference in this Offering Circular.

OVERVIEW OF THE COMPANY

We are a leading Turkish commercial real estate company operating solely in Turkey. Our focus is on the development of, investment in and operation of predominately shopping centres and some offices, although some of our investment properties include other assets, such as a hotel, school or residential component. We have one of the largest commercial property portfolios in Turkey, with 11 income generating assets and two properties under development together with a strong pipeline of new developments. Our portfolio of investment properties comprises eight medium to large scale shopping centres in Istanbul, Ankara, Izmir and other large Turkish cities, one mixed use property comprising a shopping centre and office in Istanbul and two office buildings in Istanbul. We are also developing a mixed use project (shopping centre, office and residential) in Istanbul and a shopping centre in Izmir. Our Property Portfolio includes a range of commercial projects, in terms of geographic location, size, design, segment and stage of development.

We are involved in all stages of project development and management, including: sourcing; acquisition; zoning, permitting and licensing; design; financing; construction management; and leasing, property and asset management. We use our extensive deal-sourcing capability and knowledge of the Turkish real estate market to acquire attractive sites and properties following the three key principals: good location, easy accessibility and good visibility. We develop our projects using international architectural and design concepts and seek to do so in accordance with international best practices and safety standards. We actively observe international trends in commercial real estate offerings and endeavour to tailor evolving commercial real estate offerings for the markets in which we operate by continually adjusting the tenant mix to offer attractive stores and services as well as focusing on shopping centres that remain attractive meeting places, close to large population centres and with easy public transportation access. We also engage in the asset management of our properties by managing tenant mix and rents, structuring leases and engaging in other activities designed to maximise footfall, occupancy levels and rental income from our shopping centres.

Our major shareholders' parent, Rönesans Holding, a private company, holding indirectly 74.24% of our outstanding shares, is a construction and real estate development group with operations in Turkey and other locations across the Commonwealth of Independent States, Western Europe, Africa and the Middle East. In 2016, the International Finance Corporation invested U.S.$215 million into Rönesans Holding through a capital increase to become a minority shareholder holding 5.25% of the outstanding shares of Rönesans Holding. This investment valued Rönesans Holding at U.S.$4.1 billion. As of at 31 December 2017, the Rönesans Group has 44,704 employees globally, working in more than 20 locations. The Rönesans Group operates in energy, PPP healthcare investment and infrastructure businesses. Rönesans Construction, the Rönesans Group's construction arm, has been the general contractor or construction manager for most of our real estate development projects. During that time, it has accumulated expertise in managing the construction of various types of properties, including retail, industrial, hotels, offices and public buildings. Our other principal shareholder's parent, GIC, holding 21.44% of our outstanding shares, is a global investment management company established in 1981 to manage Singapore's foreign reserves. It invests through three investment groups: Public Markets, Private Equity and Real Estate. Its real estate investments include both shareholdings and debt investments in both listed and unlisted real estate companies. The remaining 4.32% of our outstanding shares are held by members of our management (Mr. Kamil Yanıkömeroğlu and Mr. Murat Özgümüş).

Our extensive experience in the Turkish real estate market gives us both significant insight into this market and an extensive network of contacts that enables us to source attractive sites. Our relationships with developers, vendors, local municipalities and other industry participants provide us with access to land sites in both on- and off-market transactions and an array of other development opportunities. We also have access to an extensive network of well-known domestic and international retailers for our shopping centres and a broad tenant base for our office and other developments. In addition, we benefit from the Rönesans Group's and GIC's reputation in both our domestic and international markets.

We use the following categorisation for the properties in our Property Portfolio:

- **Investment properties**: these are properties where construction has been completed and the constructed facility is operational and generates revenues;

- **Properties under development**: these are properties where we have commenced construction, which is ongoing; and

- **Land bank properties**: there are properties where we have not commenced construction. Our land bank is divided into core and non-core segments. Core land bank properties are properties on which we intend to commence construction once we receive a construction permit. In relation to these properties, we may have already completed a detailed concept design or we may still be working on one. Non-core land bank properties are those properties where we have no current intention to commence construction activities.

In accordance with these categories, as at 31 December 2017 our Property Portfolio comprised:

- 11 yielding investment properties, principally comprising eight shopping centres located in Istanbul, Ankara, Izmir and other major Turkish cities, one mixed use project comprising a shopping centre and office in Istanbul, and two office buildings in Istanbul, totalling 526,536 m^2 of GLA in aggregate, comprising 450,471 m^2 of retail GLA and 76,066 m^2 of office GLA. Our proportional share meaning our share of the assets and liabilities and revenue and expenses of our joint ventures of the total GLA of our investment properties is 361,915 m^2;

- a mixed use project comprising a shopping centre, office and residential units in Istanbul and a shopping centre under development in Izmir, totalling 154,384 m^2 of GLA in aggregate, comprising 118,497 m^2 of retail GLA and 35,887 m^2 of office GLA. The shopping centre in Izmir is wholly owned by the Company;

- three core land bank properties, located in Izmir and Antalya, totalling 233,559 m^2. Our proportional share of the total core land bank properties' plot area is 209,174 m^2; and

- eight non-core land bank properties, located in Istanbul, Ankara, Izmir, Bursa, Antalya and Izmit, totalling 217,454 m^2. Our proportional share of the total non-core land bank properties' plot area is 205,739 m^2.

As at 31 December 2017, the properties in which we hold an economic interest, were valued at a total value of TRY 12.7 billion by TSKB, although in many cases we do not hold a 100% interest in those properties and the value of our investment properties in the Financial Statements as at 31 December 2017 was TRY 6.3 billion (and, the Combined gross asset value was TRY 9.5 billion as at the same date). See "*Risk Factors—Risks related to our business and industry generally—Property valuation is inherently subjective and uncertain and subject to assumptions*".

As at 31 December 2017, the regional distribution of our Property Portfolio, based on the combined investment property value basis is: 48.0% are located in İstanbul, 21.9% located in İzmir, 9.7% in Adana, 5.0% in Samsun, 4.7% in Ankara, 4.5% in Antalya, 2.6% Kahramanmaraş, 2.3% in Şanlıurfa and 1.2% in other cities. As at 31 December 2017, the regional distribution of the yielding assets within our Property Portfolio, based on the combined investment property fair value basis is: 47.0% in İstanbul, 16.3% in İzmir, 15.0% in Adana, 7.8% in Samsun, 6.2% in Ankara, 4.1% Kahramanmaraş, and 3.5% in Şanlıurfa.

In January 2018, we acquired our joint venture partner's interest in three joint ventures each of which owned a yielding investment property.

In each of 2017, 2016 and 2015, our revenue amounted to TRY 169 million, TRY 114 million and TRY 88 million, respectively, our Adjusted EBITDA amounted to TRY 85 million, TRY 33 million and TRY 15 million, respectively, and our net profit amounted to TRY 1,167 million, TRY 758 million and TRY 508 million, respectively.

In each of 2017, 2016 and 2015, our Combined revenue amounted to TRY 396 million, TRY 311 million and TRY 270 million, respectively, our Combined Adjusted EBITDA amounted to TRY 257 million, TRY 180 million and TRY 151 million, respectively, and our net profit amounted to TRY 1,167 million, TRY 758 million and TRY 508 million, respectively. As at 31 December in each of 2017, 2016 and 2015 our Combined EPRA NAV amounted to TRY 6,664 million, TRY 5,244 million and TRY 4,332 million, respectively.

STRENGTHS

We believe that we have a number of key strengths that give us a competitive advantage and enable us to operate successfully in Turkey.

Presence in attractive and growing market and assets classes

We are present in a growing economy with favourable macroeconomics and dynamic demographics, which we believe drives demand for our real estate assets. Historically, in terms of real GDP growth, Turkey has outperformed the eurozone average, with average real GDP growth rates from 2015-2017 forecast to be 5.1% compared to 2.0% real GDP growth rates across the eurozone (Source: OECD, March 2018). We expect Turkey to continue to outperform European average real GDP growth in the next few years.

One trend observed in emerging and growing economies as they develop is the increasing urbanisation of the population as jobs migrate from the rural economy to towns and cities. In Turkey between 1975 and 2014, the UN estimates that the proportion of the population in urban environments increased from 41.6% to 72.9% (Source: United Nations World Urbanisation Offering Circular, 2014 Revision). This has led to increased demand for commercial real estate, particularly as the middle and affluent class has been growing in Turkey in turn driving demand for retail and other commercial real estate and is expected to continue to do so.

We believe that quality real estate assets and retail space remain in short supply in Turkey. Retail space in Turkey is limited at 126 m^2 GLA per 1,000 inhabitants which is significantly below the European Union 28 average of 314 m^2 GLA per 1,000 inhabitants (Source: C&W), which we believe suggests significant growth potential.

High quality and balanced portfolio

We believe that we have a high quality and well-balanced portfolio of (i) income generating assets which bring stability to earnings and (ii) assets that we can develop in the future which we believe will drive the growth of the portfolio. As at 31 December 2017, the total value of the properties in which we hold an economic interest, was TRY 12.7 billion.

As of 31 December 2017, the portfolio of the properties in which we hold an economic interest as classified by Combined gross asset value is 64.3% investment property, 23.4% properties under development, 6.0% core land bank properties and the remaining 6.3% is non-core land bank. Of the properties under development, our Maltepe mixed use project, whose fair value as at 31 December 2017 was TRY 1,549 million, is expected to be completed in the second quarter of 2018. After the Maltepe project is opened, the share of properties under development is expected to fall to 7.1%. Shopping centres represent 74.9% of the total portfolio value as at 31 December 2017, with the remainder being offices (11.2%), other (1.5%) and land bank (12.3%). In addition, shopping centres represent 85.2% of the yielding portfolio value as at 31 December 2017, with the remainder being offices (12.4%) and other (2.4%).

The portfolio of the properties in which we hold an economic interest as classified by Combined gross asset value was 50.9% investment property, 32.4% properties under development, 8.4% core land bank properties and the remaining 8.2% was non-core land bank as at 31 December 2016.

The portfolio of the properties in which we hold an economic interest as classified by Combined gross asset value was 59.1% investment property, 19.7% properties under development, 8.0% core land bank properties and the remaining 13.2% was non-core land bank as at 31 December 2015.

This balanced portfolio allows us to pursue growth by using the cash flow from investment properties to fund the future development of the pipeline, while efficiently managing our operational risks.

Dominant shopping centres located close to public transportation hubs

All of our shopping centres are dominant shopping centres in their region and we believe are well located and easily accessible. The dominance reflects their central location and proximity to metro, light or high speed train services. In the most populated cities of Turkey where traffic congestion is significant, easy access to transportation is vital to maintain dominance and to have a larger catchment area. Our shopping centres are accessible to over 20 million people within 30 minutes time and will be accessible to over 26 million people once the two ongoing development projects are completed.

Growth of portfolio due to development activities

We have two projects under development, Maltepe mixed use in Istanbul and Karşıyaka shopping centre in Izmir, which we plan to complete in the second quarter 2018 and the second quarter of 2019, respectively. Assuming that both of these projects are completed according to plan, this will add an additional 154,384 m^2 GLA to the portfolio, broken out into 91,499 m^2 in 2018 and 62,885 m^2 in 2019 (on a 100% basis). The total GLA of our Property Portfolio has grown at a compound annual growth rate of 8.4% since 2015.

Vertically integrated platform

We have a vertically integrated business model covering sourcing and acquisition; concept and design; zoning and permitting; financing; construction management and leasing, property and asset management. This allows us to capture value across all stages of the development cycle and minimise value leakage, as well as to manage and control all stages of the development process. We employ 327 people, including mapping specialists, zoning specialists, project managers, engineers, analysts, marketing and sales specialists, lawyers, contract managers and finance and control personnel. Our internalised management structure allows us to control the development cycle and not to rely on third party managers.

Expertise and extensive experience in the Turkish market

We have significant expertise and extensive experience operating in the Turkish market. We employ local management and development teams in Turkey, our management teams have a wide range of development, construction and transaction experience and our Chairman and CEO have over 25 years' real estate development experience. We believe this approach of having an experienced local management team gives us key advantages over competitors in understanding local dynamics, credibility with key local counterparties, market intelligence and access to on- and off-market transactions.

STRATEGY

Our mission is to maintain our leading position in the Turkish real estate investment market. We aim to achieve this by pursuing the following strategies:

Continue to focus on commercial real estate in Turkey

We will continue to focus on our core sectors and market which are the retail and office sectors in Turkey. We intend to successfully develop and complete our existing pipeline. In addition, we intend to exploit the growing demand for high quality shopping centres from the growing middle and affluent class and the growing institutional tenant demand for Class A office space. We aim to further deliver sustainable shareholder value by expanding our investment property portfolio to further benefit from economies of scale and capitalise on retail network opportunities.

Expand the asset platform

We intend to continue to build, own and operate a leading portfolio of commercial real estate in order to maintain a critical mass of investment properties, capitalise on economies of scale and retain a platform capable of future growth. We aim to continue to acquire best-in-class shopping centres to support our inorganic growth. In addition, we intend to continue to opportunistically acquire land in attractive locations to support future growth, realise profits and recycle capital through opportunistic property sales if offered attractive prices.

Strengthen integrated operations

We believe that asset management offers significant value in the medium term and is a differentiating factor to increase profitability of our income generating properties. We intend to continue to expand our existing asset management capabilities as new investment properties are developed. We believe that by actively managing our tenant base and investment properties, we can maximise efficiency through the development cycle whilst maintaining competitive margins and the profitability of our assets. Our significant asset management capability also improves our ability to find and opportunistically acquire inadequately positioned or poorly performing yielding assets with significant redevelopment or repositioning potential.

Maintain financial and operational discipline

Financial stability and efficient use of capital will remain our key focus and we believe act as a defence to the cyclical nature of the sector. We intend to maintain financial and operational stability by using leverage to maintain an optimal capital structure in line with the shareholder agreements we signed with Rönesans Holding and GIC. In addition, we plan to retain significant income from our rental revenue stream, broaden our sources of funds, including the issuance of securities in the international capital markets and continue to use our relationships with local and international banks to obtain financing at competitive terms.

SUMMARY FINANCIAL INFORMATION

The following financial information should be read in conjunction with, and is qualified in its entirety by reference to, our Financial Statements and other relevant information included elsewhere in this Offering Circular. The selected financial information contained herein is presented in lira and has been prepared and presented in accordance with the IFRS, unless otherwise indicated. You should read the following information in conjunction with "Presentation of Financial and Other Information", "Management's discussion and analysis of financial condition and results of operations" and our Financial Statements and the notes to them included elsewhere in this Offering Circular.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The table below shows our consolidated statement of financial position as at 31 December in each of 2017, 2016 and 2015.

	As at 31 December		
	2017	**2016**	**2015**
		(*TRY thousand*)	
ASSETS			
Current assets			
Cash and cash equivalents	693,169	746,921	633,978
Trade receivables	44,349	56,551	16,476
Other receivables	55,921	46,228	21,717
Derivative instruments	—	23	23
Inventories	167,787	106,968	68,503
Prepaid expenses	3,820	4,381	38,724
Current tax assets	149	119	2,954
Other current assets	7,463	6,172	6,653
Total current assets	**972,658**	**967,363**	**789,028**
Non-current assets			
Other receivables	55,843	82,760	79,377
Derivative instruments	3,100	—	—
Financial investments	—	1,001	—
Investments accounted for using the equity method	1,798,481	1,681,549	1,580,154
Investment properties	6,299,142	3,544,988	2,141,155
Property, plant and equipment	3,008	4,205	4,929
Intangible assets	489	687	2,488
Prepaid expenses	7	77	56,044
Deferred tax assets	1,310	3,681	979
Other non-current assets	282,426	184,462	111,533
Total non-current assets	**8,443,806**	**5,503,410**	**3,976,659**
TOTAL ASSETS	**9,416,464**	**6,470,773**	**4,765,687**

	As at 31 December		
	2017	2016	2015
		(*TRY thousand*)	
LIABILITIES			
Current liabilities			
Short-term portion of long-term financial debts	261,649	188,711	53,220
Trade payables	161,056	106,816	38,516
Other payables	10,468	9,760	50,936
Derivative instruments	1,168	176	956
Deferred revenue	124,366	30,584	737
Current tax liabilities	1,696	11,480	109
Payables related to employee benefits	2,880	2,369	2,397
Short-term provisions	4,273	3,665	551
Total current liabilities	**567,556**	**353,561**	**147,422**
Non-current liabilities			
Long-term financial debts	2,174,752	975,973	531,716
Other payables	410,822	275,399	82,897
Derivative instruments	7,101	11,627	1,234
Long-term provisions	1,610	1,612	1,272
Deferred tax liabilities	598,345	307,776	213,893
Total non-current liabilities	**3,192,630**	**1,572,387**	**831,012**
SHAREHOLDERS' EQUITY			
Paid in capital	303,717	303,717	303,717
Loss on remeasurement of defined benefit obligations	(678)	(463)	(411)
Premiums in capital stock	630,844	630,844	630,844
Restricted profit reserve	63,926	46,814	28,004
Retained earnings	4,658,469	3,563,913	2,825,099
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**9,416,464**	**6,470,773**	**4,765,687**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

The table below shows our consolidated statement of profit or loss for each of 2017, 2016 and 2015.

	2017	2016	2015
		(*TRY thousand*)	
Revenue	169,263	114,357	87,558
Cost of sales	(63,536)	(62,829)	(54,440)
Gross profit	**105,727**	**51,528**	**33,118**
Marketing expenses	(1,740)	(895)	(766)
General administrative expenses	(18,799)	(17,747)	(17,022)
Other operating income	967,339	604,673	304,015
Other operating expense	(603)	(3,823)	(14,801)
Operating profit	**1,051,924**	**633,736**	**304,544**
Income from investing activities	86,410	10,687	4
Expenses from investing activities	(89)	(15,886)	(2,643)
Share of profit of investments valued using the equity method	319,806	305,969	313,804
Profit before financial expenses	**1,458,051**	**934,506**	**615,709**
Finance expenses	(104,263)	(51,932)	(49,557)
Profit before taxation	**1,353,788**	**882,574**	**566,152**
Tax expenses	(187,120)	(124,950)	(57,946)
Net profit for the year	**1,166,668**	**757,624**	**508,206**

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

The table below shows our consolidated statement of other comprehensive income for the years 2017, 2016 and 2015.

	2017	2016	2015
		(*TRY thousand*)	
Profit for the year	1,166,668	757,624	508,206
Other comprehensive expense			
Accumulated other comprehensive income or loss that will not be reclassified in profit or loss			
Loss on remeasurement of defined benefit obligations	(269)	(65)	(513)
Tax expense based on other comprehensive income	54	13	102
Total comprehensive loss after taxation	**(215)**	**(52)**	**(411)**
Total comprehensive income	**1,166,453**	**757,572**	**507,795**

CONSOLIDATED STATEMENT OF CASH FLOWS

The table below summarises our consolidated statement of cash flows for the years 2017, 2016 and 2015.

	2017	2016	2015
		(*TRY thousand*)	
Net cash flows from operating activities	292,830	166,314	38,156
Net cash flows used in investing activities	(802,618)	(569,935)	(143,403)
Net cash flows from financing activities	456,036	516,564	373,525
Cash and cash equivalents at 1 January	746,921	633,978	365,700
Cash and cash equivalents at 31 December	693,169	746,921	633,978

COMBINED FINANCIAL DATA

We present certain supplementary financial information of the Group and Group's joint ventures. It relates to the combination of the Group's own assets and/or liabilities, and profits/losses, with the Group's proportionate share of its joint ventures' assets and/or liabilities, or profits/losses, on a proportional consolidation basis (which differs from the Financial Statements as these joint ventures are required to be equity accounted under IFRS) and is therefore a non-IFRS presentation method (the "**Combined Financial Data**"). This Combined Financial Data should not be used as a substitute for the financial information included in the Financial Statements. We believe that combining our proportional share in the results of our joint ventures with the Company's results provides a more comprehensive view of our business.

RECONCILIATION OF NET PROFIT FOR THE PERIOD TO COMBINED ADJUSTED EBITDA

The table below shows a reconciliation of net profit for the period to Combined Adjusted EBITDA for the years 2017, 2016 and 2015.

	2017	2016	2015
		(*TRY thousand*)	
Net Profit for the Period	1,166,668	757,624	508,206
Add: Tax expenses	187,120	124,950	57,946
Add: Finance expenses	104,263	51,932	49,557
Less: Share on profit of investments valued using equity method	(319,806)	(305,969)	(313,804)
Less: Investing activities expense/income	(86,321)	5,199	2,639
Less: Other operating income/expense	(966,736)	(600,850)	(289,214)
Adjusted EBITDA[(1)] (A)	**85,188**	**32,886**	**15,330**
Share of Group on profit for the year	319,806	302,625	301,534
Add: Share of Group on income tax expense	79,304	78,452	75,479
Add: Share of Group on other income/(expense)	(279,865)	(286,434)	(282,877)
Less: Share of Group on interest expense financial debts	53,714	50,618	41,363
Less: Share of Group on interest income from bank deposits	(1,182)	(1,432)	(1,074)
The Group's share of the Adjusted EBITDA of the joint ventures (B)	**171,777**	**143,829**	**134,425**
Consolidation eliminations and adjustments (C)	(247)	2,878	1,382
Combined Adjusted EBITDA (A+B+C)	**256,718**	**179,593**	**151,137**
Combined revenue[(2)]	395,773	311,321	269,748
Less: Common area income and Reimbursable income	(46,962)	(46,721)	(44,312)

Combined Adjusted Revenue	**348,811**	**264,600**	**225,436**
Combined Adjusted EBITDA adjusted margin(3)	***74%***	***68%***	***68%***

Notes:

(1) Adjusted EBITDA refers to earnings before finance expenses, tax expenses, share on profit of investments valued using equity method, income/expense from investing activities and other operating income/expense. The table reconciles net profit for the period to Combined Adjusted EBITDA. See "*Presentation of Financial and Other Information—Presentation of financial information—Certain non-IFRS financial information—Combined Adjusted EBITDA*".

(2) Combined revenue represents the combined total revenue of the Group and the Group's proportional share of the total revenue of the Group's joint ventures. See "*—Combined Financial Data*" for the reconciliation of Revenue to Combined revenue.

(3) Combıned Adjusted EBITDA adjusted margin means the ratio of Combıned Adjusted EBITDA to Combined revenue excluding Common area income and Reimbursable Income (2017: TRY 46,962 thousand, 2016: TRY 46,721 thousand, 2015: TRY 44,312 thousand). In shopping centres, first subsidiaries and joint ventures pay the private utility expense of stores and common area expenses, and then, charges the expenses to the tenants. Hence, the amount that cannot be reimbursed is the actual cost that subsidiaries and joint ventures have to bear. In that sense, excluding the reimbursed amount from both revenue and cost sides is a necessary adjustment for a fair Combined Adjusted EBITDA demonstration.

	2017	**2016**	**2015**
		(*TRY thousand*)	
Combined revenue(1)	395,773	311,321	269,748
Combined cost of revenue(2)	(108,272)	(101,387)	(92,908)
Combined gross profit(3)	287,501	209,934	176,840
Combined operating expenses(4)	(30,783)	(30,341)	(25,703)
Combined gross asset value(5)	9,495,157	6,634,530	4,814,680
Combined gross rental profit(6)	261,687	197,045	172,548
Combined Adjusted EBITDA	256,718	179,593	151,137
Combined cash and cash equivalents(7)	793,580	817,433	688,712
Combined financial debts(8)	3,807,059	2,405,757	1,494,308
Combined interest income from bank deposits(9)	6,558	11,185	9,914
Combined total assets(10)	11,098,345	8,087,297	6,051,802
Combined total liabilities(11)	5,442,078	3,542,464	2,264,554
Combined deferred tax liabilities(12)	1,007,313	699,474	544,533
Combined EPRA NAV(13)	6,663,580	5,244,307	4,331,781
Combined interest expenses of financial debt(14)	90,649	79,622	69,471

Notes:

(1) Combined revenue represents the combined total revenue of the Group and the Group's proportional share of the total revenue of the Group's joint ventures. The following table presents the calculation of Combined revenue for the years ended 31 December 2017, 2016 and 2015.

	2017	**2016**	**2015**
		(*TRY thousand*)	
Revenue	169,263	114,357	87,558
Add: Revenue of joint ventures(A)	243,571	216,504	200,220
Less: Consolidation eliminations and adjustments(B)	(17,061)	(19,540)	(18,030)
Combined revenue	**395,773**	**311,321**	**269,748**

(A) See note 3(b) to the Financial Statements.

(B) See note 4(e) to the Financial Statements.

(2) Combined cost of revenue represents the combined total cost of revenue of the Group and the Group's proportional share of total cost of revenue of the Group's joint ventures. The following table presents the calculation of Combined cost of revenue for the years ended 31 December 2017, 2016 and 2015.

	2017	2016	2015
		(*TRY thousand*)	
Cost of revenue	63,536	62,829	54,440
Add: Cost of revenue of joint ventures[(A)]	61,797	60,862	55,035
Add: Consolidation eliminations and adjustments	(17,061)	(22,304)	(16,567)
Combined cost of revenue	**108,272**	**101,387**	**92,908**

(A) See note 3(b) to the Financial Statements.

(3) Combined gross profit represents the combined total gross profit of the Group and the Group's proportional share of the gross rental profit of the Group's joint ventures. The following table presents the calculation of Combined gross profit for the years ended 31 December 2017, 2016 and 2015.

	2017	2016	2015
		(*TRY thousand*)	
Gross Profit	105,727	51,528	33,118
Add: Gross profit of joint venture projects[(A)]	181,774	155,642	145,185
Add: Consolidation eliminations and adjustments	-	2,764	(1,463)
Combined gross profit	**287,501**	**209,934**	**176,840**

(A) See note 4(e) to the Financial Statements.

(4) Combined operating expenses represents the combined General administrative expenses and marketing expenses of the Group and the Group's proportional share of the operating expenses of the Group's joint ventures.

	2017	2016	2015
		(*TRY thousand*)	
Operating Expenses	20,539	18,642	17,788
Add: Operating expenses of joint ventures projects	9,997	11,813	10,760
Consolidation eliminations and adjustments	247	(114)	(2,845)
Combined operating expenses[(A)]	**30,783**	**30,341**	**25,703**

(A) See note 4(f) to the Financial Statements.

(5) Combined gross asset value represents the combined fair value of the properties of the Group and the Group's proportional share of the fair value of the joint ventures' properties. The following table presents a reconciliation of investment properties to Combined gross asset value for the years ended 31 December 2017, 2016 and 2015.

	2017	2016	2015
		(*TRY thousand*)	
Investment properties	6,299,142	3,544,988	2,141,155
Fair value of joint venture projects[(A)]	3,196,015	3,089,542	2,673,525
Combined gross asset value	**9,495,157**	**6,634,530**	**4,814,680**

(A) Amount presents the fair values of the Group's joint venture projects multiplied by the Company's ownership share. See note 3(b) to the Financial Statements.

(6) Combined gross rental profit represents the combined Gross rental profit of the Group and the Group's proportional share of Gross rental profit of the Group's joint ventures. The following table presents the calculation of Combined gross rental profit for the years ended 31 December 2017, 2016 and 2015.

	2017	2016	2015
		(*TRY thousand*)	
Gross Profit	105,727	51,528	33,118
Add: Gross profit of joint venture projects	181,774	155,642	145,185
Consolidation eliminations and adjustments	_	2,764	(1,463)
Combined gross profit[(A)]	287,501	209,934	176,840
Less: Gross profit not attributable to rental income[(B)]	(25,814)	(12,889)	(4,292)
Combined gross rental profit	**261,687**	**197,045**	**172,548**

(A) Amount presents the Combined gross profit of the Group's joint ventures. See Note 4(e) to the Financial Statements.

(B) Amount presents the combined Gross profit of the Company and Rönesans Yönetim and this gross profit is derived from management and consulting revenue and other rental income. See note 4(e) to the Financial Statements.

(7) Combined cash and cash equivalents represents the cash and cash equivalents of the Group in the Financial Statements and the Group's proportional share of the cash and cash equivalents of the Group's joint ventures in note 3(b) to the Financial Statements). The following table presents a reconciliation of Cash and cash equivalents to Combined cash and cash equivalents as 31 December 2017, 2016 and 2015.

	2017	2016	2015
Cash and cash equivalents	693,169	746,921	633,978
Share of Group on cash[(A)]	100,411	70,512	54,734
Combined cash and cash equivalents	**793,580**	**817,433**	**688,712**

(A) Amount presents the combined Cash of the Group's joint venture projects multiplied by the Company's ownership share. See note 3(b) to the Financial Statements.

(8) Combined financial debt represents the combined financial debt of the Group in the Financial Statements and the Group's proportional share of the financial debt of the Group's joint ventures in note 3(b) to the Financial Statements. The following table presents the calculation of Combined financial debt as of 31 December 2017, 2016 and 2015.

	2017	2016	2015
		(*TRY thousand*)	
Financial debt[(A)]	2,436,401	1,164,684	584,936
Share of Group on financial debt[(B)]	1,370,658	1,241,073	909,372
Combined financial debt	**3,807,059**	**2,405,757**	**1,494,308**

(A) Financial debt is short term portion of long term debt plus long term Financial debt.
(B) Share of Group on Financial Debt is combined current and non-current Financial debt of the Group and the Group's joint venture projects multiplied by the Company's ownership share. See note 3(b) to the Financial Statements.

(9) Amount presents the Combined Interest income from bank deposits of the Group and the Group's joint ventures. The following table presents the calculation of Combined interest income from bank deposits for the years ended 31 December 2017, 2016 and 2015.

	2017	2016	2015
		(*TRY thousand*)	
Interest income from bank deposit	5,376	9,753	8,840
Add: Interest income from bank deposits of joint ventures[(A)]	1,182	1,432	1,074
Combined interest income from bank deposits	**6,558**	**11,185**	**9,914**

(A) See note 4(g) to the Financial Statements.

(10) Amount presents the Combined total assets of the Group in the Financial Statements and the Group's proportional share of the total assets of the joint ventures in note 4(a) to the Financial Statements. The following table presents a reconciliation of Total Assets to Combined total assets as of 31 December 2017, 2016 and 2015.

	2017	2016	2015
		(*TRY thousand*)	
Total assets	9,416,464	6,470,773	4,765,687
Add: Total assets of joint ventures[(A)]	3,667,692	3,449,019	2,825,702
Consolidation eliminations and adjustments	(1,985,811)	(1,832,495)	(1,539,587)
Combined total assets	**11,098,345**	**8,087,297**	**6,051,802**

(A) See note 3(b) to the Financial Statements.

(11) Amount presents the Combined total liabilities of the Group in the Financial Statements and the Group's proportional share of the total liabilities of the joint ventures in note 4(a) to the Financial Statements. The following table presents a reconciliation of Total Liabilities to Combined total liabilities as of 31 December 2017, 2016 and 2015.

	2017	2016	2015
		(*TRY thousand*)	
Total liabilities	3,760,186	1,925,948	978,434
Add: Total liabilities of joint ventures[(A)]	1,869,223	1,767,469	1,345,388
Consolidation eliminations and adjustments	(187,331)	(150,953)	(59,268)
Combined total liabilities	**5,442,078**	**3,542,464**	**2,264,554**

(A) See note 3(b) to the Financial Statements.

(12) Amount presents the Combined deferred tax liabilities of the Group and the Group's joint ventures. The following table presents the calculation of Combined deferred tax liabilities as of 31 December 2017, 2016 and 2015.

	2017	2016	2015
		(*TRY thousand*)	

Deferred tax liabilities	598,345	307,776	213,893
Add: Deferred tax liabilities of joint ventures[(A)]	408,968	391,698	330,640
Combined deferred tax liabilities	**1,007,313**	**699,474**	**544,533**

(A) See note 3(b) to the Financial Statements.

(13) Combined EPRA NAV represents net assets of the Group and the Group's proportional share of net assets of the Group's joint ventures excluding combined deferred tax liability. The following table presents the calculation of Combined EPRA NAV as of 31 December 2017, 2016 and 2015.

	2017	**2016**	**2015**
		(*TRY thousand*)	
Combined total asset size[(A)]	11,098,345	8,087,297	6,051,802
Less: Combined total liability[(B)]	(5,442,078)	(3,542,464)	(2,264,554)
Less: Combined deferred tax liabilities[(C)]	1,007,313	699,474	544,533
EPRA NAV	**6,663,580**	**5,244,307**	**4,331,781**

(A) Amount presents the Combined total assets of the Group and the Group's joint ventures. See note 4(a) to the Financial Statements.

(B) Amount presents the Combined total liabilities of the Group and the Group's joint ventures. See note 4(b) to the Financial Statements.

(C) Amount presents the Combined deferred tax liabilities of the Group and the Group's joint ventures. See note 4(c) to the Financial Statements.

(14) Amount presents the Combined interest expenses of financial debt of the Group and the Group's joint ventures. The following table presents the calculation of Combined interest expenses of financial debt for the years ended 31 December 2017, 2016 and 2015.

	2017	**2016**	**2015**
		(*TRY thousand*)	
Interest expenses of financial debts	43,186	33,938	28,108
Add: Interest expenses of financial debts of joint ventures[(A)]	53,714	50,618	41,363
Consolidation eliminations and adjustments	(6,251)	(4,934)	-
Combined interest expenses of financial debts	**90,649**	**79,622**	**69,471**

(A) See note 3(b) to the Financial Statements.

OVERVIEW OF THE OFFERING

The following is a brief overview of the terms of this offering containing basic information about the terms of the Notes. For a more complete description of the terms of the Notes, see "*Terms and Conditions of the Notes*" in this Offering Circular. Capitalised terms used herein without definition shall have the meanings ascribed thereto in "*Terms and Conditions of the Notes*".

Issuer...................................	Rönesans Gayrimenkul Yatırım A.Ş.
Description of Notes	U.S.$300,000,000 7.250 per cent. Notes due 2023.
Issue Price	99.485 per cent.
Issue Date	26 April 2018.
Currency.............................	U.S. dollars.
Final Redemption and Maturity Date	Unless previously purchased (and cancelled) or redeemed in accordance with Condition 7 (*Redemption and Purchase*), the Notes will be redeemed at their principal amount on 26 April 2023 (the "**Maturity Date**").
Interest................................	The Notes will bear interest from and including the Issue Date at the rate of 7.250 per cent. per annum, payable semi-annually in arrear on 26 April and 26 October in each year. The first payment (representing a full six months' interest) shall be made on 26 October 2018.
Yield....................................	7.375 per cent. per annum on the basis of the Issue Price.
Risk Factors	An investment in the Notes involves risks. Investors should read carefully the risks described in more detail in "*Risk Factors*" and all of the information contained in this Offering Circular before deciding whether or not to purchase any Notes. The order in which these risks are presented is not intended to provide an indication of the likelihood of their occurrence or of their severity or significance. This Offering Circular also contains forward-looking statements that are subject to future events, risks and uncertainties. The actual outcome could differ materially from the outcome anticipated in these forward-looking statements as a result of many factors, including but not limited to the risks described in this Offering Circular. See "*Forward-Looking Statements*".
Joint Bookrunners.............	BNP Paribas, HSBC Bank plc and J.P. Morgan Securities plc.
Joint Lead Managers	The Joint Bookrunners, ING Bank N.V., London Branch and UniCredit Bank AG.
Trustee................................	BNY Mellon Corporate Trustee Services Limited.
Principal Paying Agent and Transfer Agent....................	The Bank of New York Mellon, London Branch.
U.S. Paying Agent..............	The Bank of New York Mellon.
Registrar.............................	The Bank of New York Mellon SA/NV, Luxembourg Branch.

Redemption for Taxation Reasons................................	The Notes may be redeemed at our option in whole, but not in part, at any time (subject to certain conditions), at their principal amount (together with interest accrued to the date fixed for redemption) if we satisfy the Trustee that (i) as a result of any change in, or amendment to, the laws or regulations of a Relevant Taxing Jurisdiction, or any change in the application or official interpretation of such laws or regulations, which would change or amendment becomes effective on 24 April 2018, we have or will become obliged to pay additional amounts as provided or referred to in Condition 9 (*Taxation*); and (ii) we cannot avoid such obligation by taking reasonable measures available to us.
Redemption at the option of the Noteholders upon a Change of Control	If at any time a Change of Control Put Event occurs, each Noteholder shall have the option to give notice requiring us to redeem or, at our option, purchase (or procure the purchase of) that Noteholder's Note(s) at 101 per cent. of the principal amount of the Note(s) together with interest (if any) accrued to (but excluding) the Change of Control Put Date.
Optional Redemption.........	The Notes may be redeemed by us prior to their stated maturity at our option (in whole or in part) at a redemption price equal to the greater of: (i) 100 per cent. of the principal amount of the Notes to be redeemed; and (ii) the Optional Redemption Price, in each case together with interest accrued to (but excluding) the date fixed for redemption.
Cross Acceleration.............	The Notes will have the benefit of a cross acceleration clause. See Condition 11 (*Events of Default*).
Financial Covenants...........	The Notes contain certain financial covenants under which we have undertaken, for so long as any Note remains outstanding, that in relation to the Group as a whole: (a) the Combined LTV Ratio shall not exceed 0.60 on any Measurement Date; (b) the Combined Coverage Ratio shall be at least 1.50 on any Measurement Dates falling on or before the second anniversary of the Issue Date, 1.75 on any Measurement Dates falling after the second and on or before the fourth anniversary of the Issue Date and 2.00 for any subsequent Measurement Date; and (c) the Unencumbered Asset Value Ratio shall be at least 1.2 on any Measurement Date. See Condition 5(a) (*Financial Covenants*). In the event we fail to comply, or would otherwise fail to comply, with any of our obligations under the financial covenants, we will have the right (subject as set out in the Conditions) to cure any such actual or anticipated breach by applying net amounts received in respect of any new equity issued and/or Subordinated Shareholder Debt (in the case of the covenants described in (a) and (c) above) or depositing a cash amount of U.S. dollars in the Account (in the case of the covenant described in (b) above). See Condition 5(b) (*Equity Cure and Account Bank Cure*).

Status of the Notes	The Notes will constitute direct, general, unconditional and (subject to the provisions of Condition 4 (*Negative Pledge*)) unsecured obligations of the Issuer and will rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of ours, save for such obligations which may be preferred by provisions of law that are both mandatory and of general application.
Negative Pledge...................	See Condition 4 (*Negative Pledge*).
Gross up for Withholding Tax	All payments of principal, premium (if any) and interest in respect of the Notes made by or on behalf of us shall be made without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed or levied by or on behalf of a Relevant Taxing Jurisdiction, unless such withholding or deduction is required by law. In that event, we shall pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been received in the absence of the withholding or deduction, except that no such additional amounts shall be payable in the circumstances described under Condition 9 (*Taxation*).
Listing, approval and admission to trading...........	Application has been made to Euronext Dublin for the Notes to be admitted to the Official List and trading on the Main Securities Market. The Notes are expected to be listed on or around 26 April 2018.
Governing Law	The Notes, and any non-contractual obligations arising out of or in connection therewith, will be governed by, and construed in accordance with, English law. See Condition 19 (*Governing Law and Jurisdiction*).
Form, Transfer and Denominations	The Notes will be issued in registered form in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. The Notes will initially be represented by two global certificates in registered form, one of which will be issued in respect of the Notes offered and sold in reliance on Rule 144A, the Restricted Global Certificate, and the other of which will be issued in respect of the Notes offered and sold in reliance on Regulation S, the Unrestricted Global Certificate. The Restricted Global Certificate will be in registered form, without interest coupons attached, will be deposited with a custodian for, and registered in the name of, Cede & Co. as nominee for DTC. The Unrestricted Global Certificate will be in registered form, without interest coupons attached, will be delivered to a common depositary for, and registered in the name of a nominee of, Euroclear and Clearstream, Luxembourg. Except in limited circumstances, certificates for Notes will not be issued in exchange for beneficial interests in the Global Certificates. See Condition 2 (*Transfers of Notes and issue of Definitive Certificates*). Interests in the Rule 144A Notes will be subject to certain restrictions on transfer. See "*Summary of Provisions Relating to the Notes While in Global Form*" and "*Selling and Transfer Restrictions*". Interests in the Global Certificates will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg, in the case of the Regulation S Notes, and by DTC and its direct and indirect participants, in the case of Rule 144A Notes.
Expected Credit Ratings....	The Notes are expected to be assigned on issue a rating of Ba2 by Moody's and BB+ by Fitch. A credit rating is not a recommendation to buy, sell or

	hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Neither the assigning rating agency nor us is obliged to provide the holders of the Notes with any notice of any suspension, change or withdrawal of any rating. Fitch and Moody's are established in the EU, domiciled in the United Kingdom and are included in the list of credit rating agencies registered in accordance with Regulation (EC) No. 1060/2009. This list is available on the ESMA website (https://www.esma.europa.eu/supervision/credit-rating-agencies/risk) (last updated 15 March 2018).
Selling Restrictions	The Notes have not been, and will not be, registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered, sold and delivered only (a) to QIBs in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and (b) outside the United States to non-U.S. persons in reliance on Regulation S. The Notes may be sold in other jurisdictions only in compliance with applicable laws and regulations. The offer and sale of the Notes (or beneficial interests therein) is also subject to restrictions in the United States, the EEA, the United Kingdom, Turkey and Canada. See "*Subscription and Sale*".
Use of Proceeds	We intend to use the net proceeds from the offering of the Notes to pay various expenses in connection with the issuance of the Notes, including, among others, the Joint Lead Managers' fees, legal counsel fees, rating agency fees and listing fees as well as to repay certain existing indebtedness of the Group and for general corporate purposes. See "*Use of Proceeds*".
Regulation S Security Codes	ISIN: XS1807502668 Common Code: 180750266
Rule 144A Security Codes..	ISIN: US77634PAA49 Common Code: 181002468 CUSIP: 77634P AA4

RISK FACTORS

An investment in the Notes involves certain risks. Prior to making an investment decision, you should carefully read all of this Offering Circular. In addition to the other information in this Offering Circular, you should carefully consider the following risks relating to us and the Notes before making an investment in the Notes. If any of the following risks actually occur, we would be materially adversely affected, as described below. In addition, we also describe below factors that are material for the purpose of assessing the market risks associated with the Notes.

*We believe that the factors described below represent the principal risks inherent in investing in the Notes, but we do not represent that the statements below regarding the risks of holding the Notes are exhaustive. For the purposes of this section, the indication that a risk, uncertainty or problem may or will have a "**material adverse effect**" on us or that we may be "**materially adversely affected**" means that the risk, uncertainty or problem could have a material adverse effect on our business, financial condition, results of operations, cash flows, liquidity and/or prospects or our ability to make payments under the Notes and/or the market price of the Notes, except as otherwise indicated or as the context may otherwise require.*

This Offering Circular contains forward-looking statements that involve risks and uncertainties. See "Forward-Looking Statements". Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Offering Circular.

RISKS RELATED TO OUR BUSINESS AND INDUSTRY GENERALLY

Our business involves significant risks associated with the Turkish real estate market

Our business focuses on the development and operation of shopping centres and offices in Turkey. The market in which we operate is generally highly cyclical and is affected by numerous factors, many of which are macroeconomic in nature and beyond our control, including:

- economic and geopolitical conditions, see "—*Our financial performance is dependent on economic and political conditions in Turkey*" below;
- real estate market conditions generally, see, for example, "—*We may be adversely affected by the illiquidity of real estate and a number of factors may hinder our ability to sell our properties on a timely basis*" below;
- foreign currency risk, see, for example, "—*Fluctuations in currency exchange rates may adversely affect our financial condition and results of operations*" below;
- consumer buying power and consumer spending levels;
- the financial condition of retailers;
- interest rates, inflation rates, real estate taxes and other operating expenses;
- the availability and cost of financing; and
- changes in applicable laws and regulations, including environmental, zoning, construction and occupancy laws and regulations, as well as changes in legislation governing increases in rents and common area charges.

Negative changes in any of these factors could materially adversely affect us through our incurring higher levels of expenses than anticipated or lower revenues than anticipated as a result of, for example, our inability to collect rental revenues or to complete property sales. These factors could also result in decreases in the values of our properties and lower returns on investment than expected.

Our financial performance is dependent on economic and political conditions in Turkey

We conduct all of our activities in Turkey and our business, results of operations, cash flows and financial condition could be materially adversely affected by any adverse change in social, political or economic conditions in Turkey, including, in particular, in the Turkish real estate market. As a result, we are particularly exposed to adverse events affecting Turkey and the occurrence of factors such as a downturn in general economic conditions, an increase in the cost of living or an increase in unemployment. The occurrence of any of these factors could materially adversely affect us.

In recent years, Turkey's gross domestic product ("**GDP**") growth rates have been volatile. Turkey's GDP growth was 6.1% in 2015, 3.2% in 2016 and 7.4% 2017, according to TurkStat. Although the EU-defined Turkish government debt level has decreased considerably since 2001 and reached a low at 27.5% of GDP in 2015, it has since then increased to 28.1% in 2016 and is estimated to increase to 28.5% in 2017, according to the 2018-2020 medium term economic programme announced by the Turkish Ministry of Development. Turkey is an emerging market and remains susceptible to a higher degree of volatility than more developed markets. Additionally, as economic growth in 2017 was largely supported by government induced measures, there can be no assurance that Turkey's future economic growth will continue at a similar pace. In particular, factors such as domestic political conditions, especially following the attempted coup in Turkey in July 2016 (see "*—Risks Relating to Turkey— Political developments in Turkey may have a material adverse effect on us* " and "*—Risks Relating to Turkey — Increased political risks following the coup attempt of July 2016*") as well as economic factors, including the current account deficit, inflation and interest rate and currency volatility remain a concern, particularly in light of the recent depreciation of the lira (see "*—Risks Relating to Turkey—Economic instability in Turkey may have a material adverse effect on our business*"). Continuing high levels of unemployment, despite the decrease from 14.5% in 2009 to 10.3% in November 2017, may also affect the Group's tenants.

Turkey has, in past years, been affected by terrorist activities. To the extent further terrorist acts are carried out, in particular in the cities where we have our Property Portfolio, this may adversely affect demand for our properties in those cities, which may in turn materially adversely affect us.

No assurance can be given that general political and economic conditions in Turkey will not deteriorate in the future and it is not possible to predict the likelihood or impact of factors which cause such a deterioration. A sustained economic downturn, or a period of political instability or unrest, in Turkey or a downturn originating in a different country which causes global or regional repercussions may have a material adverse effect on us.

We may be adversely affected by the illiquidity of real estate and a number of factors may hinder our ability to sell our properties on a timely basis

Real estate investments, particularly investments in commercial real estate such as shopping centres and offices, are relatively illiquid and generally cannot be sold quickly due to time-consuming processes that must be followed. In addition, we may need to obtain consents from lenders before we can sell certain properties which may further restrict their transferability. Further, some of our real estate assets are held through joint ventures with third parties and may be subject to legal and/or contractual limitations on transferability.

The Turkish real estate market in which we operate has historically been relatively illiquid compared to real estate markets in certain other mature markets. Such illiquidity could limit our ability to vary the composition of our real estate portfolio, or dispose of part of our portfolio in response to changes in economic or other conditions. Disposal of real estate investments is not an active part of our business strategy, however, if we were required to sell properties on short notice for any reason, including raising funds to support our operations or to repay indebtedness, or exiting an investment as part of our business strategy, we may not be able to sell such properties on favourable terms or at all. In the case of an accelerated sale, there may be a significant shortfall between the fair value of the property and the price at which we could sell the property. Even in planned disposals in the ordinary course of business, an illiquid market may result in a sales price that is lower than anticipated or in a delay of the sale.

If we cannot sell a particular property within a reasonable time, we may not be able to generate the cash flow we may require to service our debt, fund our operations or enter into new projects, or we may be unable to take advantage of favourable economic conditions or mitigate against the impact of unfavourable economic conditions when they arise. As a result, if we are unable to dispose of properties at satisfactory prices when needed, this could have a material adverse effect on us.

We operate in a highly competitive industry, which could negatively impact our profitability

The real estate market in Turkey is highly competitive and fragmented, and new real estate development companies face few barriers to entry. We face competition from both domestic and international property developers as well as property funds, some of which may have greater financial, technical, marketing or other resources than we do and may, therefore, be able to withstand price competition and volatility more successfully than us. In addition, some of our competitors may have a lower cost of capital and access to funding sources that are not available to us and, therefore, may be able to invest more heavily or effectively in their property business than we can.

If competition for acquiring properties increases, we might have to pay higher prices for acquisitions. Competition for tenants among shopping centres, including the introduction of new shopping centres in the catchment areas of our existing properties and competition from online retailers may affect our ability to attract or retain tenants. It may also have a negative impact on the terms of our leases with tenants. Competition may also lead to an oversupply of commercial property and a decrease in rental rates, which could also material adversely affect us. See "*Business - Competition*".

Property valuation is inherently subjective and uncertain and subject to assumptions

The valuation of property is inherently subjective and uncertain due to the individual nature of each property and the characteristics of the local, regional and national real estate markets, which change over time and may be affected by various factors and the valuation methods used. As a result, valuations are subject to uncertainty.

When valuations of income generating investment properties are conducted using the income approach, as is commonly the case with our investment properties, a number of assumptions need to be made. These assumptions include, among others, assumptions relating to:

- the appropriate risk free yield ratio, annual indexation and rate of inflation to be used;
- the average monthly unit rent and the likely increases in rent in future periods;
- the annual average building management revenue and increases in it in future periods;
- the occupancy ratio in future periods; and
- the amounts of other income, renovation costs and operating expenses to be incurred in future periods.

Although we periodically appoint independent valuers to value the properties in our Property Portfolio, the valuations given and reflected in this Offering Circular may exceed the value that could be obtained in connection with a concurrent sale of more than one property or a block sale. The valuations contained in this Offering Circular reflect theoretical values of our properties, based on the assumptions including those described above, some or all of which may prove to have been inaccurate. In addition, our valuations assume that each property being valued has no negative effect on the environment.

We typically obtain valuation reports as at 30 June and 31 December in each year from TSKB in connection with the preparation of our financial statements. As a result, the valuations in this Offering Circular do not reflect changes that may have occurred since 31 December 2017.

As a result, we cannot assure you that any of our properties could have been or could be sold at their respective market values given in this Offering Circular, if at all, or that the actual market values of our real estate properties, whether or not equivalent to the values given in this Offering Circular, will not decline significantly over time due to various factors, including changing macro and micro economic conditions in Turkey.

The viability of our business model is dependent upon our ability to identify suitable development and investment opportunities

Our growth to date has been attributable, in part, to our ability to identify suitable investment opportunities, including sourcing and acquiring suitably zoned land for our development projects at attractive prices and in certain cases entering into joint development and co-ownership arrangements on favourable terms and conditions. The continued growth of our Property Portfolio and success of our business strategy is in part dependent on our continued ability to do so. There can be no assurance that we will be able to continue to acquire land satisfying our investment criteria also shaped by our shareholders' agreement with GIC in locations at prices or on terms sufficient for us to realise our desired return on investment, particularly in light of increasing competition and currently high land prices in the Turkish real estate market. If we are unable to identify viable investment opportunities for development, our future growth may be restricted which could materially adversely affect us.

We hold certain properties through joint venture arrangements and may do so in the future

As at 31 December 2017, seven of our investment properties were held through joint venture arrangements with third parties, although since then we have acquired our joint venture partners' shares in Kozyatağı, Mel 2 and Mel 3 in relation to three of the properties (namely Kozzy, Samsun Piazza and Kahramanmaraş Piazza). We also have two land bank properties (namely Konak land and Ümraniye Tepeüstü land) that are held in joint ventures which are Florya and Kandilli. As a result, although we control the operational decisions in relation to those properties, certain decisions relating to them (such as whether to sell, refinance or enter into a lease or contractor agreement and the terms on which to do so) may depend upon the consent or approval of the other owners, which may take time to obtain. Our joint venture partners may have economic or business interests that are inconsistent with our objectives, including with respect to the appropriate timing and pricing of any sale or refinancing of a development. In addition, projects may require financing to be provided by joint venture partners and, if one of our joint venture partners were to fail to provide such financing when required, we may be forced to make up such shortfall out of our own resources to avoid additional cost or delay to the property and this may impact our operating profit for the relevant period. From time to time, our joint venture partners may take action contrary to our expressed desires, policies or objectives. In addition, our joint venture partners may become bankrupt or insolvent.

From time to time we may have disputes with our joint venture partners and we may not be able to resolve all the issues that arise with respect to such disputes, or we may have to provide financial or other inducements to our joint venture partners in order to obtain a resolution in our favour. Such disputes may lead to delays in the development and completion of a project, or the relevant project being developed in such a way that it will not achieve its highest potential rate of return. Failure to reach or maintain agreements with our joint venture partners on matters relating to the financing and operation of the relevant projects may cause delays or cancellations of our projects or may otherwise impair our ability to complete our projects as planned.

Should any of the events described above occur, they could have a material adverse effect on the project concerned, which could in turn could materially adversely affect us.

We have several mixed use projects which may be prone to certain management problems

We are developing a mixed use project consisting of a shopping centre, residential units and offices in Maltepe, Istanbul. Mixed use properties are generally subject to collective buildings management regime, as explained in the Regulatory Section.

As all independent unit owners in the collective building compound have the right to vote in the management thereof, we may face certain problems in mixed use projects due to owners of different units of a shopping centre, office and residential units having conflicting preferences if we have not designed the relevant management plan appropriately to address this issue, permitting different buildings to be managed independently. However, for some issues such as revising the building project or expanding the shopping centre we will require consent of all unit owners.

We have two premises with joint land-ownership which may expose us to certain risks

In Antalya, we own 73.6% of a 36,904 m^2 property, on which we plan to develop a shopping centre; the Antalya Metropolitan Municipality owns the remainder of the land. Additionally, Göksu's land plot consists of a parcel of 32,000 m^2 on which Adana Optimum shopping centre is located and two adjacent parcels of 1,468 m^2 and 673 m^2, on which Göksu has joint ownership with third parties. Joint land-ownership regime may restrict our ability to develop the projects as desired.

We may acquire new developed or land bank properties which may expose us to unidentified liabilities

We may from time to time acquire developed properties, including properties which we may seek to improve through renovation or substantial rebuilding, or land for inclusion in our land bank. In many cases, these acquisitions may involve purchasing shares in companies that own the properties. Any acquisitions that we may make in the future, could expose us to risks including exposure to unanticipated liabilities and/or difficulties in mitigating contingent and/or assumed liabilities.

Although we conduct due diligence in relation to each acquisition, including through expert appraisals of various aspects of the properties being acquired, this may not identify all issues relating to the properties concerned or all the liabilities, including contingent liabilities, of any company we are acquiring. In connection with each purchase, we require the seller to give representations and warranties about, and/or indemnities in respect of, the properties we acquire, although we cannot assure you that we will, in all cases, be successful in any claim made against the seller in relation to any representations, warranties and indemnities obtained, including, for example, as a result of the seller becoming insolvent. We may also become involved in disputes or litigation concerning any representations, warranties and indemnities that we obtain, which may be costly and time consuming.

Most of the bank loans of our subsidiaries are secured by share pledges and the bank loan granted to Göksu is secured by a commercial enterprise pledge

Bank loans granted to our following subsidiaries, Esentepe, Feriköy, Kurtköy, Mel 2, Mel 3, Mel 4, Kozyatağı, Tarabya, Bostancı, Mecidiyeköy, Salacak, Altunizade and Göksu, are secured by a share pledge granted by such subsidiaries' shareholder(s) over the shares of these subsidiaries to lending banks.

Typically, such share pledge agreements grant to the lending banks the right to exercise certain shareholder privileges (such as the right to vote in the general assembly meetings and the right to collect dividends) after an event of default and, more importantly, the right to foreclose the share pledge. Therefore, in case of an event of default under the subsidiary facility agreements, the secured bank may take action for the sale of the shares we own in the relevant subsidiary through public auction or private sale as per the relevant share pledge agreements.

There is a commercial enterprise pledge established (securing up to TRY 800,000,000) on the commercial enterprise of Göksu in favour of Yapı ve Kredi Bankası A.Ş. The assets of Göksu subject to commercial enterprise pledge include the trade name of Göksu, its intellectual and industrial property rights, machinery, equipment, motor vehicles *etc.*, namely all assets allocated to the commercial activities of the Optimum Adana Shopping Centre. In case of an event of default under the relevant facility agreement with Yapı ve Kredi Bankası A.Ş., the bank may take action for the foreclosure of the commercial enterprise pledge in accordance with the Turkish Enforcement and Bankruptcy Law, which may result in the sale of the commercial enterprise belonging to Göksu, *i.e.* all assets of the Optimum Adana Shopping Centre.

We are a holding company and are dependent on the ability of our subsidiaries to make distributions to us

We conduct operations and own assets mostly through our subsidiaries. We cannot assure you that our subsidiaries' financial results, liquidity requirements or financial covenants will permit them to make distributions to us. In addition, events such as unfavourable changes in tax laws, the imposition of capital or other foreign exchange requirements or controls or other regulatory or legal changes in Turkey could affect our subsidiaries' ability to make distributions to us. If we are unable to receive distributions from our subsidiaries this could restrict our ability to fund our operations in part and thus materially adversely affect us.

An increase in online shopping could reduce footfall and the demand for tenants to occupy our shopping centres

A shift in demand from traditional physical stores towards online shopping represents a risk for the Group. In the Turkish markets, online retail sales currently make up a relatively low share of total demand, approximately 3.5%, but are growing at a fast rate (*Source*: Turkey Industry & Business Association). Markets like the U.S. have a higher penetration of online retail sales which has been attributed to the decline of physical shopping centres. Many factors impact this trend, but the Group's strategy is to continually adjust the tenant mix to offer attractive stores and services as well as focus on shopping centres that remain attractive meeting places, close to large population centres and with easy public transportation access. Nevertheless, if online shopping were to become more predominant similar to U.S. markets, it could materially adversely affect us.

We are dependent on maintaining good relations with our employees and the arrangements between us and our subcontractors could impact our financial condition.

As of 31 December 2017, we employ approximately 327 employees and none of our employees is a member of trade union. However, we and our subsidiaries subcontract certain work such as security, cleaning and transportation. We select reputable, cost-oriented and reliable subcontractors and closely supervise their work.

We or our subsidiaries may be held jointly liable with the subcontractor for financial claims arising under law or contract of the employees of a subcontractor who work exclusively and on a continuous basis at our premises under certain circumstances. In addition, we may also be jointly liable with the subcontractor for the social insurance claims of the subcontractor's employees and for the damages incurred by subcontractor's employees due to work accidents that occur during the performance of service.

In that respect, we may have an increase in labour costs and any increase in labour costs could have an adverse effect on our financial condition

RISKS RELATING TO OUR PROPERTY MANAGEMENT ACTIVITIES

We are subject to risks associated with our tenants' liquidity and solvency and with the expiration of short-term leases entered into by some of our tenants

Our results of operation and financial condition are dependent on the liquidity and solvency of the tenants of our shopping centres. In 2017, TRY 48.8 million or 43.5 %, of our revenue from investment properties was generated from our shopping centre tenants. Many of our retail tenants are exposed to both declining consumer spending in times of poor economic conditions and an increasing amount of e-commerce which may negatively impact footfall for our tenants, both of which could negatively impact sales volumes and revenue levels of our tenants in the future. Some of our tenants pay part of the rental payment as a function of their turnover. While this is not a material portion of our aggregate rent income, decline in our tenants' turnover may cause a decline in our rental income. These factors may also affect our retail tenants' ability to make lease payments or may result in these tenants seeking to renegotiate the terms of their leases. We have in the past and may continue in the future to apply rent discounts for certain retail tenants in order to retain them and maintain occupancy levels. Rental discounts result in direct reductions to our revenue. In addition, most of our retail leases include turnover provisions pursuant to which our tenants are required to pay us a portion of their actual sales revenues. Consequently, local economic conditions and other factors resulting in decreased sales volumes for our retail tenants negatively impact our rental revenues.

The bankruptcy or insolvency of anchor tenants, or a substantial number of smaller tenants, at our shopping centres would materially decrease our revenue and available cash, and also negatively impact the value of any affected retail property. Insolvent tenants may seek protection of applicable insolvency laws which could result in the early termination of their leases, resulting in decreases to our rental revenue. Our retail leases generally do not contain provisions designed to monitor the creditworthiness of our tenants and we may not be able to monitor the creditworthiness of our tenants in a timely manner and thus we are exposed to the credit risk of each of our tenants. Although default in rent payments would entitle us to evict the tenant, this may take time. A number of companies in the retail industry, including some of our tenants, have in the past declared bankruptcy or voluntarily closed certain of their stores, and other tenants may declare bankruptcy or become insolvent in the future. Rental payment obligations under our retail leases are typically not secured by collateral (other than rent deposits, letters of guarantees, notes and similar collateral in certain cases) and we are not insured against lease defaults.

We are also subject to the risk that, upon the expiration or early termination of leases for our retail units, leases may not be renewed by existing tenants or leased by new tenants, or the terms of renewal or re-letting (including the cost of the required renovations or concessions to tenants) may be less favourable to us than the previous lease terms. In particular, we seek to anchor our retail developments with well-known tenants who generate shopping footfall. There is a risk, in particular with respect to anchor tenants, that upon the expiration of such their leases, the lease may not be renewed by the tenant and that the unit may remain vacant for a period of time or re-let on terms less favourable to us. The attractiveness of our retail properties to new tenants, and thereby rental income, may be adversely affected if anchor tenants terminated or declined to renew leases upon expiry, sought lower rents upon review, failed to meet their contractual obligations, sought concessions in order to continue renting our commercial units, or ceased their operations. As at 31 December 2017, the weighted average unexpired lease term for all retail units in our shopping centres was 6.8 years. We estimate that leases representing approximately 9% of our base rental income for 2017 will expire in 2018, approximately 1% in 2019, approximately 4% in 2020, approximately 9% in 2021, approximately 12% in 2022 and approximately 65% in 2023 and beyond.

Any of the above factors could result in higher vacancy rates, lower rental income, potential decreases in the fair value of our investment properties, or otherwise materially adversely affect us.

Our ability to generate desired returns on our properties will depend on our ability to manage those properties on appropriate terms

Our ability to achieve returns on our properties will be affected by our ability to generate demand for those properties on terms that we believe are attractive. Our properties principally comprise shopping centres and office developments for which we seek to attract tenants. From time to time, we may also seek to sell properties owned by us.

Revenue earned from, and the value of, our properties may be materially adversely affected by a number of factors, including:

- our ability to fully let the properties and achieve target rental returns;
- our ability to collect rent and other contractual payments from tenants on a timely basis or at all;
- tenants seeking the protection of bankruptcy laws which could result in delays in receipt of rental and other contractual payments or the termination of a tenant's lease, all of which could hinder or delay the re-letting of a property;
- the amount of rent and the terms on which lease renewals and new leases are agreed being less favourable than current leases; and
- a competitive rental market, which may affect rental levels or occupancy levels at our properties.

In addition, we may be negatively impacted by changes in applicable laws and regulations which may restrict the amount we charge for rent and services relating to common areas and could lead to an increase in management expenses or unforeseen capital expenditure to ensure compliance. In this connection, Turkish law provides that rents determined in or by reference to currencies other than lira cannot be indexed annually, but does not apply to commercial leases until 2020. Although the market is lobbying for this exemption to be extended or made permanent, we cannot assure you that the lobbying will be successful. If implemented this change could have a material adverse effect.

Negative changes in any one or more of these factors could materially adversely affect us.

Our capital expenditure and other maintenance costs may be higher than expected

We must maintain or improve the condition of our properties in order for them to remain desirable to tenants and to generate revenue over the long term. Further, maintaining or improving the condition of our properties is essential to capturing the rental value uplift of any increase in market demand. Maintaining a rental property to market standards can entail significant costs.

We undertake maintenance and refurbishment work, which can include expansion of existing shopping centres, on an ongoing basis with respect to our properties to meet legal and market requirements. Such maintenance and capital expenditures may exceed our budget should we incur costs due to unforeseen circumstances, including shortages of and price inflation in respect of materials, equipment and labour, adverse weather conditions, accidents and unexpected delays, any of which could result in costs that are materially higher than expected. In addition, numerous other factors, such as the age of the relevant building structure could also result in substantial maintenance costs.

Any of these circumstances could negatively affect our ability to complete maintenance or refurbishment projects on schedule or within the estimated budget, and even if we are successful in doing so, we may not be able to recoup our investments. Any failure by us to undertake appropriate maintenance and refurbishment work could adversely affect the rental revenue earned from the affected real estate.

Our properties may also be subject to material damage resulting from natural causes, see "*Other risks—Our properties could be exposed to catastrophic events, acts of terrorism or other actions which result in our losing control over our properties over which we have no control*". Any damage caused by these events could be exacerbated by defective building materials or poor workmanship either at the time of building or in any maintenance programme subsequently undertaken.

We may not be able to realise our expected rates of return on our projects if the cities in which they are located become saturated

All of our Property Portfolio is currently located in major Turkish cities. These cities may reach saturation if their supply of commercial properties exceeds demand for them. Saturation in these cities would result in an increase in vacancy rates and/or a decrease in market rental rates and sale prices. If vacancy rates rise and/or market rental rates decrease, we may not be able to realise our expected rates of return on our projects or may be unable to let or sell our properties at all, which could have a material adverse effect on us. In this connection, according to a Jones Lang LaSalle ("**JLL**") report in October 2017, there are 393 shopping centres in Turkey with an aggregate 12 million m^2 of gross leasable area ("**GLA**"). According to the same report, overall the size of Turkish retail real estate market is still below the European average, although in major cities like Istanbul, Ankara and Izmir, the size of the market is around the European average.

We may be subject to liability following the disposal of properties

We may from time to time dispose of properties. For example, we sold all of our shares in a shopping centre in 2014, an office building in 2015 and a land bank property and shopping centre in 2016. In connection with each sale, we were required to give representations and warranties about, and/or indemnities in respect of, the properties sold and we will be liable to pay damages to the extent that any representations or warranties turn out to be inaccurate and/or claims are made under the indemnities. We may become involved in disputes or litigation concerning any representations, warranties and indemnities that we give and we may be required to make payments to third parties as a result of any dispute or litigation. If we do not have cash available to conduct litigation or to make any required payments, we may be required to borrow funds. If we are unable to borrow funds to make any required payments, we may be forced to sell further assets to obtain funds. We cannot assure you that any such sales could be effected on satisfactory terms or at all.

Our businesses expose us to health and safety risks

Due to the people-based nature of our business, our operations are subject to health and safety risks, particularly in relation to our shopping centres. The management company which manages our shopping centres through management contracts is our subsidiary and may also be subject to further liability under general regulations. Although all of our shopping centres currently comply with applicable health and safety standards, we cannot assure you that a major health and safety hazard, such as a fire or widespread illness as a result of one of our tenant's selling contaminated food will not occur. Given the high number of shoppers that visit our centres on a daily basis, such an event could have serious consequences, particularly in the event of fatalities. Our reputation could be materially affected if such an event occurs and is widely publicised, and this could also have a negative impact on the number of shoppers at the affected shopping centres or, by association, our other shopping centres, which could have a material adverse effect on us.

RISKS RELATING TO OUR PROPERTY DEVELOPMENT ACTIVITIES

A part of our Property Portfolio is in the development stage

As at 31 December 2017, we had two properties classified as investment property under development, which accounted for approximately 23.4% of our Property Portfolio, measured by reference to Combined gross asset value. We also have a significant number of properties in early stages of development, which are not yet classified as investment properties under development. Our projects do not generate revenue until they are completed and operational or sold, as the case may be, and it typically takes approximately between 24 and 30 months from commencement of construction to project completion. If we decide to defer or cancel any of our ongoing or pipeline projects, or experience material delays for any reason including those described under "*—There are numerous risks inherent in the development and ownership of our commercial real estate projects which could result in one or more projects being delayed or abandoned*" below, this could impact the value of our Property Portfolio or result in delays to revenue generation from a project, either of which could have a material adverse effect on us.

There are numerous risks inherent in the development and ownership of our commercial real estate projects which could result in one or more projects being delayed or abandoned

Our principal activity is the development and ownership of shopping centres and offices in Turkey. We currently have 11 income generating properties and two properties under development in our Property Portfolio. There are a number of construction, financing, operating and other risks associated with project development. Our projects typically require substantial capital expenditure to complete and it can take a substantial amount of time before a project becomes operational and generates revenue. The time taken and the costs involved in completing construction can be adversely affected by many factors, which may include but are not limited to the following:

- changes in national, regional and local economic conditions;
- general industry trends, including the cyclical nature of real estate market and increasing land prices;
- changes in governmental laws, rules and regulations, including in relation to zoning, financing, insurance, environment and tax;
- defaults by, or the bankruptcy or insolvency of, contractors and other counterparties;
- unforeseen engineering problems;
- inadequate infrastructure, including as a result of failure by third parties to provide utilities and transportation and other links that are necessary or desirable for the successful operation of a project;
- discovery of design or construction defects and otherwise failing to complete projects according to design specification;
- major accidents occurring during the construction phase that may involve serious personal injury or loss of life and may delay the progress of our projects or result in financial liability or other significant costs;
- increases in the cost of construction materials (for example, raw materials such as steel and other commodities common in the construction industry), energy, building equipment, labour and/or other necessary supplies (due to rising commodity prices or inflation or otherwise);
- changes in demand trends due to, among other things, a shift in buyer preferences, a downturn in the economy, a change in the surrounding environment of the project, including the location or operation of transportation hubs or population density or otherwise;
- increases in interest rates, taxes and charges and insurance premiums;
- delays in obtaining, or an inability to obtain, permits and approvals related to our projects;
- inability to obtain necessary financing arrangements on acceptable terms, or at all, and otherwise fund construction and capital improvements and provide any necessary performance guarantees; and

- acts of nature, such as earthquakes, and other events, such as accidents, work stoppages and strikes, that may damage our projects or delay their progress.

We derive our revenue principally from leasing shopping centre and office space, and any adverse change in one or more of the factors listed above could therefore materially adversely affect us if it results in current projects being delayed (which could result in increased costs, a longer time before the project generates revenue and potentially the need for additional funding) or abandoned (which may result in impairment charges which could be significant).

We are subject to risks related to increases in our construction costs

We may incur construction costs for the development of our properties which exceed our original estimates due to increased material, labour or other costs, which could make completion of the project uneconomic because we may not be able to charge rents to compensate for the increase in construction costs. In particular, we are more susceptible to increases in construction costs under our current arrangement with Rönesans Construction. We have retained, and expect to continue to retain, Rönesans Construction as general contractor for projects that we undertake on a cost plus margin basis. Therefore, any unexpected increase in construction costs, resulting from increased material, labour or other costs, will be borne by us, and this may have a material adverse effect on us if those increases are significant.

We are subject to risks associated with the construction materials and technical characteristics of our projects

Our development activities could give rise to legal claims against us in respect of the materials used and any design or structural defects in sold or leased commercial space. Although we may have rights against one or more relevant third parties in connection with such defects and/or recourse to insurance in place for the project in question, we cannot assure you that we will be able to enforce our rights and fully recover the costs arising from any claim against us.

The construction, refurbishment and sale of properties are subject to a risk of claims for defective construction, corrective or other works and associated adverse publicity. These claims could be brought against us by tenants and purchasers. We cannot assure you that such claims will not be asserted against us in the future, or that such corrective or other works will not be necessary. In addition, despite our endeavours to ensure at all times that the materials used in our developments comply with current regulations, any subsequent change in regulation could lead to the use of these materials being unlawful, giving rise to potential claims and the surrounding negative publicity concerning the quality of our properties or projects, irrespective of whether the claim is successful. This could also have a material adverse effect on how our business, properties and projects are perceived by target customers, tenants or investors.

Although we have not been subject to substantial legal claims relating to construction materials used, or design or structural deficiencies in our developments in the past, we cannot assure you that we will not become subject to claims in the future. The cost of defending against claims of liability, as well as liability for any damages, including personal injury, together with the adverse publicity, could adversely affect our ability to market, lease and sell our properties and projects in the future, which could materially adversely affect us and our reputation.

We rely on Rönesans Construction to provide a wide range of construction services

Rönesans Construction is the main contractor on both of our current projects and we expect that it will also be the main contractor on most, if not all, of our future projects. Rönesans Construction enters into agreements with subcontractors to provide us with a wide range of construction services and to build our real estate developments. Rönesans Construction selects reputable, cost-oriented and reliable subcontractors who have performed their work diligently and on time in the past, and closely supervises their work. We can give no assurance that in the future services provided by Rönesans Construction or subcontractors hired by it will be satisfactory to us or delivered on time. Additionally, subcontractors hired by Rönesans Construction may experience financial difficulties making them unable to complete projects, resulting in additional costs to us. We are jointly and severally liable under Turkish labour laws for any failure by these third parties to comply with health and safety laws applicable to their employees or for failure of these third parties to pay the salaries of their employees or applicable social security charges, and although we have recourse to these parties if we make payments we may not always be able to recover amounts paid from them. We are also liable for any defect in construction or design, or the materials used in construction by our contractor and subcontractors. If any of the contractors and subcontractors we hire to construct our development projects become insolvent, fail to comply with relevant laws or perform their work poorly, this could result in material delays to project completion and/or cause us to incur material additional costs, any of which could materially adversely affect us.

We may fail to gauge accurately consumer interest or market demand for our development projects

We develop innovative commercial property projects. During the initial phases of a proposed development project, we conduct research and market analysis to determine whether there is sufficient market demand for a development project of the type and size envisioned. Based on the results of this analysis, we decide whether to proceed with a proposed development project or modify certain of its aspects to maximise consumer demand and profitability. Our success depends in part, on our ability to accurately identify and anticipate the needs and preferences of the population in the targeted locality, as well as react quickly to changing socio-economic conditions and urban growth trends. If we fail to gauge accurately the needs, preferences and tastes of the targeted populations, or satisfy the expectations of our potential retail tenant base in relation to our shopping centre projects, we may have difficulty leasing units in our commercial developments or be required to reduce lease or sale prices, each of which could materially adversely affect us.

We may acquire land on which there are existing properties owned by third parties which would carry enhanced risks

We may acquire land in the future on which there are existing properties owned by third parties and some of these properties may have tenants who will need to be relocated. Current owners at these sites may be unwilling to sell their interests in such properties at a reasonable price or at all. In addition, current tenants may be unwilling to relocate from such areas. The relocation of existing tenants could be a lengthy process and may result in legal claims against us. These obstacles may delay or prevent us from beginning work on such projects or completing the projects and/or cause us significant additional cost in having to purchase such interests, which could materially adversely affect us.

We may not accurately forecast development costs, market rents and property values

Our profitability depends in large part on our ability to forecast market rents, property related costs and property values. We decide whether to pursue a development project and agree the price of land acquisition based in large part on anticipated returns. We estimate these returns on the basis of assumptions relating to future development costs, future property values and future market rents. Our failure to forecast accurately such costs, values and rent levels could result in lower than expected profits and returns on investment and could have a material adverse effect on us.

RISKS RELATING TO THE REGULATORY ENVIRONMENT

Failure to obtain the necessary permits or licenses or changes in applicable laws and regulations may adversely affect our ability to complete ongoing projects or develop new projects in the future

Real estate development activities are subject to extensive zoning, construction, occupancy and environmental regulations. For a more detailed discussion of the regulatory framework relating to the Turkish real estate market, see "*Regulatory framework*". Before a project generates any revenue, material capital expenditures are required to acquire land, to obtain requisite permits and approvals and to construct the project. In addition, the time required to obtain the necessary permits, consents and approvals from the applicable governmental authorities can vary, which may delay construction and result in higher project costs compared to original estimates. In addition, we may be required to make capital expenditure commitments in order to obtain the necessary approvals, consents or licenses required from applicable regulatory authorities. For example, one of our land bank properties held through a long-term leasehold, Antalya Konyaaltı, is subject to such a capital expenditure commitment. There can be no assurance that all approvals, consents or licenses required from applicable regulatory authorities in connection with our two ongoing projects or any future development projects we may undertake will be issued or granted to us within the anticipated time periods or at all. In addition, the applicable regulatory regimes in the cities and municipalities in which we operate are subject to changes in law and to political influence. Three of our investment properties and one of our land bank properties are long-term leasehold properties and the owners of those long-term leaseholds are governmental bodies. A change in the political leadership of those governmental bodies may result in a threat of or actual illegal interference with our rights under such leaseholds. These and other factors may increase costs or delay the completion of development projects, resulting in loss of revenue or loss of capital invested, or lower returns on investment than anticipated.

In relation to any future development projects we may undertake, there is also a risk that we may be required to alter our development plans, including the nature of the projects and the permitted construction areas, as a result of the implementation of new zoning laws before a construction licence is obtained. This could cause us to incur additional costs in order to comply.

In addition, we may wish to alter certain of our developments projects after construction has started but may be unable to do so as a result of not being able to obtain the required approvals and permits. If we cannot obtain any required permits and approvals in a timely manner or at all, any such projects will be delayed or cancelled, which could have a material adverse effect on us.

Any delay or a failure to obtain the required permits, consents or approvals, or the withdrawal of those previously granted, could affect our ability to complete ongoing projects or future development projects within expected time frames or at all, which could materially adversely affect us.

Our real estate development activities are subject to numerous environmental regulations

Our real estate developments are subject to numerous environmental regulations. Under applicable environmental laws and regulations, regulatory authorities may suspend or terminate non-compliant operations, levy monetary penalties and require non-compliant entities to bear the cost of related remediation programmes.

In Turkey, a property owner or the operator of a facility on a property may be held liable for the cost of removing or remediating hazardous or toxic substances that are discovered on or underground in the property, the cost of which could be substantial. Turkish law may impose liability on the current property owner whether or not the owner knew of, or was responsible for, the presence of hazardous or toxic substances. In these circumstances, the owner's or the operator's liability is generally not limited by law and the costs of any required removal, investigation or remediation can be substantial. The presence of hazardous or toxic substances on, or in, any of our properties, or the liability for failure to remedy property contamination, could adversely affect our ability to sell or let any affected property or to borrow funds using the affected property as collateral, which could have an effect on our return on investment from the property.

In addition, the presence of hazardous or toxic substances on or in a property may prevent, delay or restrict the development or redevelopment of the affected property, negatively affecting the potential returns achievable on that property.

Environmental laws may also impose restrictions on the manner or use of existing properties, and these restrictions may require substantial expenditure. Environmental laws provide for sanctions for non-compliance and may be enforced by governmental agencies or, in certain circumstances, by private parties. Third parties also may seek recovery from us for personal injury or property damage associated with exposure to the release of hazardous substances. The cost of defending against claims of liability, complying with environmental regulatory requirements, remediating contaminated property or compensating personal injury claims could have a material adverse effect on us.

Any finding of non-compliance with applicable environmental laws, or any change in applicable environmental laws and regulations that impose more stringent requirements with respect to our activities, could cause us to incur additional expenses, which could materially adversely affect us.

We are categorised and any of our subsidiaries or joint ventures may become categorised as a company with foreign participation, which would limit us in connection with the acquisition and ownership of certain real estate

A foreign shareholder currently holds 21.44% of our outstanding shares. Turkish companies with foreign shareholders holding at least 10% of their entire share capital are categorised as companies with foreign participation and are restricted in their ability to own certain real estate. Such companies are required to notify and obtain the approval of the relevant governorship in Turkey which may require a series of evaluations by and procedural steps with Turkish authorities. As we are a holding company that does not currently own real estate, we are not subject to such notification and approval procedure. However, certain of our joint ventures are also categorised as companies with foreign participation and own real estate and those joint ventures have successfully obtained the necessary approval. In addition, if we purchase real estate or any of our subsidiaries or joint ventures or future subsidiaries or joint ventures otherwise become categorised as a company with foreign participation we may be subject to a review process for the properties already in our current portfolio (regardless of their acquisition dates) as to whether such properties are used within the scope of activity as specified in our articles of association. These procedures would be likely to create a significant administrative burden and affect our ability to make timely investment decisions.

RISKS RELATING TO OUR FINANCING ARRANGEMENTS

We may incur substantial losses if we fail to meet the obligations and requirements of our debt financing

As of 31 December 2017, we and our subsidiaries had long-term bank loans of TRY 2,175 million and short-term bank loans of TRY 262 million. Our joint ventures also have significant borrowings. In order to secure the relevant loans, we and our subsidiaries and joint ventures (the obligors) have in the past and/or may in the future mortgage certain of key assets, pledge participatory interests in other companies, enter into guarantees and agree to negative pledges. In addition, the loans that each obligor has entered into contain restrictions on the obligor's ability to dispose of certain key assets. We have also provided a guarantee for certain loans of a sister company until those loans mature in 2023.

If an obligor fails to make principal and/or interest payments due under its loans or any guarantees given by it or breaches any of the covenants in its loans this could result in the forfeiture of any mortgaged assets and/or the acceleration of the obligor's payment obligations and could also trigger cross-default clauses and restrict our ability to borrow in the future. Any of the events described above could have a material adverse effect on us.

We may not be able to refinance our existing or future debt obligations on acceptable terms or at all

Following the issue of the Notes, we and our subsidiaries borrowings will include different types of corporate debt, including the Notes offered hereby, debt incurred by our subsidiaries or guarantees thereof available to our subsidiaries. In relation to our corporate debt that is repayable with a "bullet" payment on maturity (such as the Notes offered hereby), our ability to make such payments on maturity is uncertain and will depend upon our ability to generate sufficient cash from operations, obtain additional equity or debt financing or sell assets. This ability to obtain equity or debt financing on favourable terms or at all will depend on many factors outside our control, including the then prevailing conditions in the international credit and capital markets. Our ability to sell assets and use the proceeds for the refinancing of debt obligations coming due will also depend on many factors outside our control, including the existence of willing purchasers and asset values. At the time the refinancing of each of our existing financing agreements is due, we may not be able to refinance the repayment of our debt obligation on terms as favourable as the original obligations or liquidate assets at a price sufficient to repay the relevant debt or at all. If we are unable to refinance our existing or future borrowings on acceptable terms or at all, could materially adversely affect us.

Our financing arrangements may restrict our ability to carry on our business and we may be unable to secure additional financing when needed

The property development business is capital intensive and we rely on debt financing, primarily in the form of loans from financial institutions, to finance our land acquisitions and our property development activities. See "*Management's discussion and analysis of financial condition and results of operations—Liquidity and capital resources*".

We may not have sufficient capital to undertake, or may be restricted by the covenants in our financing agreements from undertaking, future capital expenditures and other investments that we may deem necessary or desirable. Our ability to obtain external financing and the cost of such financing are dependent on numerous factors, including general economic and capital market conditions, interest rates, credit availability from banks or other lenders, investor confidence in us and our business, the success of our business, provisions of tax and securities laws that may be applicable to our ability to raise capital and political and economic conditions. We cannot assure you that additional financing, either on a short-term or long-term basis, will always be available to us or, if available, that we will be able to obtain it on terms that we believe are favourable and we may also be required to provide security over our assets to obtain any financing and/or agree to contractual limitations on the operation of our business. If we are unable to obtain additional financing on terms that we believe are favourable or at all, this could result in defaults on existing contracts, construction delays and damage to our reputation as a reliable contractual counterpart, which, in turn, could materially adversely affect us.

Increases in interest rates may increase our financing costs and decrease our rates of return on investments

We have an interest rate hedging policy in place that aims to hedge our exposure to interest rate changes on the majority of our variable rate loans. As of 31 December 2017, our interest rate swap ratio was 91%. Nevertheless, increases in interest rates could result in increases to our project financing costs, both with respect to existing loans and loans that we obtain in the future which are subject to unhedged variable interest rates or as a result of our hedging policy not being fully effective. Should the interest expense increase on our existing project finance loans, and the revenue from the investment properties funded by those loans not increase, our return on investment from our investment properties will decrease. Similarly, higher financing costs on new loans for new projects would have an impact on future rates of return from those projects. In addition, if the cost of financing a potential project is too high, we may conclude that the rate of return on the project would not justify its construction and may decide to forgo those development opportunities. Increases in interest rates, however arising, could have a material adverse effect on us.

Our credit ratings are subject to ongoing evaluation and there can be no guarantee that our ratings will not be placed on credit watch or downgraded

We have been assigned ratings of Ba2 with a stable outlook by Moody’s and BB+ with a stable outlook by Fitch. These ratings, and any other ratings assigned to us or any securities issued by us in the future, may not reflect the potential impact of all risks related to structure, market, additional factors discussed in this document and other factors that may affect the value of the Notes.

Nevertheless, real or anticipated changes in our credit ratings will affect the market value of the Notes and could also have a material impact on our business. For example, a downgrade of our ratings may make it more difficult for us to obtain funding in the future and could also increase our future cost of funding, which may impair our ability to complete existing or future projects and negatively affect our future profitability. Additionally, you should be aware that, in the future, the Notes may not have the same rating as us for any number of reasons including the specific terms and conditions of the Notes, current and future financings by us or our subsidiaries, rating agency methodology or other factors.

A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by its assigning rating agency at any time.

The Notes will not benefit from any security and will be effectively subordinated to our existing and future secured indebtedness

Our obligations under the Notes will be unsecured. Accordingly, any claims against the Company under the Notes will be unsecured claims. The Company's ability to pay such claims will depend upon, among other factors, its liquidity, overall financial strength and ability to generate cash flows, which could be affected by the circumstances described in these risk factors.

The Notes will also be effectively subordinated to the Company's existing and future secured indebtedness and to any other unsecured indebtedness owed by any of its subsidiaries by virtue of the fact that any claim the Company may have to the assets of those subsidiaries on their winding up will rank behind the claims of all creditors of those subsidiaries.

Holders of the Company's secured indebtedness will have claims that are superior to the claims of Noteholders to the extent of the value of the assets securing such other indebtedness. In the event of the Company's bankruptcy, liquidation or dissolution, the assets that serve as collateral for its secured indebtedness would be available to satisfy its obligations under the secured indebtedness before any payments are made on the Notes. Other than as set out in Condition 4 (*Negative Pledge*) and Condition 5 (*Covenants*), the Conditions do not prohibit the Company from incurring and securing future indebtedness.

OTHER RISKS

Fluctuations in currency exchange rates may adversely affect our financial condition and results of operations

Our base rental revenue is primarily paid in lira but the lira amounts paid are TRY equivalents of the euro or, in the case of one shopping centre, U.S. dollar amounts specified in our tenants' lease agreements. In 2017, 86.8% of our cash flow was in euro equivalent TRY, 7.5% of our cash flow was in U.S. dollar equivalent TRY and 5.6% was TRY. We derive a significant proportion of our revenue from rental payments from the tenants of our investment properties. In 2017, TRY 112.2 million, or 66.3%, of our revenue was generated from tenants of our properties and in 2016 TRY 58.9 million, or 51.5%, of our revenue was generated from tenants of our properties and in 2015 TRY 45.1 million, or 51.5% of our revenue was generated from tenants of our properties. The lira has been volatile in recent years, with substantial depreciation relative to the euro and U.S. dollar, particularly in recent years. Nominal depreciation of the lira against the U.S. dollar was 7.18% in 2017, 20.60% in 2016 and 25.41% in 2015; nominal depreciation of the lira against the euro was 21.7% in 2017, 16.8% in 2016 and 12.7% in 2015 (*Source*: Central Bank of Turkey), see "*Management's* *discussion and analysis of financial condition and results of operations—Key factors affecting our financial results—Macroeconomic factors*". Any further substantial depreciation of the lira versus the euro or the U.S. dollar may result in liquidity problems for any of our tenants who generate sales revenues in lira but whose rent is calculated by reference to euro or U.S. dollar amounts as they would be required to expend an increasing amount of lira in order to cover their rental payments. In addition, when the lira experiences fluctuations in value, particularly in a time of falling sales revenues, it can produce uncertainty for tenants as to the amount of future rental payments. Further, tenants may decide to terminate their rental agreements or future tenants may decide not to enter into a lease agreement with us to avoid currency risk or tenants may refuse to accept the prevailing exchange rate on a particular date. In addition, where we collect rents in lira but subsequently convert them into euro or U.S. dollars, the time difference between collection and conversion can also expose us to currency risk.

We may suffer losses not covered by insurance

We seek to maintain insurance policies covering our assets and employees with policy specifications and insured limits which we believe are adequate and appropriate under the circumstances. Risks insured against generally include fire, loss of lease due to fire, machinery breakdown, flood, theft, employer's financial liability, third party liability and certain acts of terrorism. There are, however, certain types of risks that are not generally insured against or are only insured in part, such as losses from war or political violence, either because they are uninsurable or not economically insurable, or not currently available in Turkey. Certain forms of insurance common in mature markets, such as workers' compensation insurance, is not applicable in Turkey. Furthermore, our insurance policies may not cover all our losses, especially as the values of properties in our portfolio increase. Other factors might also result in insurance proceeds being insufficient to repair or replace a property if it is damaged or destroyed, such as inflation, changes in building codes and ordinances and environmental considerations. Should an uninsured loss or a loss in excess of insured limits occur, we could lose all or a portion of the capital invested in a property, as well as the anticipated future revenue from the property. In addition, we could be liable to repair damage caused by uninsured risks. Additionally, no assurance can be given that material losses in excess of insurance coverage limits will not occur in the future. Any such loss could materially adversely affect us.

Major disruption of our information technology systems could have a material adverse effect on us

We are increasingly dependent on our technology infrastructure and we maintain and rely upon certain critical information systems for the effective operation of our business. In addition, we collect and hold personal and business data relating to our tenants and visitors that is subject to data protection law.

Sophisticated information technology ("**IT**") systems are vulnerable to a number of problems, such as software or hardware malfunctions, malicious hacking, phishing and ransomware attacks, physical damage to vital IT centres and computer virus infection. Recent cyber-attacks have become more targeted and have caused significantly detrimental consequences on the affected businesses. The occurrence of any of the above may significantly disrupt our technology systems and may lead to important data being irretrievably lost or damaged, or to a significant interruption in normal operations. In addition, should any of these factors result in the release of third party data in breach of applicable law, we could be fined or other sanctions could be applied against us and our reputation would be likely to duffer as a result of adverse publicity.

As a result, our IT systems need regular upgrading to meet the needs of changing security, business and regulatory requirements and to keep pace with the requirements of our existing operations. In the future, we may not be able to implement necessary upgrades on a timely basis, and upgrades may fail to function as planned. Consequently, any major disruption of our IT systems or loss of data could have a material adverse effect on us.

Our properties could be exposed to catastrophic events, acts of terrorism or other actions which result in our losing control over our properties over which we have no control

Our business operations and properties could be adversely affected or disrupted by natural disasters (such as earthquakes, floods, tsunamis, hurricanes and fires) or other catastrophic events, including, but not limited to:

- changes to predominant natural weather, hydrologic and climatic patterns, including sea levels;
- major accidents, including chemical, radioactive or other material environmental contamination;
- major epidemics affecting the health of persons in the region and travel into the region; and
- acts of terrorism or other actions which result in our losing control over some or all of other properties, including for example through criminal acts, war or expropriation.

If any of these events occur at one or more of our properties or in any city where we operate, this may materially disrupt our operations in part or in whole, which would have a material adverse effect on us. The effect of any of these events on our operations may be exacerbated to the extent that we are not insured against the event or any damaged caused, see "*—We may suffer losses not covered by insurance*" above.

We rely on certain key personnel

Our success depends to a significant degree upon the skills and relationships of certain key management personnel, including our Chairman, Mr. Kamil Yanıkömeroğlu, our Vice Chairman, Mr. Murat Özgümüş, our CEO, Mr. Hasan Şimşek, and other members of our senior management team, who collectively possess extensive knowledge of the Turkish real estate market and the internal procedures and functions of local municipalities and relevant governmental agencies. The departure or loss of the services of our key management personnel could materially adversely affect us.

Our consolidated balance sheet and income statement may be significantly affected by fluctuations in the fair market value of our properties as a result of revaluations

Our real estate assets are independently re-valued on a periodic basis in accordance with the applicable valuation standards as required by IFRS and any increase or decrease in the value of these assets will be recorded as a revaluation gain or loss in our consolidated income statement for the period during which the revaluation occurs. As a result, we may have significant non-cash revenue gains and losses from period to period depending on the change in fair market value of our real estate assets, whether or not such assets are sold. For example, in each of 2017, 2016 and 2015 we recorded gains in fair value of investment properties under development of TRY 693 million, TRY 409 million and TRY 135 million and gains in fair value of investment properties TRY 215 million, TRY 77 million and TRY 62 million, respectively.

A significant number of our investment properties and investment properties under development are held by joint ventures which are equity accounted. As a result, changes in the fair value of these properties do not directly impact our consolidated income statement, although they are recorded in the income statement of the joint venture concerned. We record on our consolidated income statement our proportional share of the profits and losses incurred by our joint ventures. As a result, if one or more of our joint ventures experience a material negative change in fair value of their investment properties, this could result in them incurring losses which could negatively impact our income statement.

For example, in the event market conditions and the prices of comparable commercial real estate properties are unfavourable or unforeseen capital expenditures are required or lease incentives above the market value are granted, revaluation losses from real estate assets may occur and continue in the future. It is possible that reductions in the appraised value of our investment properties could lead to non-compliance with covenants under the Notes or other debt obligations we may incur. A substantial decrease in the fair market value of our real estate assets, over the longer term, could materially adversely affect us.

We are exposed to the risk of changes in tax legislation and its interpretation and to increases in the rate of corporate and other taxes

Our activities are subject to tax in Turkey, computed in accordance with relevant legislation and practice. Future actions by the Turkish authorities to increase tax rates or to impose additional taxes would reduce our profitability. Revisions to tax legislation or to its interpretation might also affect our financial condition in the future. In addition, we are subject to periodic tax audits which could result in additional tax assessments and/or penalties relating to past periods. Any such assessments or penalties could be material and might have a material adverse effect on us.

RISKS RELATING TO OUR SHAREHOLDING STRUCTURE

The Company is controlled by shareholders whose interests may not be aligned with our interests or those of our creditors

The Company is controlled by shareholders whose interests may not be aligned with our interests or those of our creditors. Rönesans Holding (which is controlled by members of the Ilıcak Family) owns, indirectly through a subsidiary, 74.24% of the Company's outstanding shares and the Government of Singapore Investment Corporation ("**GIC**"), through its wholly owned subsidiary Euro Efes S.à r.l., owns 21.44% of the Company's outstanding shares. See "*Shareholders and Related Party Transactions*". Accordingly, members of the Ilıcak Family, through Rönesans Emlak, and together with other minority shareholders (i.e. Mr. Kamil Yanıkömeroğlu and Mr. Murat Özgümüş) have the right to nominate most of our directors (currently six out of eight members) and GIC, through Euro Efes S.à r.l., currently has the right to nominate two directors. These shareholders therefore have the right to initiate changes to our operations and transformative corporate transactions, which may not necessarily be in the best interests of our creditors or may adversely affect our rating. In addition, these shareholders could cause us to incur additional indebtedness or have an interest in our pursuing transactions that could enhance their interests, although such transactions might involve enhanced risks to Noteholders.

In addition, this concentration of share ownership may allow the Ilıcak Family to block, delay or substantially influence all matters requiring shareholder approval, including the amendment of our constitutional documents or the approval of significant corporate transactions that our management may propose.

Any such actions by the Ilıcak Family could have a material adverse effect on us.

The shareholders' agreement between the Company's major shareholders may negatively impact our business

Certain provisions of the shareholders' agreement between the Company, Rönesans Holding and the Company's shareholders are reflected in the Company's constitutional documents and give GIC, through Euro Efes S.à r.l., a degree of control over the way in which we operate. In particular, matters defined as Strategic Shareholder Matters, which includes any change to our investment criteria described under "*Business—Operations—Investment criteria*", as well as investment decisions outside the investment criteria, require shareholder consent, including the consent of GIC, through Euro Efes S.à r.l., before they can be implemented and matters defined as "Strategic Board Matters", require the consent of at least one director nominated by GIC, through Euro Efes S.à r.l., before they can be approved. See "*Management and employees—Shareholders' agreement rights*".

We are therefore subject to the risk that GIC may have different business or investment objectives to the Ilıcak Family which may lead it to block certain business, financial or management decisions which the Ilıcak Family believes are crucial to our future success or the success of a particular project.

We are party to a number of related party transactions and agreements which are material to our business

In the ordinary course of business, we have engaged, and intend to continue to engage in, transactions with companies owned by or affiliated with the Ilıcak Family and Rönesans Holding. In particular, we are party to an agreement with Rönesans Construction relating to the construction of our properties. We believe that our prior and existing contracts and other transactions with related parties have been negotiated on an arm's length basis and contain market terms. However, we cannot assure you that we would not have obtained more favourable terms from third parties. Under the Turkish Corporate Tax Code, if a company engages in a transaction with related parties which is not at arm's length, the profit is characterised as a disguised profit distribution. The amount that is subject to such transfer pricing will be deemed as distributed profit and this amount will be subject to dividend withholding tax along with a pecuniary penalty equivalent to up to three times the relevant tax arising. See "*Shareholders and Related Party Transactions*".

We have entered into related party transactions regarding, among other things, construction and management of our properties and assets. We believe that we benefit from these relationships because of the extensive experience of these companies and of the Ilıcak Family in the real estate industry in Turkey. If the Ilıcak Family and any Rönesans Holding affiliated companies were to cease providing us with the services they currently provide, or were to increase the cost of these services, we could encounter difficulty locating alternative providers of such services on the same terms, or with the same level of industry experience.

RISKS RELATING TO TURKEY

The following risks relating to Turkey all have the potential to materially adversely affect our business given that we only operate in Turkey and all of our assets are located in Turkey. In particular, factors that negatively impact the Turkish economy are likely to adversely affect us both directly and indirectly through their effect on the tenants of our properties. Other factors, such as adverse political developments, could make Turkey less attractive to international investors which could negatively affect the market value of our Notes.

Political developments in Turkey may have a material adverse effect on us

Since late 2013, the Turkish political and social situation has been particularly volatile, especially following the attempted coup in July 2016. See "*—Increased political risks following the coup attempt of July 2016*" below.

The most recent elections in Turkey were held on 7 June 2015 resulting in no party having a majority. As a coalition could not be formed within the period provided in the Turkish constitution, further elections were held on 1 November 2015, which was won by the Justice and Development Party ("**AKP**") which held a significant parliamentary majority. On 22 May 2016, the AKP selected the former minister of transport, maritime affairs and communication, Binali Yıldırım, as its next leader and President Recep Tayyip Erdoğan approved the new government formed by Mr. Yıldırım. On 24 May 2016, Mr. Yıldırım replaced Ahmet Davutoğlu and became the new prime minister of Turkey. Notwithstanding this, social and political conditions remain challenging, including with increased tension resulting from Turkey's conflict with the People's Congress of Kurdistan (formerly known as the PKK, an organisation that is listed as a terrorist organisation by states and international bodies including Turkey, the EU and the United States). A general election and local elections are scheduled to be held in Turkey in 2019. The events surrounding any future elections and/or the results of such elections could contribute to volatility in Turkish financial markets and/or have an adverse effect on investor perceptions of Turkey, including Turkey's ability to adopt macro-economic reforms, support economic growth and manage domestic social conditions.

Any significant changes in the political environment, including any failure by the Turkish government to devise or implement required or appropriate economic programmes, may adversely affect the stability of the Turkish economy. Perceptions of political risk have also increased as a result of certain geopolitical factors affecting Turkey, including relating to terrorist attacks (see "*—There is significant potential for conflict and* *terrorism within Turkey and in neighbouring and nearby countries*"), the refugee crisis and tensions with Russia.

Increased political risks following the coup attempt of July 2016

On 15 July 2016, the Turkish government was subject to an attempted coup by a fraction within the Turkish army with ties to the Gülen movement that, in May 2016, was officially designated by the Turkish government as a terrorist organisation (**FETÖ**). The Turkish government and the Turkish security forces (including the Turkish army) took control of the situation in a short period of time and the ruling government remained in control. Following the coup attempt, there have been arrests of thousands of individuals, including senior members of the military, police and judiciary, as well as restrictions of media outlets, suspension, dismissal, travel bans and legal proceedings against police officers, public employees and the business community. As at the date of this Offering Circular, investigations with respect to the attempted coup are ongoing. The ongoing investigations following the failed coup attempt and state of emergency may contribute to uncertainty about the Turkish political landscape. There might be further arrests and actions taken by the Turkish government in relation to these investigations, including changes in policies and laws.

Under Article 120 of the Turkish Constitution, in the event of serious indications of widespread acts of violence aimed at the destruction of the free democratic order, a state of emergency may be declared in one or more regions of, or throughout, the country for a period not exceeding six months, which may be extended. On 20 July 2016, the Turkish government declared a three-month state of emergency in the country, entitling the government to exercise additional powers. The state of emergency has been extended continuously since then, with the most recent extension currently expected to remain effective until 19 April 2018. Although, the Group's operations have not been materially affected by the attempted coup, the impact on political and social circumstances following the attempted coup and its aftermath (including Moody's rating downgrade of Turkey from Ba1 to Ba2) might have a negative impact on the Turkish economy, major institutions in Turkey, including us, and/or the value and/or market price of securities issued by Turkish issuers, including the Notes.

In a referendum held on 16 April 2017, the majority of votes cast approved proposed amendments to certain articles of the Turkish constitution, including replacing the existing parliamentary system of government with an executive presidency and a presidential system. Most of the amendments are expected to be implemented gradually by the end of 2019, the expected date for the next general and presidential election. Following the entry into force of the package of constitutional amendments:

- the current parliamentary system will be transformed into a presidential system;
- the president will be entitled to be the head of a political party and to appoint the ministers;
- the office of the prime minister will be abolished;
- the parliament's right to interpellate ministers (that is, to submit questions requesting explanation of an act or a policy) will be annulled;
- the president will be entitled to issue decrees as the head of the government (except for certain matters such those relating to the fundamental rights and liberties and political rights); and
- the president will be entitled to dissolve parliament and call for new general elections along with presidential elections.

As at the date of this Offering Circular, any possible social, institutional and economic effects of such amendments remain uncertain as such political uncertainty remains elevated. There can be no assurance that the political situation in Turkey will not deteriorate. In addition, certain regulatory actions, investigations, allegations of past or current wrongdoing and similar actions (including as described below subjecting certain Turkish individuals to trial for violations of U.S. sanctions against Iran) might increase perceptions of political conflict or instability.

Economic instability in Turkey may have a material adverse effect on our business

Since the mid-1980s, the Turkish economy has evolved from a highly protected and regulated system to a more open market system. Although the Turkish economy has generally responded well to this transformation, it has continued to experience severe macro-economic imbalances, including significant balance of payment deficits, substantial budget deficits, high rates of inflation, high rates of interest (which are nominal rates adjusted to remove the effects of inflation), currency volatility and persistent unemployment.

In spite of economic progress since 2001, Turkey has experienced recent economic difficulties and remains vulnerable to both external and internal shocks, including volatility in oil prices and terrorist activity, as well as potential domestic political uncertainty and changing investor opinion. High Turkish government debt levels and a substantial current account deficit may also contribute to economic vulnerability. See "—*Turkey's high current account deficit may result in Turkish government policies that negatively affect our business*"

Since February 2001, the Turkish Central Bank has applied a floating exchange rate policy and exchange rates for the lira have historically been, and continue to be, volatile and recent events in Turkey and globally have contributed to significant fluctuations in the value of the lira against international currencies, such as the U.S. dollar and the euro, as well as varying interest rate policies to respond to currency volatility and economic conditions. In recent years, there have been a number of periods of sharp depreciation and some recovery. For example, from 30 December 2016 to 29 December 2017, the lira declined in value by 7.2% in nominal terms against the U.S. dollar.

Any significant depreciation of the lira against major currencies, or any actions taken by the Turkish Central Bank or Turkish government to protect the value of the lira (such as increased interest rates or capital controls) may adversely affect the financial condition of Turkey as a whole, including its inflation rate, and may have a negative effect on our business.

There can be no assurance that Turkey will be able to remain economically stable during any periods of renewed global economic weakness. In such circumstances, Turkey may need to enter into a new agreement with the International Monetary Fund (the IMF) in relation to macro-economic stabilisation policies and, even if agreed upon, there is no certainty that any such agreement would help Turkey to remain economically stable.

Turkey's high current account deficit may result in Turkish government policies that negatively affect our business

According to the Central Bank, as at 31 December 2017, Turkey's current account deficit was U.S.$47.1 billion. Although there have been some improvements due to lower oil prices, the current account deficit remains a principal concern for Turkish policy makers as it increases Turkey's vulnerability to changes in global macro-economic conditions. The Turkish government may take policy actions to reduce the current account deficit, including policies that may have a negative impact on domestic growth and consumption. Any reduction in economic growth or policies could have a material adverse effect on us.

Although Turkey's growth dynamics depend to some extent upon domestic demand, Turkey is also dependent upon trade with Europe. A significant decline in the economic growth of any of Turkey's major trading partners, such as the EU, could have an adverse impact on Turkey's balance of trade and adversely affect Turkey's economic growth. Turkey has diversified its export markets in recent years, but the EU remains Turkey's largest export market. Diplomatic or political tensions between Turkey and member states of the EU or other countries might impact trade or demand for imports and exports. A decline in demand for imports into the EU could have a material adverse effect on Turkish exports and on Turkey's economic growth and result in an increase in Turkey's current account deficit. To a lesser extent, Turkey also exports to markets in the Middle East, and the continuing political turmoil in certain of those markets could lead to a decline in demand for such imports, with a similar negative effect on Turkish economic growth and Turkey's current account deficit.

Turkey is an energy-dependent country and recorded U.S.$37.2 billion of energy imports in 2017. In 2017, Turkey's current account deficit reached U.S.$47.1 billion and, as such, energy imports represented 15.9% of Turkey's total imports during 2017. While falling oil prices in December 2015 and January 2016 had a positive impact on Turkey's current account deficit, increasing oil prices following the agreement between OPEC and non OPEC countries in November 2016 to tighten global oil supply together with lira depreciation against the U.S. dollar might have a negative impact on Turkey's current account deficit in 2018 and any geopolitical development concerning energy security could also have a material impact on Turkey's current account balance. Whilst Turkey might be able to diversify its energy suppliers and lower its energy cost as a result of the interim arrangement between the P5+1 countries (China, France, Russia, the UK, the United States and Germany) and Iran, this approach is subject to significant political and other risks and might not result in reduced energy costs to Turkey.

The market for Turkish securities is subject to a high degree of volatility due to developments and perceptions of risks in other countries

In general, investing in the securities of issuers that have operations primarily in emerging markets, such as Turkey, involves a higher degree of risk than investing in the securities of issuers with substantial operations in the United States, the countries of the EU or other similar jurisdictions. The market for securities issued by Turkish companies is influenced by economic and market conditions in Turkey, as well as, to varying degrees, market conditions in other emerging market countries, and the United States. Although economic conditions differ in each country, the reaction of investors to developments in one country may cause capital markets in other countries to fluctuate. Developments or economic conditions in other emerging market countries have at times significantly affected the availability of credit to the Turkish economy and resulted in considerable outflows of funds and reductions in the amount of foreign investments in Turkey. Crises in other emerging market countries may diminish investor interest in securities of Turkish issuers.

In addition, financial turmoil in any emerging market country tends to adversely affect the prices of equity and debt securities of issuers in all emerging market countries as investors move their money to more stable, developed markets. An increase in the perceived risks associated with investing in emerging economies could dampen capital flows to Turkey and adversely affect the Turkish economy. There can be no assurances that investors' interest in Turkey will not be negatively affected by events in other emerging markets or the global economy in general.

Regional developments may have a material adverse effect on us

Turkey is located in a region that has been subject to ongoing political and security concerns, especially in recent years. Since December 2010, political instability has increased in a number of countries in the Middle East and North Africa. The conflict in Syria has been the subject of significant international attention and is inherently volatile and its impact and resolution is difficult to predict. There have recently been military and civilian hostilities in both directions across the Syrian-Turkish border. Although there is no direct military conflict between Turkey and Syria, there can be no assurance that Turkey will not use increased military force in Syria in an effort to enhance its own border security which may have political repercussions in Turkey and an adverse impact on the Turkish economy.

On 25 September 2017, the Kurdish Regional Government in Northern Iraq held a referendum for the independence of the region administered by the Northern Iraqi Kurdish Regional Government. Turkish government officials announced that Turkey will not recognise the outcome of the referendum and might take punitive measures, including economic sanctions (such as, for example, cutting off the pipeline that allows the transport of oil from Northern Iraq to third countries) and closing its airspace and border crossing to Northern Iraq. On 16 October 2017, Turkey closed its airspace to the Northern Iraqi Kurdish region.

Any of the factors described above may affect Turkey's relationships with its neighbours, have political implications in Turkey or otherwise have a negative impact on the Turkish economy including through both financial markets and the real economy. There can be no assurance that such disturbances will not have political repercussions within Turkey. Such disturbances may also have a negative impact on the Turkish economy that could, in turn, have a material adverse effect on our business.

Turkey's economy has been subject to significant inflationary pressures in the past and may become subject to significant inflationary pressures in the future

The Turkish economy has experienced significant inflationary pressures in the past with year-over-year consumer price inflation rates as high as 68.5% in the early 2000s. Consumer price inflation was 8.8% and 8.5% in 2015 and 2016. In 2017, inflation increased to 11.9% due to lira depreciation and an increase in food prices. Domestic producer price inflation was 5.7%, 9.9% and 15.5% in 2015, 2016 and 2017, respectively.

Significant global price increases in major commodities such as oil, cotton, corn and wheat would be likely to increase supply side inflation pressures throughout the world. These inflationary pressures and any further depreciation of the lira may result in Turkish inflation exceeding the Central Bank's inflation target, which may cause the Central Bank to modify its monetary policy. Inflation-related measures that may be taken by the Turkish government in response to increases in inflation could have an adverse effect on the Turkish economy. If the level of inflation in Turkey were to fluctuate or increase significantly, then this could have a material adverse effect on our business.

Uncertainties relating to Turkey's accession to the European Union may adversely affect the Turkish financial markets and result in greater volatility

Turkey has had a long-term relationship with the EU. In 1963, Turkey signed an association agreement with the EU, and a supplementary agreement was signed in 1970 providing for a transitional second stage of Turkey's integration into the EU. Turkey has been a candidate country for EU membership since the Helsinki European Council of December 1999. The EU resolved on 17 December 2004 to commence accession negotiations with Turkey and affirmed that Turkey's candidacy will be judged by the same 28 criteria (or chapters) applied to other candidates. These criteria require a range of political, legislative and economic reforms to be implemented, some of which have achieved.

Although Turkey has implemented various reforms and continued harmonisation efforts with the EU, the relationship between the EU and Turkey has at times been strained. During 2006, the EU issued several warnings in connection with Turkey's undertakings under the additional protocol dated July 2005 relating to the Customs Union and in connection with recognition of the Republic of Cyprus. Following this, in December 2006 the EU decided that negotiations in eight chapters should be suspended and that no chapter would be closed until the EU has verified that Turkey has fulfilled its commitments relating to the additional protocol of July 2005. In November 2013, the negotiations on chapters and Turkey's accession to the EU were recommenced. There can be no assurances that the EU or Turkey will continue to maintain an open approach to Turkey's EU membership or that Turkey will be able to meet all the criteria applicable to becoming an EU Member State, including the new chapters applicable from 2009 relating to taxation and the environment. On 25 April 2017, the Parliamentary Assembly of the Council of Europe voted to restart monitoring Turkey in connection with human rights, the rule of law and the state of democracy. This decision might result in (or contribute to) a deterioration of the relationship between Turkey and the EU. In the event of a loss of market confidence as a result of deterioration in Turkey's EU accession discussions or any other international relations involving Turkey, the Turkish economy may be adversely affected, which could have a material adverse effect on our business. On the other hand, there can be no assurances that any future accession by Turkey to the EU would have the expected benefits for the Turkish economy.

There is significant potential for conflict and terrorism within Turkey and in neighbouring and nearby countries

Turkey is located in a region that has been subject to ongoing political and security concerns, especially in recent years. Political uncertainty within Turkey and in certain neighbouring and nearby countries, such as Iran, Iraq, Georgia, Cyprus, Egypt, Tunisia, Israel, Armenia and Syria has historically been one of the potential risks associated with investment in Turkish securities. Political instability in the Middle East has increased since the terrorist attacks in the United States of 11 September 2001. The period since the commencement of military action in Iraq by the United States and its allies in March 2003 has been characterised by frequent incidents of violence and sectarian conflict and the heightened risk of terrorist acts against both the United States and its allies. Frequent incidents of violence and sectarian conflict in Iraq, the recent rebellions in a number of countries near to Turkey and growing global tensions with Iran and Syria have increased concern about the stability of those countries and led to greater volatility in the financial markets of the region.

Since January 2011, there have been varying degrees of political instability and public protests within certain Middle Eastern and Northern African countries. Although such instances of instability have not so far materially affected Turkey's financial or political stability, there can be no assurances that such instability will not escalate in the future, that such instability will not spread to additional countries in the Middle East or North Africa, that governments in the Middle East and North Africa will be successful in maintaining domestic order and stability or that Turkey's financial or political stability will not be affected.

In addition, there have been recent military and civilian hostilities in both directions across the Syrian-Turkish border, and representatives of each country have made statements that do not rule out escalated military conflict. Turkey has been one of the countries that has taken a significant number of Syrian refugees, which has had, and might continue to have, a negative economic, political and social impact on Turkey. In October 2014, the self-proclaimed jihadist Islamic State (**IS**) extended its territorial hold on the Turkish-Syrian border. At the end of July 2015, Turkey joined the U.S.-led coalition and initiated air strikes against IS in Syria and against the People's Congress of Kurdistan (formerly known as the PKK) in northern Iraq. After a period of expansion, however, following the attacks by the U.S.-led coalition against IS, territories occupied by IS have reduced significantly.

In July 2015, following a suicide bombing in a Turkish town bordering Syria, Turkey started to carry out air strikes against the PKK in northern Iraq, which marked the beginning of a period with elevated tension. The intensifying conflict with the PKK might lead to tension with the minority Kurdish population, which could negatively impact political and social stability in Turkey. The clashes between Turkish security forces and the PKK have intensified in the south-eastern part of Turkey. In August 2016, Turkey's military began direct operations in Syria to combat IS and the People's Protection Units. As a result of such operations, tensions with certain international stakeholders could increase and Turkey may face increased security risks if terrorists seek to retaliate for increased military actions. Regional instability has also resulted in an influx of displaced persons into Turkey, which is expected to increase.

In late 2015, Russian war planes started air strikes in Syria in support of the Syrian government. On 24 November 2015, Turkey shot down a Russian military aircraft near the Syrian border claiming a violation of Turkey's airspace, which has resulted in a deterioration in the relationship between Turkey and Russia and led to Russia implementing certain sanctions against Turkey. This led to a decrease in export-import and investment activity between the countries and an escalation of geopolitical tensions. Although the restrictions have since been lifted, there can be no certainty that the relationship between the countries will not worsen in the future. The impact on Turkey's economic relationship with Russia and the geopolitical implications remain uncertain.

On 8 October 2017, the United States suspended all non-immigrant visa services for Turkish citizens in Turkey following the arrest of an employee of the United States consulate in Istanbul. On the same date, Turkey retaliated by issuing a statement that restricts the visa application process for United States citizens. While visa services have since returned to normal, relations between the two countries remain strained. In addition, the United States has also subjected certain Turkish citizens to trial for violations of U.S. sanctions against Iran, which was subject to widespread condemnation by the Turkish government. There has also been media speculation regarding potential fines by U.S. authorities being levied against certain Turkish financial institutions as a result of such allegations. There can be no assurance how such events may impact the relationship between Turkey and the United States in the future.

On 20 January 2018, Turkish officials announced that the Turkish military had started an operation in the Afrin area of Syria targeting terrorist organisations, including the People's Protection Units (YPG). The impact of such operations, including on Turkey's relationship with the United States and Russia, is unknown as at the date of this Offering Circular. If actual or potential conflicts or terrorism have a negative impact on consumer sentiment due to security concerns, this could have a material adverse effect on our business.

Turkey is located in a high risk earthquake zone

On 17 August 1999, an earthquake measuring 7.6 on the Richter scale struck the area surrounding Izmit. On 12 November 1999, another earthquake measuring 7.2 on the Richter scale occurred in the city of Düzce, between Ankara and Istanbul. More recently, on 23 October 2011, an earthquake measuring 7.2 on the Richter scale struck eastern Turkey near the city of Van. A significant portion of Turkey's population and most of its economic resources are located in a first degree earthquake risk zone (that is, the zone with the highest level of risk of damage from earthquakes) and a number of our properties and projects in Turkey are located in high risk earthquake zones.

Though, we maintain earthquake insurance the occurrence of a severe earthquake could adversely affect one or more of our properties, causing an interruption in, and an adverse effect on, our business.

RISKS RELATING TO THE NOTES

The Notes will constitute unsecured obligations of the Issuer

Our obligations under the Notes will constitute unsecured obligations. Accordingly, any claims against us under the Notes would be unsecured claims. Our ability to pay such claims will depend upon, among other factors, our liquidity, overall financial strength and ability to generate cash flows, which could be affected by, *inter alia*, the circumstances described in these "*Risk Factors*".

Claims of Noteholders under the Notes will rank behind those of certain other creditors and those of our subsidiaries on an insolvency

The Notes are direct, unconditional, unsecured and unsubordinated obligations of the Issuer. Accordingly, any claims against us under the Notes would be unsecured claims. The Notes will rank equally with all of the Issuer's other unsecured and unsubordinated indebtedness. However, the Notes will be effectively subordinated to the Issuer's secured indebtedness and securitisations, if any, to the extent of the value of the assets securing such transactions, and will be subject to certain preferential obligations under Turkish law, such as wages of employees. Any such preferential claims might reduce the amount recoverable by the Noteholders on any dissolution, winding up or liquidation and might result in an investor in the Notes losing all or some of its investment.

Generally, lenders and trade and other creditors of the Issuer's subsidiaries are entitled to payment of their claims from the assets of such subsidiaries before these assets are made available for distribution to the Issuer, as direct or indirect shareholder. Any debt that the Issuer's subsidiaries may incur in the future will also rank structurally senior to the Notes. Moreover, our ability to make payments from Turkey will depend upon, among other factors, the Turkish government not having imposed any restrictive foreign exchange controls, our ability to obtain U.S. dollars and our ability to secure any necessary approval that may be required as a result of the imposition of or any change to Turkish exchange controls.

Redemption prior to maturity

We may redeem all outstanding Notes in accordance with the Conditions in the event that we have been or would become obligated to pay additional amounts as a result of certain changes in tax laws or their interpretation and we cannot avoid such obligation by taking reasonable measures available to us.

On any such redemption, Noteholders would receive the principal amount of the Notes that they hold, together with interest accrued on those Notes up to (but excluding) the date fixed for redemption. In addition, the Conditions provide that the Notes are redeemable, in whole or in part, at the Issuer's option at any time prior to their stated maturity at a price to be determined in accordance with Condition 7(c) (*Make-whole call*). The redemption at the option of the Issuer may affect the market value of the Notes. During any period when we may elect to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed. In addition, it may not be possible to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes. See *"Terms and Conditions of the Notes—Redemption and Purchase"*.

We may not be able to finance certain mandatory redemptions required by the Conditions

Upon the occurrence of a Change of Control (as defined in "*Terms and Conditions of the Notes—Redemption and Purchase—Redemption at the option of the Noteholders upon a Change of Control*"), we will be required to offer to purchase all outstanding Notes at a purchase price in cash equal to 101 per cent. of the principal amount of the Notes plus any accrued and unpaid interest, if any, in the case of a Change of Control, plus additional amounts, if any, to the date of the purchase. If any such Change of Control were to occur, there can be no assurance that we would have sufficient funds available at the time to pay the price of the outstanding Notes or that restrictions in agreements governing other indebtedness would not restrict or prohibit such repurchases. The Change of Control may cause the acceleration of other of our or our subsidiaries indebtedness that may be senior to the Notes or rank equally with the Notes. In addition, we might require third party financing to make such an offer to purchase the outstanding Notes following a Change of Control and there can be no assurance that we would be able to obtain this financing.

The Trustee may request Noteholders to provide an indemnity and/or security and/or prefunding to its satisfaction

In certain circumstances (including without limitation pursuant to Condition 14(a) (*Trustee*)), the Trustee may (at its sole discretion) request Noteholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes action on behalf of Noteholders. The Trustee shall not be obliged to take any such action if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such action can be taken. The Trustee may not be able to take action, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and applicable law, it will be for the Noteholders to take such action directly.

The Conditions contain modification and waiver provisions

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes or (ii) determine without the consent of the Noteholders that any Event of Default (as defined in the Conditions) or potential Event of Default shall not be treated as such, in the circumstances described in Condition 15 (*Meetings of Noteholders; Modification and Waive*).

Noteholders' rights may be adversely affected by a change of law

The Conditions are governed by English law in effect at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular.

Turkish insolvency laws to which we are subject may not be as favourable to the holders of the Notes as United States or other insolvency laws

We are incorporated and organised under the laws of Turkey. Any insolvency proceedings relating to us, can be brought only before the Turkish courts and in accordance with Turkish insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of United States federal bankruptcy law. If we become insolvent, there is a risk that holders of Notes may not be able to fully enforce their rights under the Notes and that any claims may be considerably delayed. Turkish insolvency laws may not be as favourable as insolvency laws in the United States or in any other jurisdiction with which the investors may be familiar.

Investors may experience difficulties in enforcing foreign judgments under laws other than Turkish law, including the laws of the United Kingdom and the United States

We are a corporation organised under the laws of Turkey. Certain of our officers and directors are residents of Turkey and all or a substantial portion of our assets and the assets of our officers and directors are located outside the United Kingdom and the United States. As a result, it may not be possible for an investor to effect service of process in the United Kingdom or the United States upon us or such persons, or to enforce any judgments against us or such persons obtained in the courts of the United Kingdom or the United States.

There is no treaty between Turkey and the United Kingdom or between Turkey and the United States providing for reciprocal enforcement of judgments. Turkish courts have rendered at least one judgment confirming *de facto* reciprocity between Turkey and the United Kingdom; however, since *de facto* reciprocity is decided by the relevant court on a case-by-case basis, there is uncertainty as to the enforceability of court judgments obtained in the United Kingdom by Turkish courts. There is no *de facto* reciprocity between the United States and Turkey. Moreover, there is uncertainty as to the ability of an investor to bring an original action in Turkey based upon any non-Turkish securities laws. See "*Enforceability of Judgments*.

An active trading market for the Notes may not develop

The Notes will not have an established trading market when issued and we cannot assure investors that an active trading market for the Notes will develop or be maintained. In addition, there may be a limited number of buyers when an investor decides to sell the Notes, which can affect the price an investor receives for such Notes or the ability to sell such Notes at all. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. The liquidity of a trading market for the Notes may be adversely affected by a general decline in the market for similar securities, and is subject to disruptions that may cause volatility in prices. The trading market for the Notes may attract different investors and this may affect the extent to which the Notes may trade. As a result, there is no assurance that there will be an active trading markets for the Notes. If no active market develops, this may have a severely adverse effect on the market value of the Notes.

Transfers of interests in the Notes will be subject to certain restrictions

Although the CMB has approved the issuance certificate authorising the issuance of a maximum amount of Notes pursuant to Decree 32, the Capital Markets Law and the Communiqué and the Issuer has obtained the CMB approval letter dated 15 March 2018 and numbered 29833736-105.02.02.02-E.3038 together with the CMB approved issuance certificate (*onaylanmış ihraç belgesi*) dated 15 March 2018 and numbered 12/366, the Notes will not be offered in Turkey. The Notes have not been and will not be registered under the

Securities Act or any United States state securities laws. Prospective investors may not offer or sell the Notes, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Similar restrictions will apply in other jurisdictions. Prospective investors should read the discussion under the headings "*Subscription and Sale*" and "*Selling and Transfer Restrictions*" for further information about these transfer restrictions. It is the obligation of the investors to ensure that offers and sales of the Notes within the United States and other countries comply with any applicable securities laws.

Pursuant to the Communiqué, we are required to notify the CRA Turkey within three business days from the issue date of the Notes of the principal amount, the issue date, the ISIN (if any), the interest commencement date, the maturity date, the interest rate, the name of the custodian and the currency of the Notes and the country of issuance.

Investors may be exposed to exchange rate risks and exchange controls

We will pay principal, premium (if any) and interest on the Notes in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. dollar or depreciation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the U.S. dollar, would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest, premium or principal than expected, or no interest, premium or principal.

Investors may be exposed to interest rate risks

Investment in Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

Any credit ratings assigned to us or the Notes may not reflect all the risks of an investment in the Notes

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the assigning rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the European Union and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-European Union credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non- European Union rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Offering Circular.

Reliance on DTC, Euroclear and Clearstream, Luxembourg procedures

The Rule 144A Notes will be represented by the Restricted Global Certificate, which will be deposited with a nominee for DTC. Except in the circumstances described in the Restricted Global Certificate, investors will not be entitled to receive Notes in definitive form. DTC and its direct and indirect participants will maintain records of beneficial interests in the Restricted Global Certificate. While the Notes are represented by the Restricted Global Certificate, investors will be able to trade their beneficial interest only through DTC and its participants, including Euroclear and Clearstream, Luxembourg.

The Regulation S Notes will be represented by the Unrestricted Global Certificate, which will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Unrestricted Global Certificate, investors will not be entitled to receive Notes in definitive form. Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of beneficial interests in the Unrestricted Global Certificate. While the Notes are represented by the Unrestricted Global Certificate, investors will be able to trade their beneficial interest only through Euroclear and Clearstream, Luxembourg and their respective participants.

While the Notes are represented by the relevant Global Certificate(s), we will discharge our payment obligations under the Notes by making payments through the relevant clearing systems(s). A holder of a beneficial interest in a Global Certificate must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. We have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Certificate.

The Notes may be delisted in the future

Application has been made to Euronext Dublin for the Notes to be admitted to the Official List and trading on the Main Securities Market. The Notes may subsequently be delisted despite our best efforts to maintain such listing and, although no assurance is made as to the liquidity of the Notes as a result of listing, any delisting of the Notes may have a material effect on a Noteholder's ability to resell the Notes on the secondary market.

FORWARD-LOOKING STATEMENTS

This Offering Circular includes forward-looking statements within the meaning of the U.S. securities laws and the laws of certain other jurisdictions. All statements other than statements of historical facts included in this Offering Circular, including, without limitation, certain statements regarding our operations, financial position, liquidity, business strategy and beliefs and expectations, may constitute forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "continue", "target", "suggest", "plan", "predict", "project", "seek", "should", "could", "would", "forecast" or similar statements.

We base these forward-looking statements or projections on our current expectations, prospects, plans and assumptions that we have made in light of our experience in the industry, as well as our perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances and at such time. As you read and consider this Offering Circular, you should understand that these statements are not guarantees of performance or results. Although we believe that the expectations reflected in such forward-looking statements are reasonable at this time, we can give no assurance that such expectations will prove to be correct. Given these uncertainties, known risks and unknown risks, readers are cautioned not to place undue reliance on such forward-looking statements. Important factors that could cause actual results to differ materially from our expectations are contained in cautionary statements in this Offering Circular, including, without limitation, in conjunction with the forward-looking statements listed below, and include, among others, the following:

- developments in Turkish economic conditions, including growth, inflation, unemployment, interest rates and the current account deficit;
- impact of currency exchange rate fluctuations, particularly between the Turkish lira and euro;
- political and social developments in Turkey political and geopolitical events that impact Turkey and the attractiveness of Turkey to international investors;
- changes in rent levels from the retail units in our shopping centres;
- timing of receipt of licenses, permits or other approvals required for our operations, and our ability to extend the terms thereof;
- changes in project parameters as development plans continue to be refined;
- the adequacy of our funding sources and liquidity;
- changes in the real estate supply and demand balance in the cities and areas in which we operate;
- our ability to identify and respond to shifting real estate trends;
- the selection of reputable and reliable contractors and subcontractors;
- changes in our ability to implement successfully any of our business or financing strategies;
- expected timing and location for development of shopping centres, offices and mixed-use projects;
- changes in laws, regulations and government policies to which our business is subject, including changes to environmental laws and regulations;
- amount and timing of future capital expenditures;

- our ability to identify and manage the risks which may affect the success of our businesses;
- our ability to maintain or improve our market share in the Turkish real estate market;
- our ability to take advantage of market opportunities and to increase our revenues;
- our ability to expand our real estate portfolio;
- changes in demographic trends in the cities and areas in which we operate; and
- changes in tax laws.

The list above is not exhaustive and there are other factors that may cause our actual results to differ materially from the forward-looking statements contained in this Offering Circular. The cautionary statements set forth above should be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue. We undertake no obligation to review or confirm analysts' expectations or estimates. We assume no obligation to update the forward-looking statements contained in this Offering Circular to reflect actual results, changes in assumptions or changes in factors affecting these statements.

We disclose important factors that could cause our actual results to differ materially from our expectations in the sections "*Risk Factors*", "*Management's discussion and analysis of financial condition and results of operations*", "*Industry Overview"* and *"Business*". Other sections of this Offering Circular describe additional factors that could adversely affect our business, financial condition and results of operations. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf. When we indicate that an event, condition or circumstance could or would have an adverse effect on us, it means to include effects upon business, financial and other conditions, results of operations and ability to make payments on the Notes.

Moreover, new risk factors can emerge from time to time and it is not possible for us to predict all such risk factors. We cannot assess the impact of all risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, readers should not place undue reliance on forward-looking statements as a prediction of actual results.

All subsequent written and oral forward-looking statements attributable to us are expressly qualified in their entirety by reference to these cautionary statements.

HISTORICAL AND CURRENT MARKET AND INDUSTRY DATA

Historical and current market data used throughout this Offering Circular were obtained from internal company analyses, consultants' reports and industry publications. In particular, information has been taken from industry publications prepared by among others Cushman & Wakefield ("**C&W**"), Colliers International, Jones Lang LaSalle ("**JLL**"), Oxford Economics, Planet Retail and the Economist Intelligence Unit ("**EIU**"). Industry surveys and publications generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy and completeness of information contained therein is not guaranteed. We have not independently verified such data and cannot guarantee its accuracy or completeness. In addition, certain statements in this Offering Circular regarding the real estate industry, our position in that industry and our market share are based on internal company estimates, our experience and investigations of market conditions and our review of industry positions. We cannot assure you that any of the assumptions underlying those statements are accurate or correctly reflect our position in the industries. Similarly, internal company analyses, while believed by us to be reliable, have not been verified by any independent sources, and neither we nor any of the Joint Lead Managers make any representation as to the accuracy of such information. While we are not aware of any misstatements regarding any industry or similar data presented herein, such data involve risks and uncertainties and are subject to change based on various factors, including those discussed under the "*Risk Factors*" section in this Offering Circular.

AVAILABLE INFORMATION

We are not currently required to file periodic reports with the United States Securities and Exchange Commission under Section 13 or 15 of the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"). To permit compliance with Rule 144A in connection with any resales or other transfers of Notes, we have undertaken to furnish for so long as any of the Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, we are neither a reporting company under Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

ENFORCEABILITY OF JUDGMENTS

We are a corporation organised under the laws of Turkey. Certain of the officers and directors named herein reside in Turkey and all or a substantial portion of our assets and the assets of such officers and directors are located outside the United Kingdom and the United States. As a result, it may not be possible for investors to effect service of process in the United Kingdom or the United States upon us or such persons, or to enforce judgments against them obtained in the courts of the United Kingdom or the United States. In order to enforce such judgments in Turkey, investors should initiate enforcement lawsuits before the competent Turkish courts. In accordance with Articles 50 to 59 of Turkey's International Private and Procedure Law (Law No. 5718), the courts of Turkey will not enforce any judgment obtained in a court established in a country other than Turkey unless:

(a) there is in effect a treaty between such country and Turkey providing for reciprocal enforcement of court judgments;

(b) there is *de facto* enforcement in such country of judgments rendered by Turkish courts; or

(c) there is a provision in the laws of such country that provides for the enforcement of judgments of the Turkish courts.

There is no treaty between Turkey and the United Kingdom or between Turkey and the United States providing for reciprocal enforcement of judgments. Turkish courts have rendered at least one judgment confirming *de facto* reciprocity between Turkey and the United Kingdom; however, since *de facto* reciprocity is decided by the relevant court on a case-by-case basis, there is uncertainty as to the enforceability of court judgments obtained in the United Kingdom by Turkish courts. There is no *de facto* reciprocity between the United States and Turkey. Moreover, there is uncertainty as to the ability of an investor to bring an original action in Turkey based upon any non-Turkish securities laws.

In addition, the courts of Turkey will not enforce any judgment obtained in a court established in a country other than Turkey if:

(a) the defendant was not duly summoned or represented or the defendant's fundamental procedural rights were not observed;

(b) the judgment in question was rendered with respect to a matter within the exclusive jurisdiction of the courts of Turkey;

(c) the judgment is incompatible with a judgment of a court in Turkey between the same parties and relating to the same issues or, as the case may be, with an earlier foreign judgment on the same issue and enforceable in Turkey;

(d) the judgment is not of a civil nature;

(e) the judgment is clearly against public policy rules of Turkey;

(f) the judgment is not final and binding with no further recourse for appeal or similar revision process under the laws of the country where the judgment has been rendered; or

(g) the judgment was rendered by a foreign court that has deemed itself competent even though it has no actual relationship with the parties or the subject matter at hand.

Furthermore, as a matter of Turkish law, the choice of jurisdiction requires explicit agreement of the parties as to the exclusive jurisdiction of a particular court(s) defined with sufficient precision. Therefore, lack of precision while submitting to the jurisdiction of the competent court of a foreign jurisdiction may render the choice of laws of a foreign jurisdiction unenforceable and any Turkish court may claim jurisdiction if a lawsuit is filed in Turkey by the parties to a document regarding matters arising thereunder and may refrain from honouring relevant jurisdiction clauses thereof in the event there is considered to be a lack of such explicit agreement as to the jurisdiction of a particular court(s).

In any suit or action against the Issuer in the Turkish courts, a foreign plaintiff may be required to deposit security for court costs (*cautio judicatum solvi*), provided however that the court may in its discretion waive such requirement for security in the event that the plaintiff is considered to be (i) a national of one of the contracting states of the Convention Relating to Civil Procedures signed at The Hague on 1 March 1954 (ratified by Turkey by Law No. 1574); save for legal entities incorporated under the laws of such contracting states or (ii) a national of a state that has signed a bilateral treaty with Turkey which is duly ratified and contains, inter alia, a waiver of the *cautio judicatum* solvi requirement on a reciprocal basis.

Process may be served upon us at Cheeswrights LLP (with an address on the Issue Date of Bankside House, 107 Leadenhall Street, London EC3A 4AF, United Kingdom) in relation to any proceedings in England in connection with the Notes.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

PRESENTATION OF FINANCIAL INFORMATION

Historical financial statements

Our financial statements included in this Offering Circular are the audited consolidated financial statements as at, and for the years ended, 31 December 2017, 31 December 2016 and 31 December 2015 (the "**Financial Statements**").

The Financial Statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (the "**IASB**") and interpretations issued by the International Financial Reporting Standards Interpretations Committee of the IASB (together, "**IFRS**").

Our financial year ends on 31 December and references in this Offering Circular to "**2015**", "**2016**" and "**2017**" are to the 12 month period ending on 31 December in each such year.

Comparability of information

In order to maintain consistency with the 2017 presentation, comparative information for 2016 and 2015 in the Financial Statements has been reclassified from what was previously reported where necessary to conform to the 2017 presentation. The nature, amount and reasons for each of the reclassifications are described below:

- "Foreign exchange loss from operations" amounting to TRY 2,692 thousand in 2016 and TRY nil in 2015 which was presented under "Other operating expense" in the consolidated statements of profit or loss for 2016 is netted off with "Foreign exchange gain from operations" in the Financial Statements;

- "Corporate tax base increase" amounting to TRY 4,451 thousand in 2016 and TRY nil in 2015 which was presented under "Other operating expense" as tax base increase in the consolidated statements of profit or loss for 2016 is reclassified to "Income tax expense" in the Financial Statements;

- In accordance with IAS 40 Paragraph 50 the fair value of the Groups' investment property held by the Group as a lessee as a right-of-use asset reflects expected cash flows (including variable lease payments that are expected to become payable). Accordingly, if a valuation obtained for a property is net of all payments expected to be made, it will be necessary to add back any recognised lease liability, to arrive at the carrying amount of the investment property using the fair value model. In the current year, the Group reassessed its non-cancellable operating lease payments and in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" increase its "other short term payables to third parties", "other long term payables to third parties" and "investment properties" amounting to TRY 2,433 thousand, TRY 36,724 thousand and TRY 39,157 thousand respectively (31 December 2015: TRY 1,321 thousand, TRY 21,784 thousand and TRY 23,105 thousand) in the consolidated financial statements for the year ended 31 December 2016;

- "Rent expense" amounting to TRY 1,185 thousand in 2016 and TRY 1,524 thousand in 2015 which was presented under "Finance expense" in the consolidated statements of profit or loss for 2016 and 2015 is reclassified to "Cost of sales" in the Financial Statements;

- "Interest expense of financial debts" amounting to TRY 10,239 thousand in 2015 (TRY nil in 2016) which was presented under "Other operating expense" in the consolidated statement of profit or loss for 2015 is reclassified to "Finance expense" in the Financial Statements;

- "Order advances received" amounting to TRY 1,528 thousand in 2016 (TRY nil in 2015) which was presented under "Long term deferred revenue" in the consolidated statement of financial position for 2016 is reclassified to "Short term deferred revenue" in the Financial Statements;

- "Additional consideration received from sale of subsidiary" amounting to TRY 10,193 thousand presented under "Other cash outflow" in the consolidated statement of cash flows in 2016 (TRY nil in 2015) is reclassified to "Net cash inflow on disposal of subsidiary" in the Financial Statements;

- "Change in long term VAT receivables" amounting to TRY 34,077 thousand presented under "Other cash outflow" in the consolidated statement of cash flows in 2015 is reclassified to "Change in long term VAT receivables" in the Financial Statements; and

- "Repayment of borrowings" amounting to TRY 44,290 thousand presented under "Interest paid" in the consolidated statement of cash flows in 2016 (TRY nil in 2015) is presented as "Repayment of borrowings" in the Financial Statements.

IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers) are both effective from 1 January 2018 and we will adopt them with effect from 2018. We do not expect any significant classification or measurement changes to our financial assets and liabilities under IFRS 9 but we do anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for our trade receivables and bonds and loans to related parties and will increase the amount of loss allowance recognised for these items. In relation to IFRS 15, apart from providing more extensive disclosures on our revenue transactions, we do not anticipate that the application of IFRS 15 will have a significant impact on our consolidated financial position and/or financial performance.

Auditors

The Financial Statements have been audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., independent auditors (the "**Auditors**"), in accordance with International Standards on Auditing, who have issued unqualified reports on the Financial Statements.

Certain non-IFRS financial information

This Offering Circular includes certain financial information which has not been prepared in accordance with IFRS and which constitutes alternative performance measures for the purposes of the European Securities Markets Association Guidelines on Alternative Performance Measures. None of this financial information is subject to any audit or review by independent auditors.

Adjusted EBITDA

"**Adjusted EBITDA**" refers to earnings before finance expenses, tax expenses, share on profit of investments valued using the equity method, income/expense from investing activities and other operating income/expense. In this Offering Circular, "**Combined Adjusted EBITDA**" represents the aggregate of the Adjusted EBITDA of the Group plus the Group's proportional share of the Adjusted EBITDA of the Group's joint ventures. We calculate Adjusted EBITDA using financial information from our Financial Statements and we calculate Combined Adjusted EBITDA using financial information that proportionately consolidates the Company's interests in its real estate projects rather than using the equity method of consolidation that is applied in the Financial Statements in accordance with IFRS. However calculated, Adjusted EBITDA and Combined Adjusted EBITDA are not measures of operating profit or loss, operating performance or liquidity under IFRS.

Adjusted EBITDA is a measure used by us in managing our business, and we believe Adjusted EBITDA is commonly reported and widely used by investors in evaluating performance without regard to depreciation and amortisation, which can vary significantly depending upon accounting methods (particularly when acquisitions have occurred) or other non-operating factors. Accordingly, Adjusted EBITDA and Combined

Adjusted EBITDA have been disclosed in this Offering Circular to permit a more complete and comprehensive analysis of our results of operations. You should not, however, consider Adjusted EBITDA or Combined Adjusted EBITDA in isolation or as a substitute for operating profit or loss as determined by IFRS, or as an indicator of our operating performance or of our cash flows from operating activities as determined in accordance with IFRS. You should not use either of these measures as a substitute for the analysis of our financial results provided in this Offering Circular and in the notes to the Financial Statements. The Adjusted EBITDA and Combined Adjusted EBITDA disclosed in this Offering Circular may not be comparable to Adjusted EBITDA or Combined Adjusted EBITDA disclosed by other companies as Adjusted EBITDA and Combined Adjusted EBITDA are not uniformly defined.

We believe that some of the limitations of using Adjusted EBITDA and Combined Adjusted EBITDA as financial measures are:

- they do not reflect our cash expenditures or future requirements for capital expenditure or contractual commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;
- although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future, and the measure does not reflect any cash requirements for such replacement;
- they do not reflect the significant interest expense or the cash requirements necessary to service interest or principal payments on the Group's debt;
- they are not adjusted for all non-cash income or expense items that are reflected in the Group's statements of cash flows;
- the further adjustments made in calculating Adjusted EBITDA are those that management consider are not representative of the underlying operations of the Group and are therefore subjective in nature; and
- Combined Adjusted EBITDA reflects profit/losses as if the Group has control over its joint ventures, however, the joint ventures are separate legal entities only jointly controlled by the Company.

We have shown a reconciliation of reported net profit for the period to Adjusted EBITDA and Combined Adjusted EBITDA for each of 2017, 2016 and 2015 in "Selected Financial Information".

Combined non-IFRS financial information

We have also included in this Offering Circular certain supplementary financial information of the Group's joint ventures. It relates to the combination of the Group's own assets and/or liabilities and profits/losses, with the Group's proportionate share of its joint venture's assets and/or liabilities or profits/losses, on a proportional consolidation basis (which differs from the financial statements as these joint ventures are required to be equity accounted under IFRS) and is therefore a non-IFRS presentation method (the "**Combined Financial Data**"). This Combined Financial Data should not be used as a substitute for the financial information included in the Financial Statements. For more information see note 3 and note 4 to the Financial Statements.

We believe that combining our proportional share in the results of our subsidiaries and joint ventures with the Company's results provides a more comprehensive view of our business as this allows us to see the financial figures of our joint ventures in the related line of report notes.

Combined Adjusted EBITDA

Adjusted EBITDA refers to earnings before finance expenses, tax expenses, share on profit of investments valued using equity method, income/expense from investing activities and other operating income/expense of the Group. Combined Adjusted EBITDA is calculated as Adjusted EBITDA plus the Group's proportional share of the Adjusted EBITDA of the Group's joint ventures and less consolidation eliminations and adjustments and operating expenses.

Combined Revenue

Combined revenue represents the combined revenue of the Group and the Group's proportional share of the revenue of the Group's joint ventures. Combined revenue is calculated as revenue plus the Group's proportional share of the Group's revenue of the Group's joint ventures.

Combined cost of revenue

Combined cost of revenue represents the combined total cost of revenue of the Group and the Group's proportional share of total cost of revenue of the Group's joint ventures.

Combined gross profit

Combined gross profit represents the combined gross profit of the Group and the Group's proportional share of gross profit of the Group's joint ventures**.**

Combined operating expenses

Combined operating expenses represents the combined general administrative expenses and marketing expenses of the Group and the Group's proportional share of the operating expenses of the Group's joint ventures.

Combined gross asset value

Combined gross asset value represents the combined fair value of the properties of the Group and the Group's proportional share of the fair value of the Group's joint ventures' properties. Combined gross asset value is calculated as investment properties plus the fair value of joint ventures' investment properties.

Combined gross rental profit

Combined gross rental profit represents the combined gross rental profit of the Group and the Group's proportional share of gross rental profit of the Group's joint ventures. Combined gross rental profit is calculated as Combined gross profit less gross profit of the Company and Rönesans Yönetim as this gross profit is derived from management and consulting revenue and other rental income.

Combined cash and cash equivalents

Combined cash and cash equivalents represents the combined cash and cash equivalents of the Group and the Group's proportional share of cash and cash equivalents of the Group's joint ventures.

Combined financial debt

Combined financial debt represents the combined financial debt of the Group and the Group's proportional share of the financial debt of the Group's joint ventures.

Combined interest income from bank deposits

Combined interest income from bank deposits represents the combined interest income from bank deposits of the Group and the Group's proportional share of the interest income from bank deposits of the Group's joint ventures.

Combined total assets

Combined total assets represents the combined total assets of the Group and the Group's proportional share of the total assets of the Group's joint ventures.

Combined total liabilities

Combined total liabilities represents the combined total liabilities of the Group and the Group's proportional share of the total liabilities of the Group's joint ventures.

Combined deferred tax liabilities

Combined deferred tax liabilities represents the combined deferred tax liabilities of the Group and the Group's proportional share of the deferred tax liabilities of the Group's joint ventures.

Combined EPRA NAV

Combined EPRA NAV is calculated using the standard calculation method set forth by the European Public Real Estate Association and, according to EPRA, shows net asset value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model, such as deferred tax on property revaluations (as the investment property is not expected to be sold) and the fair value of deferred tax liabilities (as the tax liability is not expected to materialise).

Combined adjusted revenue

Combined adjusted revenue represents Combined revenue excluding Common area income and Reimbursable income.

Combined interest expenses of financial debt

Combined interest expenses of financial debt represents the combined interest expenses of financial debt of the Group and the Group's proportional share of interest expenses of financial debt of the Group's joint ventures.

Common area income and reimbursable Income

In shopping centres, first subsidiaries and joint ventures pay the private utility expenses of stores and common area expenses and then charges the expenses to the tenants. Hence, the amount that cannot be reimbursed is the actual cost that subsidiaries and joint ventures have to bear. In that sense, excluding the reimbursed amount from both revenue and cost sides is a necessary adjustment for a fair presentation of margins.

PRESENTATION OF OTHER INFORMATION

Currencies

Unless otherwise indicated, in this Offering Circular, all references to:

- "**lira**" and "**TRY**" are to the lawful currency of Turkey;
- "**U.S. dollars**" and "**U.S.$**" are to the lawful currency of the United States; and
- "**euro**" or **"€"** are to the currency introduced at the third stage of the European economic and monetary union pursuant to the Treaty Establishing the European Community, as amended.

Unless otherwise indicated, the financial information contained in this Offering Circular has been expressed in our reporting currency, which is lira. Our functional currency is lira and we prepare our financial statements in lira.

The official lira ask rate announced on 29 December 2017 by the Central Bank for the euro and the U.S. dollar, respectively (the "**Central Bank exchange rate**") was TRY 4.5155 = €1.00 and TRY 3.7719 = U.S.$1.00. We do not make any representation that the lira, euro or U.S. dollar amounts in this Offering Circular have been, could have been or could be converted into any currency at any particular rate or at all. You should read "*Exchange rates*" for historical information regarding the Central Bank exchange rates. For a discussion of the effects on us of fluctuating exchange rates, see "*Risk Factors—Risks relating to our financing arrangements—Fluctuations in currency exchange rates may adversely affect our financial condition and results of operations*".

Statistical data

In this Offering Circular, we provide the surface or land area in square metres ("**m^2**") for different types of properties at different stages of development in gross leasable area ("**GLA**"). The measure of square metres used depends on the type of property and the stage of development. Except as otherwise indicated, the surface and land areas provided for a particular property reflect the property's entire surface or land area in the measure indicated and, in those cases in which we own the property together with a third party, unless indicated otherwise, it has not been adjusted to reflect our proportional ownership in such property. Except as otherwise indicated, the surface and land areas provided for an aggregate number of properties reflects the aggregate surface and land areas of all such properties combining the different measures applicable to each.

Market and industry information

This Offering Circular contains historical market data and forecasts which have been obtained from industry publications, market research and other publicly available information. Certain information regarding market size, market share, market position, growth rates and other industry data pertaining to us and our business contained in this document consist of estimates based on data reports compiled by professional organisations and on data from other external sources, including, among others, the Republic of Turkey Prime Ministry Undersecretariat of Treasury (the "**Turkish Treasury**"), the Turkish Statistical Institute ("**TurkStat**"), the Turkey Industry & Business Association, the statistical office of the European Union ("**EuroStat**") and the Organisation for Economic Co-operation and Development (**"OECD"**), as well as the sources identified in "*Industry Overview*".

We have not independently verified the information in industry publications or market research provided by third parties, although we believe the information contained therein to be reliable. Neither we nor the Managers represent that this information is accurate.

In some cases there is no readily available external information (whether from trade and business associations, government bodies or other organisations) to validate market related analyses and estimates, requiring us to rely on internally developed estimates. Although we believe our internal estimates to be reasonable, these estimates have not been verified by any independent sources and we cannot assure investors as to their accuracy or that a third party using different methods to assemble, analyse or compute market data would obtain the same result. We do not intend, and do not assume any obligation, to update industry or market data in this document. Finally, behaviour, preferences and trends in the marketplace tend to change. As a result, prospective investors should be aware that data in this document and estimates based on that data may not be reliable indicators of future real estate development market performance or our future results.

Certain of the information contained in this Offering Circular, including but not limited to information under the headings "*Risk Factors*" and "*Exchange rates*" has been extracted from summaries of information and data publicly released by official sources in Turkey. We have not independently verified this information.

The information provided from the sources referred to in this Offering Circular has been accurately reproduced and, as far as we are aware and have been able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

No incorporation of website information

Our website is www.rgy.com.tr. The information on our website or any other website mentioned in this Offering Circular or any website directly or indirectly linked to these websites has not been verified by us and is not incorporated by reference into this Offering Circular, and you should not rely on it.

Definitions

The following terms used in this document have the meanings below:

Açim	Açim Çimento Sanayi A.Ş., a former joint venture to which the Company was a party
Altunizade	Altunizade Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş., a subsidiary of the Company which owns the land on which the Karşıyaka shopping centre is being constructed
Beykoz	Beykoz Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş., a former subsidiary of the Company
Bostancı	Bostancı Gayrimenkul Yatırım İnşaat Turizm Eğitim Sanayi ve Ticaret A.Ş., a subsidiary of the Company which leases the land on which the Küçükyalı office and school have been built
Company, RGY, **we**, **us** and **our**	Rönesans Gayrimenkul Yatırım A.Ş. and its subsidiaries and joint ventures, as the context requires
Esentepe	Esentepe Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş., a joint venture to which the Company is a party which owns the land on which the Optimum Izmir shopping centre has been built
euro, €	The currency introduced at the third stage of the European economic and monetary union pursuant to the Treaty Establishing the European Community, as amended
Feriköy	Feriköy Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A. Ş., a joint venture to which the Company is a party which owns the land on which the Optimum Istanbul shopping centre has been built
Florya	Florya Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş., a joint venture to which the Company is a party which owns a plot of land in our land bank
Footfall	the number of people visiting a shop or shopping centre over a period of time
GAV	gross asset value

GLA	as used with respect to our investment properties, refers to gross leasable area, which is the total floor area in square metres of a property that is designed for tenant occupancy and exclusive use. GLA is determined based on our internal calculations and includes shops, food court units and cinemas
Göksu	Göksu Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş., currently a subsidiary of the Company and, prior to 16 August 2017, a joint venture to which the Company was a party which owns the land on which the Optimum Adana shopping centre has been built
Ilıcak Family	Erman Ilıcak and the other members of the Ilıcak family who hold shares of Rönesans Holding or other companies in the Rönesans Group
International Valuation Standards	internationally accepted, high-level valuation principles and definitions set out by the IVSC, of which the RICS is a sponsor
IVSC	the International Valuation Standards Council
Kandilli	Kandilli Gayrimenkul Yatırımları Yönetim İnşaat ve Ticaret A.Ş., a joint venture to which the Company is a party which owns a plot of land in our land bank
Kozyatağı	Kozyatağı Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş., currently a subsidiary of the Company and, prior to 26 January 2018, a joint venture to which the Company was a party which leases the land on which the Kozzy shopping centre has been built
Kurtköy	Kurtköy Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş., a joint venture to which the Company is a party which owns the land on which the Optimum Ankara shopping centre has been built
LTV	loan to value
m^2	square metres
Mecidiyeköy	Mecidiyeköy Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş., a subsidiary of the Company which owns the land on which the RönesansBiz Mecidiyeköy office building was built
Mel 2	Mel 2 Gayrimenkul Geliştirme Yatırım İnşaat ve Ticaret A.Ş., currently a subsidiary of the Company and, prior to 26 January 2018, a joint venture to which the Company was a party which owns the land on which the Samsun Piazza shopping centre and Anemon hotel have been built
Mel 3	Mel 3 Gayrimenkul Geliştirme Yatırım İnşaat ve Ticaret A.Ş., currently a subsidiary of the Company and, prior to 26 January 2018, a joint venture to which the Company was a party which owns the land on which the Kahramanmaraş Piazza shopping centre has been built
Mel 4	Mel 4 Gayrimenkul Geliştirme Yatırım İnşaat ve Ticaret A.Ş., a joint venture to which the Company is a party which owns the land on which the Şanlıurfa Piazza shopping centre has been built
Nakkaştepe	Nakkaştepe Gayrimenkul Yatırımları İnşaat Yönetim ve Ticaret A.Ş., a subsidiary of the Company which owns a plot of land in our land bank
Property Portfolio	Our investment properties, investment properties under development and land bank properties
RICS	the Royal Institute of Chartered Surveyors

RICS Valuation Standards	the current Practice Statements contained within the Royal Institution of Chartered Surveyors' Appraisal and Valuation Standards, commonly known as the Red Book
Rönesans Construction	Rönesans Group's construction arm
Rönesans Emlak	Rönesans Emlak Geliştirme Holding A.Ş., an intermediate holding company between Rönesans Holding and the Company
Rönesans Group	Rönesans Holding, its subsidiaries, joint ventures and associates
Rönesans Holding	Rönesans Holding A.Ş.
Rönesans Yönetim	Rönesans Yönetim A.Ş., a subsidiary of the Company
Rounding	Certain data in this Offering Circular has been rounded. As a result of such rounding, the totals of data presented in tables in this Offering Circular may vary slightly from the arithmetic totals of such data
Salacak	Salacak Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş., a subsidiary of the Company which owns the land on which the Maltepe Piazza mixed-use project including a shopping centre, residential units and offices is being constructed
Tarabya	Tarabya Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş., a subsidiary of the Company which leases the land on which the Hilltown shopping centre and offices have been built
TRY, lira	The lawful currency of Turkey
TSKB	TSKB Gayrimenkul Değerleme Anonim Şirketi, a real estate valuation expert licensed by the Turkish Capital Markets Board
U.S. dollars, U.S.$	The lawful currency of the United States
Valuation Report	The valuation report prepared by TSKB and set out in this Offering Circular from page F-2 onwards
Zeugma	Zeugma Alışveriş Merkezi A.Ş., a former associate of the Company

VALUATION STANDARDS

We have used valuations prepared by TSKB Gayrimenkul Değerleme Anonim Şirketi ("**TSKB**") in accordance with the valuation standards set forth in Communiqué III-62.1, Valuation Standards in the Capital Markets (the "**CMB Standards**") when preparing our Financial Statements. In particular, the fair values of our investment properties valued pursuant to CMB Standards are taken into account in the determination of non-current assets and total assets on our consolidated balance sheet and net gains or losses from fair value adjustments on investment property are taken into account in the determination of operating profit on our consolidated statements of comprehensive income.

The valuation of property is inherently subjective and uncertain due to the individual nature of each property and the need to make estimates and assumptions. As a result, valuations are subject to uncertainty. There can be no assurance that valuations conducted by TSKB in connection with the preparation of our Financial Statements or any future independent expert valuations of our properties reflect or will reflect the actual market values or sales prices of such properties even where any such sales occur shortly after the relevant valuation date. See "*Risk Factors—Risks related to our business and industry generally—Property valuation is inherently subjective and uncertain and subject to assumptions*".

EXCHANGE RATE INFORMATION

The following table sets forth, for the periods indicated, the period high, period low, period average and period end rates determined by the Central Bank of Turkey (*Türkiye Cumhuriyet Merkez Bankası*) (the **Central Bank**), in each case for the purchase of U.S. dollars, all expressed in TRY per U.S. dollar. The TRY per U.S. dollar exchange rate determined by the Central Bank on 20 April 2018 was TRY 4.0273 to U.S.$1.00. The rates may differ from the actual rates used in preparation of our Financial Statements included elsewhere in this Offering Circular. No representation is made that Turkish lira could have been, or could be, converted into U.S. dollars at that rate or at any other rate.

	Exchange Rates			
	High	**Low**	**Average(1)**	**Period End(2)**
	(TRY per U.S.$1.00)			
Year				
2013	2.1604	1.7459	1.9013	2.1343
2014	2.3671	2.0711	2.1879	2.3189
2015	3.0599	2.2778	2.7200	2.9076
2016	3.5344	2.7928	3.0212	3.5318
2017	3.9594	3.3965	3.6477	3.8104
Month				
January 2018	3.8150	3.7371	3.7723	3.7795
February 2018	3.8119	3.7475	3.7780	3.7833
March 2018	3.9949	3.7971	3.8809	3.9949
April 2018 (to 20 April 2018)	4.1453	3.9489	4.0511	4.0273

Note:

(1) For each of the years 2013 to 2017, this represents the yearly averages of the daily TRY per U.S. dollar exchange rates on the business days of each year during the relevant period. For the months (or periods) of 2018, this represents the monthly (or period) averages of the TRY per U.S. dollar exchange rates determined by the Central Bank for such month (or period), which averages were computed in the same manner described above.

(2) Represents the TRY per U.S. dollar exchange rates for the purchase of U.S. dollars determined by the Central Bank on the last working day of the relevant period.

Source: Central Bank of Turkey

TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions of the Notes (the "**Conditions**") which (subject to completion and amendment and except for the paragraphs in italics) will be endorsed on each Note in definitive form:*

The $300,000,000 7.250 per cent. Notes due 2023 (the "**Notes**", which expression includes any further notes issued pursuant to Condition 17 (*Further Issues*) and forming a single series therewith) of Rönesans Gayrimenkul Yatirim A.Ş. (the "**Issuer**") are subject to, and have the benefit of, a trust deed dated 26 April 2018 (as amended, restated and/or supplemented from time to time, the "**Trust Deed**") between the Issuer and BNY Mellon Corporate Trustee Services Limited as trustee (the "**Trustee**", which expression includes all Persons from time to time appointed as trustee or trustees under the Trust Deed) and are the subject of an agency agreement dated 26 April 2018 (as amended, restated and/or supplemented from time to time, the "**Agency Agreement**") between the Issuer, The Bank of New York Mellon, London Branch as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time under the Agency Agreement) and the other paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time under the Agency Agreement), the transfer agents named therein (the "**Transfer Agents**", which expression includes any successor transfer agent appointed from time to time under the Agency Agreement)), The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time under the Agency Agreement) and the Trustee. Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and subject to their detailed provisions. The holders of the Notes (the "**Noteholders**") are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Noteholders during normal business hours at the registered office for the time being of the Trustee, being at the date hereof One Canada Square, London E14 5AL, United Kingdom and at the Specified Offices (as defined in the Agency Agreement) of each of the Paying Agents, the initial Specified Offices of which are set out below.

Terms used herein shall have the meanings set out in Condition 20 (*Definitions*).

The owners shown in the records of DTC, Euroclear and Clearstream, Luxembourg of book-entry interests in the Notes are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.

1. Form, Denomination and Title

(a) *Form and denomination*

The Notes are serially numbered and in registered form in the denomination of $200,000 and integral multiples of $1,000 in excess thereof. Unless the Notes are in global registered form, a Definitive Certificate will be issued to each Noteholder in respect of its registered holding.

The Notes are not issuable in bearer form.

(b) *Title*

Title to the Notes will pass by transfer and registration as described in Condition 2 (*Transfers of Notes and issue of Definitive Certificates*). The holder of any Note will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes whether or not such Note is overdue and regardless of any notice of ownership, trust or any other interest in such Note, any writing thereon by any Person (other than a duly executed transfer thereof in the form endorsed thereon) or any notice of any previous theft or loss thereof, and no Person will be liable for so treating the Noteholder. In these Conditions, the "**holder**" of a Note means the person in whose name the Note is registered in the register of Noteholders (the "**Register**"). No Person shall have any right to enforce any of the Conditions or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

For a description of certain restrictions on transfers of interests in the Notes, see the Agency Agreement and "Selling and Transfer Restrictions" below.

2. Transfers of Notes and issue of Definitive Certificates

(a) *Transfers*

To the extent Notes are issued in the form of Definitive Certificates, a Note may be transferred by depositing the Definitive Certificate issued in respect of that Note, with the form of transfer on the back duly completed and signed, at the Specified Office of the Registrar or any of the Agents.

(b) *Delivery of new Definitive Certificates*

To the extent Notes are issued in the form of Definitive Certificates, each new Definitive Certificate to be issued upon a transfer of Notes will, within five Business Days of receipt by the Registrar or the relevant Agent of the duly completed form of transfer endorsed on the relevant Definitive Certificate, be mailed by uninsured mail at the risk of the Noteholder entitled to the Note to the address specified in the form of transfer.

Except in the limited circumstances described herein, owners of an interest in the Notes will not be entitled to receive physical delivery of Definitive Certificates. Issues of Definitive Certificates upon a transfer of Notes are subject to compliance by the transferor and the transferee with the certification procedures described above and in the Agency Agreement.

Where some but not all of the Notes in respect of which a Definitive Certificate is issued are to be transferred, a new Definitive Certificate in respect of the Notes not so transferred will, within five Business Days of receipt by the Registrar or the relevant Agent of the original Definitive Certificate, be mailed by uninsured mail at the risk of the holder of the Notes not so transferred to the address of such Noteholder appearing on the Register or as specified in the form of transfer. Neither the part transferred nor the balance not transferred may be less than $200,000.

(c) *Formalities free of charge*

Registration of a transfer of Notes will be effected without charge by or on behalf of the Issuer or any Agent subject to (i) the Person making such application for transfer paying or procuring the payment of any taxes, duties and other governmental charges in connection therewith, (ii) the Registrar being satisfied with the documents of title and/or identity of the Person making the application, and (iii) such regulations as the Issuer may from time to time agree with the Registrar and the Trustee.

(d) *Closed periods*

Neither the Issuer nor the Registrar will be required to register the transfer of any Note (or part thereof) during the period of 15 days immediately prior to the due date for any payment of principal, premium (if any) or interest in respect of the Notes or after all such Notes have been called for redemption or during the period of seven days ending on (and including) any Record Date.

(e) *Regulations*

All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer to (i) reflect changes in legal requirements, or (ii) in any other manner which is not prejudicial to the interests of Noteholders with the prior approval of the Registrar and the Trustee (such approval not to be unreasonably withheld or delayed). A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of the regulations.

3. Status of the Notes

The Notes constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations which may be preferred by provisions of law that are both mandatory and of general application.

4. Negative Pledge

So long as any Note remains outstanding (as defined in the Trust Deed), the Issuer shall not and shall procure that none of its Material Subsidiaries will, create or permit to subsist any Security Interest, other than Permitted Security Interests, upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness of the Issuer or a Material Subsidiary of the Issuer or any guarantee given by the Issuer or a Material Subsidiary of the Issuer in respect of Relevant Indebtedness, without (a) at the same time or prior thereto securing the Notes equally and rateably therewith to the satisfaction of the Trustee or (b) providing such other security or other arrangement for the Notes as the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Noteholders or as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

5. Covenants

(a) *Financial Covenants*

Save as specified below, so long as any Note remains outstanding, the Issuer undertakes that in relation to the Group as a whole:

(i) the Combined LTV Ratio shall not exceed 0.60 on any Measurement Date;

(ii) the Combined Coverage Ratio shall be at least 1.50 on any Measurement Dates falling on or before the second anniversary of the Issue Date, 1.75 on any Measurement Dates falling after the second and on or before the fourth anniversary of the Issue Date and 2.00 for any subsequent Measurement Date; and

(iii) the Unencumbered Asset Value Ratio shall be at least 1.2 on any Measurement Date.

The Issuer shall engage one or more external, reputable independent valuation companies and/or real estate consultants, having an appropriately recognised professional qualification and recent experience in the respective locations and categories of real estate assets being valued, to value at least 90 per cent. (by market valuation) of the Group's standing investments and land at least once per calendar year.

The Issuer will promptly notify the Trustee in accordance with the Trust Deed in the event that any of the undertakings in this Condition 5(a) are breached at any time.

For so long as the Notes remain outstanding, the Issuer will deliver a certificate to the Trustee on each Reporting Date signed by two directors of the Issuer, certifying that the Issuer is and has been in compliance with the covenants set out in this Condition 5 at all times during the relevant period. Such certificate may be relied on by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall, in the absence of manifest error, be conclusive and binding on all parties.

(b) *Equity Cure and Account Bank Cure*

(i) Subject to the provisions of this Condition 5(b), in the event that the Issuer fails to comply, or would otherwise fail to comply, with any of its obligations under Condition 5(a) (*Financial Covenants*), the Issuer shall have the right, and may elect by written notice to the Trustee (in accordance with paragraph (ii) below), to cure an actual or anticipated breach of any of the undertakings set out in (A) subparagraphs (i) and (iii) of Condition 5(a) (*Financial Covenants*) by applying net amounts received in respect of any new equity issued by the Issuer and/or Subordinated Shareholder Debt received by the Issuer, or (B) subparagraph (ii) of Condition 5(a) (*Financial Covenants*) by depositing a cash amount of U.S. dollars (the "**U.S. Dollar Cash Amount**") in the Account, which U.S. Dollar Cash Amount, subject as provided further below, shall be taken into consideration for the purpose of calculating the Combined Coverage Ratio, in each case in order to remedy any actual or anticipated non-compliance and by having such amounts included in the calculation or recalculation of the ratios contained in Condition 5(a) (*Financial Covenants*), *provided* that such remedy under Condition 5(b)(i)(B) shall only be applicable two times and must occur within 14 days of the Reporting Date immediately following the Measurement Date.

The U.S. Dollar Cash Amount credited to the Account from time to time shall be deemed for the purpose of calculation the Combined Coverage Ratio to increase Combined Adjusted EBITDA for the period of the most recent two consecutive semi-annual periods ending on the relevant Measurement Date by an amount equal to the balance standing to the credit of the Account at the time of the relevant calculation. U.S. Dollar Cash Amounts credited to the Account pursuant to Condition 5(b)(i)(B) to cure an actual or anticipated breach of the undertaking set out in subparagraph (ii) of Condition 5(a) (*Financial Covenants*) shall not be withdrawn from the Account until the subsequent Measurement Date, provided that U.S. Dollar Cash Amounts may be withdrawn for the purposes of (i) paying interest due on the Notes and (ii) repaying, prepaying or retiring Indebtedness of the Group, *provided* that such Indebtedness is not Subordinated Shareholder Debt or a Subordinated Obligation.

(ii) A notice to the Trustee under paragraph (i) above will not be regarded as having been delivered unless:

(A) it is signed by two directors of the Issuer and delivered before the date which is 30 Business Days after the applicable Reporting Date on which the compliance certificate for the period to which the non-compliance relates would have been required to be delivered pursuant to Condition 5(a) (*Financial Covenants*);

(B) it certifies the aggregate amounts received by the Issuer in respect of any equity issued by the Issuer and/or Subordinated Shareholder Debt or the U.S. Dollar Cash Amount deposited in the Account;

(C) it specifies the period to which the non-compliance relates and in relation to which the equity issued by the Issuer and/or Subordinated Shareholder Debt or the U.S. Dollar Cash Amount deposited in the Account is to be applied; and

(D) if the Issuer makes an election under paragraph (i) above during the period of 30 Business Days after the Reporting Date on which the compliance certificate for the period to which the non-compliance relates would have been required to be delivered pursuant to Condition 5(a) (*Financial Covenants*), it is accompanied by a revised compliance certificate indicating compliance with the ratios in Condition 5(a) (*Financial Covenants*) after taking into account the amounts used to remedy the non-compliance.

(iii) For the purposes of this Condition 5(b), the net amounts received in cash in respect of any equity issued by the Issuer and/or Subordinated Shareholder Debt and any U.S. Dollar Cash Amount deposited in the Account shall be deemed to be received on the Measurement Date in respect of which they are to be taken into account to remedy the non-compliance with any undertakings in Condition 5(a) (*Financial Covenants*).

(iv) If, after giving effect to the recalculation referred to in the paragraphs above, the financial covenants are complied with, the Issuer shall be deemed to have satisfied the requirements of Condition 5(a) (*Financial Covenants*) as at the relevant Measurement Date as though there had been no failure to comply with such obligations, and the applicable breach shall be deemed to have been cured for the purposes hereof.

(c) *Payment of dividends*

The Issuer and its Subsidiaries may pay dividends and the Issuer may repay, prepay or otherwise retire any Subordinated Shareholder Debt (including, for the avoidance of doubt, accrued interest thereon) at any time provided that, in the case of dividends paid by the Issuer or the repayment, prepayment or other retirement of Subordinated Shareholder Debt by the Issuer, no Event of Default or Potential Event of Default has occurred and is continuing at the time of, or would result following, the payment of such dividend or such repayment, prepayment or other retirement of Subordinated Shareholder Debt by the Issuer.

(d) *Financial reporting*

So long as any Note remains outstanding, the Issuer shall deliver to the Trustee:

(i) not later than 90 days after the end of the Issuer's financial year, copies or the electronic versions of the audited consolidated financial statements of the Issuer for such financial year that were prepared in accordance with IFRS, consistently applied, and accompanied by the report of the independent auditors of the Issuer thereon (which financial statements shall include a Combined Accounting Footnote); and

(ii) not later than 75 days after the end of the semi-annual period, copies or the electronic versions of the unaudited consolidated financial statements of the Issuer for such semi-annual period that were prepared in accordance with IAS 34 consistently applied (which financial statements shall include a Combined Accounting Footnote).

The Issuer shall make available copies of all reports furnished to the Trustee pursuant to subparagraphs (i) and (ii) above on the Issuer's website.

6. Interest

(a) *Accrual of interest*

The Notes bear interest from, and including, 26 April 2018, at the rate of 7.250 per cent. per annum (the "**Interest Rate**") payable semi-annually in arrear on 26 April and 26 October in each year (each an "**Interest Payment Date**"), commencing on 26 October 2018, subject as provided in Condition 8 (*Payments*). The first payment of interest shall be made on 26 October 2018 in respect of the period from (and including) 26 April 2018 to (but excluding) 26 October 2018. If interest is required to be calculated for the Notes for a period of less than one half-year, it will be calculated by applying the Interest Rate to each $1,000 principal amount of Notes (the "**Calculation Amount**") and on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days. The resultant figure shall be rounded to the nearest cent, half a cent being rounded upwards. The interest payable in respect of a Note shall be the product of such rounded figure and the amount by which the Calculation Amount is multiplied to reach the denomination of the relevant Note, without any further rounding.

(b) *Cessation of interest*

Each Note will cease to bear interest from the due date for redemption unless, upon due surrender of the relevant Note, payment of principal is improperly withheld or refused. In such case it will continue to bear interest at such rate (after as well as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to that day (except to the extent that there is any subsequent default in payment) in accordance with Condition 18 (*Notices*).

7. Redemption and Purchase

(a) *Scheduled redemption*

Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 26 April 2023, subject as provided in Condition 8 (*Payments*).

(b) *Redemption for tax reasons*

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' prior notice to the Noteholders (which notice shall be irrevocable), at their principal amount, together with interest accrued to (but excluding) the date fixed for redemption if, immediately before giving such notice, the Issuer satisfies the Trustee that:

(i) as a result of any change in, or amendment to, the laws or regulations of any Relevant Taxing Jurisdiction, or any change in the application or official interpretation of such laws or regulations (including any holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 24 April 2018, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 (*Taxation*); and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it;

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee:

(i) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and

(ii) an opinion in form and substance satisfactory to the Trustee of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out in paragraphs (i) and (ii) immediately above, in which event they shall be conclusive and binding on the Noteholders.

Upon the expiry of any such notice as is referred to in this Condition 7(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 7(b).

(c) *Make-whole call*

The Notes will be redeemable, in whole or in part, at the option of the Issuer, at any time, on giving not less than 30 nor more than 60 days' prior notice (which notice shall be irrevocable) to the Noteholders in accordance with Condition 18 (*Notices*), at a redemption price equal to the greater of:

(i) 100 per cent. of the principal amount of the Notes to be redeemed; and

(ii) the Optional Redemption Price,

together, in each case, with accrued and unpaid interest on the Notes to, but excluding, the date fixed for redemption.

Notwithstanding the foregoing, amounts of interest on the Notes that are due and payable on Interest Payment Dates falling on or prior to a date fixed for redemption will be payable to the Noteholders on such Interest Payment Date.

In the case of a partial redemption of the Notes, the Notes to be redeemed will be selected, in such place as the Trustee may approve and in such manner as the Trustee may deem appropriate and fair, not more than 30 days before the date fixed for redemption. Notice of any such selection will be given not less than 15 days before the date fixed for redemption. Each notice will specify the date fixed for redemption and the aggregate principal amount of the Notes to be redeemed, the serial numbers of the Notes called for redemption, the serial numbers of Notes previously called for redemption and not presented for payment and the aggregate principal amount of the Notes which will be outstanding after the partial redemption.

(d) *Redemption at the Option of Noteholders upon a Change of Control*

If a Change of Control Put Event occurs, the holder of each Note will have the option (a "**Change of Control Put Option**") (unless prior to the giving of the relevant Change of Control Put Notice the Issuer has given a notice of redemption under Condition 7(b) (*Redemption for tax reasons*) or Condition 7(c) (*Make-whole call*) above) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) that Note on the Change of Control Put Date at 101 per cent. of its principal amount together, in each case, with accrued and unpaid interest on the Note to, but excluding, the Change of Control Put Date.

Promptly upon, but in any case no later than five Business Days after, the Issuer becoming aware that a Change of Control Put Event has occurred, the Issuer shall give a Change of Control Put Notice to the Noteholders in accordance with Condition 18 (*Notices*) specifying the nature of the Change of Control Put Event and the procedure for exercising the Change of Control Put Option.

To exercise the Change of Control Put Option, the holder of a Note must deliver such Note to the Specified Office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the period (the "**Change of Control Put Period**") of 30 days after a Change of Control Put Notice is given, accompanied by a duly signed and completed Change of Control Put Exercise Notice.

The Paying Agent to which such Note and Change of Control Put Exercise Notice is delivered will issue to the Noteholder concerned a non-transferable receipt in respect of the Note so delivered. Payment in respect of any Note so delivered will be made to any bank account specified by the Noteholder in the Change of Control Put Exercise Notice, on the Change of Control Put Date and, in every other case, on or after the Change of Control Put Date against presentation and surrender or (as the case may be) endorsement of such receipt at the Specified Office of any Paying Agent. A Change of Control Put Exercise Notice, once given, shall be irrevocable.

The Issuer shall redeem or purchase (or procure the purchase of) the relevant Notes on the Change of Control Put Date unless previously redeemed (or purchased) and cancelled.

The Trustee shall be entitled to assume that no Change of Control Put Event has occurred until it has received from the Issuer written notice of the same, and shall incur no liability to any Person for so doing.

(e) *No other redemption*

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) (*Scheduled redemption*) to (d) (*Redemption at the Option of Noteholders upon a Change of Control*) above.

(f) *Purchase*

The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price.

(g) *Cancellation*

All Notes so redeemed or purchased by the Issuer or any of its Subsidiaries may be cancelled or may be reissued or resold.

8. Payments

(a) *Principal, premium and interest*

Payments of principal, premium (if any) and interest in respect of each Note will be made to the Person shown in the Register at the close of business on the Record Date and subject to the surrender (or, in the case of part payment only, endorsement) of the relevant Definitive Certificate at the Specified Office of any Paying Agent.

(b) Method of payments

Each payment in respect of the Notes pursuant to Condition 8(a) (*Principal, premium and interest*) will be made by transfer to the registered account of the Noteholder.

Payment instructions (for value the due date, or, if the due date is not a Payment Business Day, for value the next succeeding Payment Business Day) will be initiated by the Paying Agents, in the case of principal and premium (if any) and payments of interest due otherwise than on an Interest Payment Date, on the later of the due date for payment and the day on which the relevant Definitive Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of any of the Paying Agents and, in the case of interest due on an Interest Payment Date, on the due date for payment.

For the purposes of these Conditions, a Noteholder's "registered account" means the U.S. dollar account maintained by or on behalf of it, details of which appear in the Register on the Record Date.

(c) *Delay in payment*

Noteholders will not be entitled to any interest or other payment in respect of any delay in payment resulting from (i) the due date for payment not being a Payment Business Day, or (ii) the Noteholder being late in surrendering its Definitive Certificate (if required pursuant to these Conditions).

(d) *Payments subject to fiscal laws*

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9 (*Taxation*), and any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the United States Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Section 1471 to 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9 (*Taxation*)) any law implementing an intergovernmental approach thereto.

(e) *Payments on business days*

If the due date for payment of any amount in respect of any Note is not a Payment Business Day, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day and shall not be entitled to any further interest or other payment in respect of any such delay.

(f) *Partial payments*

If a Paying Agent makes a partial payment in respect of any Note presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

9. Taxation

All payments of principal, premium (if any) and interest in respect of the Notes by or on behalf of the Issuer to Noteholders shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of a Relevant Taxing Jurisdiction, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer shall pay such additional amounts as will result in receipt by the Noteholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note:

(a) where such additional amounts are payable by reason of any present or former connection between the relevant Noteholder (or the relevant beneficial owner) and the Relevant Taxing Jurisdiction, other than the mere holding of the Note; or

(b) presented (or in respect of which the Definitive Certificate representing it is presented) for payment by or on behalf of the relevant Noteholder (or the relevant beneficial owner) which would have been able to avoid such withholding or deduction by complying with any statutory requirement or by making a declaration of non-residence or any other claim for exemption or any filing, but fails to do so; or

(c) presented (or in respect of which the Definitive Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of such Note would have been entitled to such additional amounts on presenting such Note for payment on the last day of such period of 30 days assuming that day to have been a Payment Business Day (as defined in Condition 20 (*Definitions*)).

In these Conditions, "**Relevant Date**" means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders.

Any reference in these Conditions to principal, premium (if any) or interest shall be deemed to include any additional amounts in respect of principal, premium (if any) or interest (as the case may be) which may be payable under this Condition 9 or any undertaking given in addition to or in substitution of this Condition 9 pursuant to the Trust Deed.

10. Reorganisation and Substitution

The Trust Deed contains provisions under which a legal entity:

(a) formed by any consolidation or merger of the Issuer with or into any other corporation or corporations (whether or not affiliated with the Issuer), or successive consolidations or mergers into which the Issuer or its successor or successors shall have been merged or consolidated; or

(b) to which the Issuer has sold, conveyed or leased all or substantially all of the property of the Issuer (whether or not affiliated with the Issuer), (any such legal entity, a "**Substituted Obligor**") may, without the consent of the Noteholders assume the obligations of the Issuer as principal debtor under the Trust Deed and the Notes *provided that*:

(i) the Substituted Obligor takes direct or indirect ownership of at least 80 per cent. of Combined Total Assets;

(ii) the Substituted Obligor is a legal entity incorporated in a Member State of the European Economic Area, Turkey, the United Kingdom, Liechtenstein, the Channel Islands or the Isle of Man;

(iii) the Trustee is satisfied that the relevant transaction is not materially prejudicial to the interests of the Noteholders; and

(iv) certain further conditions specified in the Trust Deed are fulfilled.

No Noteholder shall, in connection with any substitution, be entitled to claim any indemnification or payment in respect of any tax consequence thereof for such Noteholder, except to the extent provided for in Condition 9 (*Taxation*) (or any undertaking given in addition to or substitution for it pursuant to the provisions of the Trust Deed).

11. Events of Default

If any of the following events occurs (each, an "**Event of Default**") and is continuing then the Trustee at its discretion may and, if so requested in writing by holders of at least one quarter of the aggregate principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject, in the case of the occurrence of any of the events mentioned in sub-paragraphs (b) to (k) inclusive (other than in respect of the winding up and/or dissolution and/or insolvency of the Issuer pursuant to sub-paragraphs (f) and (g)) to the Trustee having certified in writing that the happening of such event is in its opinion materially prejudicial to the interests of the Noteholders and, in all cases, to the Trustee having been indemnified and/or secured and/or prefunded to its satisfaction) give written notice to the Issuer declaring the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without any further action or formality:

(a) *Non-payment*: the Issuer fails to pay any amount of principal in respect of the Notes within seven days of the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within 14 days of the due date for payment thereof; or

(b) *Breach of other obligations*: the Issuer defaults in the performance or observance of (A) its obligations under Condition 5(a) (*Financial Covenants*) and such default has not been cured within the cure period set out in Condition 5(b) (*Equity Cure and Account Bank Cure*) and (B) any of its other obligations under or in respect of the Notes or the Trust Deed and such default (i) is, in the opinion of the Trustee, incapable of remedy or (ii) being a default which is, in the opinion of the Trustee, capable of remedy and remains unremedied for 30 days after the Trustee has given written notice thereof to the Issuer; or

(c) *Cross acceleration*: a default under any Indebtedness of the Issuer or any Material Subsidiary, if that default (i) is caused by a failure to make any payment in respect of such Indebtedness and any originally applicable grace period has expired or (ii) results in the acceleration of such Indebtedness prior to its stated maturity; provided that such default is continuing and the amount of Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above individually or in the aggregate (without duplication) exceeds $30,000,000 (or its equivalent in any other currency or currencies); or

(d) *Enforcement proceedings*: a distress, attachment, execution or other legal process, the award or decision in respect of which, in each case, is final and not subject to further appeal, is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer or any of its Material Subsidiaries in an amount which exceeds 10 per cent. of Combined Total Assets and is not discharged or stayed within 90 days; or

(e) *Security enforced*: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Material Subsidiaries in respect of an amount which exceeds 15 per cent. of Combined Total Assets becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, administrator manager or other similar Person) and is not discharged within 60 days by the Issuer or the relevant Material Subsidiary; or

(f) *Insolvency*: (i) the Issuer or any of its Material Subsidiaries is insolvent except for situations described in Article 376 of the Turkish Commercial Code where (A) such situation is capable of remedy and (B) the Issuer or any Material Subsidiary is duly remedying the situation such that no bankruptcy applications need to be filed under applicable law or (ii) any of the Issuer or any of its Material Subsidiaries is unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a substantial part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a concordato (*konkordato*) or moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or any of its Material Subsidiaries except for the purposes of and pursuant to a reconstruction, amalgamation, reorganisation, merger or consolidation (x) pursuant to Condition 10 (*Reorganisation and Substitution*), (y) on terms approved by an Extraordinary Resolution of the Noteholders or (z) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in the Issuer or another Material Subsidiary (or a Subsidiary of the Issuer which, upon such transfer or vesting, will become a Material Subsidiary); or

(g) *Winding-up*: (A) an administrator, liquidator, receiver or any other similar officer is appointed through an irrevocable resolution for the opening of insolvency proceedings of the Issuer or any of its Material Subsidiaries; (B) an irrevocable resolution is passed for the winding-up or dissolution or administration of the Issuer or any of its Material Subsidiaries; or (C) the Issuer or any of its Material Subsidiaries applies or petitions for a winding-up or administration order in respect of itself, in each of the cases (A), (B) or (C) above except for the purposes of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) pursuant to Condition 10 (*Reorganisation and Substitution*), (ii) on terms approved by an Extraordinary Resolution of the Noteholders or (iii) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in the Issuer or another Material Subsidiary (or a Subsidiary of the Issuer which, upon such transfer or vesting, will become a Material Subsidiary); or

(h) *Nationalisation*: the assets of the Group in an amount which exceeds 15 per cent. of the Combined Total Assets of the Group are expropriated, seized or nationalised by any Person; or

(i) *Authorisation and Consents*: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to ensure that the Issuer's obligations under the Notes, the Trust Deed and the Agency Agreement are legally binding and enforceable, or (ii) to make the Notes, the Trust Deed and the Agency Agreement admissible in evidence in the courts of Turkey is not taken, fulfilled or done and remains unremedied for 30 days after the Trustee has given written notice thereof to the Issuer; or

(j) *Illegality*: it is unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes, the Trust Deed or the Agency Agreement; or

(k) *Analogous events*: any event occurs that under the laws of any relevant jurisdiction has, in the opinion of the Trustee, an analogous effect to any of the events referred to in any of the foregoing paragraphs (f) or (g).

12. Prescription

Claims in respect of principal, premium (if any) and interest will become void unless the relevant Definitive Certificate is surrendered for payment as required by Condition 8 (*Payments*) within a period of ten years in the case of principal and/or premium and five years in the case of interest from the relevant date for payment thereof.

13. Replacement of Notes

If any Definitive Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the Specified Office of the Registrar or any Transfer Agent subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer, the Registrar or the Transfer Agent may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Definitive Certificates must be surrendered before replacements will be issued.

14. Trustee and Paying Agents

(a) *Trustee*

Under the Trust Deed, the Trustee is entitled to be indemnified and relieved from responsibility and liability towards the Issuer and the Noteholders, including (i) provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction and (ii) provisions limiting or excluding its liability in certain circumstances and to be paid its costs and expenses in priority to the claims of the Noteholders. The Trust Deed provides that, when determining whether an indemnity or any security or prefunding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Noteholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security. In addition, the Trustee is entitled, *inter alia*, (a) to enter into business transactions with and/or to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and any entity relating to the Issuer and (b) to exercise and enforce its rights comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence to individual holders of Notes as a result of such holders being connected in any way with a particular territory or taxing jurisdiction.

(b) *Agents*

In acting under the Agency Agreement and in connection with the Notes, the Paying Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

The initial Paying Agents and their initial Specified Offices are listed below. The Issuer reserves the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor principal paying agent and additional or successor paying agents; *provided, however, that* the Issuer shall at all times maintain a principal paying agent and a registrar.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given by the Issuer to the Noteholders.

15. Meetings of Noteholders; Modification and Waiver

(a) *Meetings of Noteholders*

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matters affecting their interests, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Trustee upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more Persons holding or representing more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, one or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* any proposal to change any date fixed for payment of principal, premium (if any) or interest in respect of the Notes, to reduce the amount of principal, premium (if any) or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payments under the Notes, or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "**Reserved Matter**")) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which one or more Persons holding or representing not less than two-thirds or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

(b) *Written resolutions and electronic consents*

In addition, the Trust Deed provides that (i) a resolution in writing signed by or on behalf of Noteholders holding or representing not less than two-thirds of the aggregate principal amount of the outstanding Notes, or (ii) a consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holders of not less than two-thirds of the aggregate principal amount of the outstanding Notes shall, in each case, take effect as if it was an Extraordinary Resolution. A resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(c) *Modification and waiver*

The Trustee may, without the consent of the Noteholders, agree to any modification of these Conditions or the Trust Deed if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders and to any modification of the Notes or the Trust Deed which is of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may, without the consent of the Noteholders authorise or waive any proposed breach or breach of the Notes or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default shall not be treated as such if in any such case in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

Unless the Trustee agrees otherwise, any such authorisation, waiver, determination or modification shall be notified to the Noteholders by the Issuer as soon as practicable thereafter.

16. Enforcement

The Trustee may at any time, at its discretion and without notice, institute such proceedings and/or steps or action (including lodging an appeal in any proceedings) as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes or otherwise, but it shall not be bound to do so or take any other action under the Trust Deed unless:

(a) it has been so requested in writing by the holders of at least one quarter of the aggregate principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and

(b) it has been indemnified and/or secured and/or prefunded to its satisfaction.

No Noteholder may proceed directly against the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its reasonable opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction applicable to it. Furthermore, the Trustee may also refrain from taking such action if it would otherwise render it liable to any Person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

17. Further Issues

The Issuer may from time to time, without the consent of the Noteholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects, save for the amount and date of the first interest payment thereon and the date from which interest starts to accrue, so as to form a single series with the Notes. Any further notes which are to form a single series with the Notes shall be constituted by a deed supplemental to the Trust Deed.

18. Notices

Notices to the Noteholders shall be valid if published on the website of the Irish Stock Exchange (www.ise.ie) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication.

19. Governing Law and Jurisdiction

(a) *Governing law*

The Notes and the Trust Deed and any non-contractual obligations arising out of or in connection with the Notes and the Trust Deed are governed by English law.

(b) *English courts*

The Issuer has in the Trust Deed (i) agreed for the benefit of the Trustee and the Noteholders that the High Court of Justice of England and Wales in London shall have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes (including any non-contractual obligation arising out of or in connection with the Notes); (ii) agreed that the High Court of Justice of England and Wales in London is the most appropriate and convenient court to settle any Dispute and, accordingly, that it will not argue to the contrary; and (iii) agreed that the documents which start any proceedings relating to a Dispute ("**Proceedings**") and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Cheeswrights LLP whose registered address is at Bankside House, 107 Leadenhall Street, London EC3A 4AF, United Kingdom, or to such other Person with an address in England or Wales and/or at such other address in England or Wales as the Issuer may specify by notice in writing to the Noteholders.

(c) *Rights of the Noteholders to take proceedings outside England*

The Trust Deed also states that nothing contained in the Trust Deed prevents the Trustee or any Noteholder from taking Proceedings in any other courts with jurisdiction. To the extent allowed by law, the Trustee or any of the Noteholders may take concurrent Proceedings in any number of jurisdictions.

20. Definitions

For purposes of these Conditions:

"**Account**" means an interest bearing account in the name of the Issuer with the Account Bank.

"**Account Bank**" means Türk Ekonomi Bankası A.Ş. Orta Anadolu Corporate Branch or any successor thereto selected by the Issuer.

"**Agents**" means the Principal Paying Agent, the Paying Agents, the Transfer Agent and the Registrar from time to time and "**Agent**" means any one of them.

"**Business Day**" means a day (other than a Saturday or a Sunday) on which commercial banks are open for business in London, Istanbul and New York City.

"**Change of Control Put Date**" means the date which is seven days after expiration of the Change of Control Put Period.

A "**Change of Control Put Event**" will be deemed to occur if:

(i) the Ilıcak Family, or any Related Person of the Ilıcak Family, does not directly or indirectly control the Issuer (each such event being, a "**Change of Control**"), where "**control**" means either (A) the power (whether by ownership of shares, proxy, contract, agency or otherwise) to cast, or control the casting of, more than 50% of the maximum number of votes that might be cast at a general ordinary shareholder meeting of the Issuer or (B) a beneficial holding of more than 50% of the issued share capital of the Issuer, excluding any shares that do not give the holder the right to vote in an ordinary shareholder meeting of a parent; and

(ii) (A) such Change of Control is accompanied or followed by a downgrade of the Notes within the Ratings Decline Period for such Change of Control by Moody's or Fitch (or, in the event any of Moody's or Fitch or both shall cease rating the Notes (for reasons outside the control of the Issuer), the Issuer shall select any other internationally recognised rating agency, and the above reference to Moody's and/or Fitch, as applicable, shall be read as a reference to such other internationally recognised rating agency) and (B) the rating of the Notes by such rating agency on any day during such Ratings Decline Period is below the rating by such rating agency in effect immediately preceding the first public announcement of the Change of Control (or occurrence thereof if such Change of Control occurs prior to public announcement); provided that a Change of Control Put Event will not be deemed to have occurred in respect of any Change of Control if each rating agency making the reduction in rating does not publicly announce or confirm or inform the Trustee at the Issuer's request that the reduction was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of or in connection with, the Change of Control. For the avoidance of doubt, no Change of Control Put Event will be deemed to have occurred in connection with any particular Change of Control unless and until such Change of Control has actually been consummated.

"**Change of Control Put Exercise Notice**" means an exercise notice in the form (for the time being current and which may, if this Note is held through Euroclear, Clearstream and/or DTC, be in any form acceptable to Euroclear, Clearstream and/or DTC delivered in a manner acceptable to Euroclear, Clearstream and/or DTC) obtainable from the Specified Office of any Paying Agent specifying the relevant details for the purposes of exercising the Change of Control Put Option by the relevant Noteholder.

"**Change of Control Put Notice**" means the notice given by the Issuer to Noteholders upon the occurrence of a Change of Control Put Event in accordance with Condition 7(d) (*Redemption at the Option of Noteholders upon a Change of Control*) and Condition 18 (*Notices*).

"**Change of Control Put Option**" has the meaning set out in Condition 7(d) (*Redemption at the Option of Noteholders upon a Change of Control*).

"**Change of Control Put Period**" has the meaning set out in Condition 7(d) (*Redemption at the Option of Noteholders upon a Change of Control*).

"**Clearstream**" means Clearstream Banking, S.A.

"**Combined Accounting Footnote**" means a footnote in the consolidated financial statements of the Issuer setting forth, as of or for the period to which such consolidated financial statements relate, the total assets, total liabilities, deferred tax liabilities, value added tax deductible, gross profit, operating expenses, interest income from bank deposit, interest expenses of financial debts, income tax expenses and capital expenditures (or, at the Issuer's option, equivalent or similar items) on a combined basis for the Group, including the assets, liabilities and results of operations (or the relevant components thereof) of the Issuer's Jointly Controlled Entities on a proportionate basis.

"**Combined Adjusted EBITDA**" means the combined net profit/(loss) of the Group before taxes, depreciation, amortisation, impairments and change in provisions and excluding any revaluation changes, financial income and financial expenses, the net result on sale of financial investments, share-based payment expenses, acquisition, disposal and business reorganisation related fees and expenses, net result on acquisitions, disposals and business reorganisations, any other exceptional, non-recurring or non-cash item and the mark-to-market effect of financial instruments and derivative transactions, as determined by reference to the Combined Accounting Footnote included in the most recent audited annual or unaudited semi-annual (as the case may be) financial statements of the Issuer that were prepared in accordance with IFRS, as applicable.

"**Combined Coverage Ratio**" means, in respect of any Measurement Date, (i) the aggregate amount of Combined Adjusted EBITDA for the period of the most recent two consecutive semi-annual periods ending on such Measurement Date plus the total amount of value-added tax recoveries of the Group (including by way of set-off against value-added tax deductible) in respect of such period, divided by (ii) the Combined Interest Expense for such two semi-annual periods.

"**Combined Interest Expense**" means, for any period, all charges, interest and other finance costs (including amortisation of original issue discount) in respect of Indebtedness (but excluding (i) such interest on Subordinated Shareholder Debt, (ii) amortisation or write-off of deferred financing fees, debt issuance costs, terminated hedging obligations and other commissions, financing fees and expenses and (iii) any payments on any agreement that is classified as an "operating lease" under IFRS as in effect on the Issue Date) incurred by the Group, less total interest and other finance income received by the Group, each as determined on a combined basis by reference to the Combined Accounting Footnote included in the most recent audited annual or unaudited semi-annual (as the case may be) financial statements of the Issuer that were prepared in accordance with IFRS.

"**Combined LTV Ratio**" means, in relation to the Group and in respect of any Measurement Date, the Combined Total Indebtedness divided by Combined Total Assets.

"**Combined Total Assets**" means the total assets (excluding intangible assets) of the Group on a combined basis as shown in the Combined Accounting Footnote included in the most recent audited annual or unaudited semi-annual (as the case may be) financial statements of the Issuer that were prepared in accordance with IFRS.

"**Combined Total Indebtedness**" means the total Indebtedness of the Group on a combined basis as determined by reference to the Combined Accounting Footnote included in the most recent financial position of the audited annual or unaudited semi-annual (as the case maybe) financial statements of the Issuer that were prepared in accordance with IFRS.

"**Combined Unsecured Indebtedness**" means the total Indebtedness of the Group (on a combined basis) which is not secured by any Security Interest on any property or assets of the Group, as determined by reference to the Combined Accounting Footnote included in the audited annual or unaudited semi-annual (as the case may be) financial statements of the Issuer that were prepared in accordance with IFRS.

"**Definitive Certificate**" means a Note in definitive form.

"**Determination Agent**" means an investment bank or financial institution of international standing selected by the Issuer and approved by the Trustee (in accordance with the Trust Deed).

"**Dispute**" has the meaning set out in Condition 19(b) (*English courts*).

"**DTC**" means the Depository Trust Company.

"**Euroclear**" means Euroclear Bank SA/NV.

"**Event of Default**" has the meaning set out in Condition 11 (*Events of Default*).

"**Extraordinary Resolution**" has the meaning set out in the Trust Deed.

"**Fitch**" means Fitch Ratings, Inc., any of its affiliates or any of its successors or assigns that is a Nationally Recognised Statistical Rating Organisation.

"**Gross Revenues**" means the sum of contractual rental income, expense recoveries and other operating income.

"**Group**" means the Issuer, its Subsidiaries and its Jointly Controlled Entities, taken as a whole, provided that, for purposes of calculating any financial items or ratios under these Conditions, the assets, Indebtedness and financial results (or any component thereof) of a Jointly Controlled Entity shall be attributed to the Group (and taken into account for such calculations) only in the proportion corresponding to the Issuer's ownership interest (directly or through one or more of its Subsidiaries) in the total share capital of such Jointly Controlled Entity.

"**guarantee**" means, in relation to any Indebtedness or Relevant Indebtedness of any Person, any obligation of another Person to pay such Indebtedness or Relevant Indebtedness (as the case may be) including (without limitation):

(a) any obligation to purchase such Indebtedness or Relevant Indebtedness (as the case may be);

(b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services for the express purpose of providing funds for the payment of such Indebtedness or Relevant Indebtedness (as the case may be);

(c) any indemnity against the consequences of a default in the payment of such Indebtedness or Relevant Indebtedness (as the case may be); and

(d) any other agreement to be responsible for such Indebtedness or Relevant Indebtedness (as the case may be),

and the term "**guaranteed**" shall be construed accordingly.

"**IFRS**" means International Financial Reporting Standards as adopted by the European Union, including International Accounting Standards and Interpretations, issued by the International Accounting Standards Board (as amended, supplemented or re-issued from time to time).

"**IAS 34**" means the International Accounting Standard 34, Interim Financial Reporting issued by the International Accounting Standards Board, as amended, supplemented, or re-issued from time to time.

"**Ilıcak Family**" means, alone or together, each and every one of Erman Ilıcak, Bekir Ilıcak, Ayşe Ilıcak, İpek Ilıcak Kayaalp and Bahar Ilıcak and their legal successors.

"**Indebtedness**" means, with respect to any Person at any date of determination (without duplication):

(a) the principal of indebtedness of such Person for borrowed money in whatever form;

(b) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(c) all reimbursement obligations of such Person in respect of letters of credit or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have not been reimbursed) (except to the extent any such reimbursement obligations relate to trade payables);

(d) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property, assets or services which purchase price is due more than 90 days after the earlier of the date of placing such property in service or taking delivery and title thereof or the completion of such services excluding:

(i) any trade payables or other liability to trade creditors; and

(ii) any post-closing payment adjustments in connection with the purchase by the Issuer or any other member of the Group of any business to which the seller may become entitled, to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing and *provided* that (x) the amount of any such payment is not determinable at the time of closing and, (y) to the extent such payment thereafter becomes fixed and determined, the amount is paid within 90 days thereafter;

(e) all capitalised lease obligations of such Person, to the extent treated as indebtedness in the financial statements of such Person under IFRS;

(f) Indebtedness of the type referred to in paragraphs (a) to (e) of other Persons guaranteed by such Person to the extent such obligation is guaranteed by such Person; and

(g) Indebtedness of the type referred to in paragraphs (a) to (f) of other Persons secured by a Security Interest over any asset of such Person; *provided* that the amount of such Indebtedness of such Person shall be deemed to be the lesser of (i) the book value of such asset as shown in the most recent audited annual or unaudited semi-annual financial statements of such Person and (ii) the amount of the Indebtedness so secured,

with respect to paragraphs (a), (b), (d) and (e), if and to the extent that any of the foregoing Indebtedness would appear as a liability upon a balance sheet (excluding the footnotes thereto) of such person prepared in accordance with IFRS.

Notwithstanding the above provisions, the term "Indebtedness" shall not include (i) Subordinated Shareholder Debt, (ii) any lease, concession or license or property (or guarantee thereof) which would be considered an operating lease under IFRS as in effect on the Issue Date and (iii) for the avoidance of doubt, deferred tax liabilities and deposits collected from tenants.

The amount of any Indebtedness outstanding as of any date shall be (i) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (ii) the principal amount of Indebtedness in the case of any other Indebtedness.

For the purpose of determining the Turkish lira-equivalent of Indebtedness denominated in a foreign currency, the Turkish lira-equivalent principal amount of such Indebtedness pursuant thereto shall be calculated based on the relevant official central bank currency exchange rate in effect on the date of determination thereof.

"**Issue Date**" means 26 April 2018.

"**Jointly Controlled Entity**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**"), that is subject to joint control by the first Person and other parties such that strategic, financial and operating policy decisions relating to the activities of the second Person require the unanimous consent of the parties sharing control.

"**Material Subsidiary**" means, as of any date of determination, any Subsidiary of the Issuer whose (i) total assets (excluding intangible assets, and eliminating intra-Group Indebtedness and receivables eliminated in the consolidated financial statements of the Issuer) as of the relevant Calculation Date exceed 10 per cent. of the Combined Total Assets of the Group as of such Calculation Date, or (ii) Gross Revenues (after elimination of intercompany transactions eliminated in the consolidated financial statements of the Issuer) for the financial year ended on the relevant Calculation Date exceed 10 per cent. of the Gross Revenues of the Group on a combined basis (as determined by reference to the Combined Accounting Footnote included in the Issuer's most recent audited annual consolidated financial statements) for such financial year. For purposes of this definition, "**Calculation Date**" means the last day of the Issuer's most recent financial year for which audited annual financial statements of the Issuer are available. The Issuer will deliver on each Reporting Date following an Annual Measurement Date a certificate addressed to the Trustee and signed by two directors confirming, in their opinion, which Subsidiaries of the Issuer are Material Subsidiaries of the Issuer as at such Annual Measurement Date and such certificate may be relied on by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall, in the absence of manifest error, be conclusive and binding on all parties.

"**Measurement Date**" means each day which is (i) the last day of the Issuer's financial year in any year, with the first such date being 31 December 2018 (the "**Annual Measurement Date**") or (ii) the last day of the first half of the Issuer's financial year in any year, with the first such date being 30 June 2019 (the "**Semi-Annual Measurement Date**").

"**Moody's**" means Moody's Investors Service, Inc., any of its affiliates or any of its successors or assigns that is a Nationally Recognised Statistical Rating Organisation.

"**Nationally Recognised Statistical Rating Organisation**" means a nationally recognized statistical rating organization within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act, or any of its affiliates.

"**Optional Redemption Price**" means the price, expressed as a percentage (rounded to three decimal places, 0.0005 being rounded upwards), at which the yield (as calculated by the Determination Agent on a semi-annual basis (assuming a 360-day year consisting of 12 months of 30 days each)) on the Notes to be redeemed, if they were to be purchased at such price on the third dealing day prior to the date fixed for redemption, would be equal to the yield on such dealing day of the Reference Bond, plus 50 basis points, on the basis of the average of four quotations of the semi-annual equivalent yield to maturity of the Reference Bond prevailing at 5:00 p.m. (New York time) on such dealing day as determined by the Determination Agent.

"**Payment Business Day**" means a day (other than a Saturday or a Sunday) on which commercial banks are open for business in London and New York City and, in the case of presentation of a Definitive Certificate, in the place in which the Definitive Certificate is presented.

"**outstanding**" has the meaning set out in the Trust Deed.

"**Permitted Security Interest**" means:

(a) any Security Interest existing on the Issue Date; or

(b) any Security Interest of a company existing at the time that such company is merged into, or consolidated with or acquired by, the Issuer or any other member of the Group, as the case may be, provided that such Security Interest was not created in contemplation of, and the principal amount secured has not increased in contemplation of or since, such merger, consolidation or acquisition; or

(c) any Security Interest existing on any property or assets prior to the acquisition thereof by the Issuer or any other member of the Group, as the case may be, provided that such Security Interest was not created in contemplation of, and the principal amount secured has not increased in contemplation of or since, such acquisition; or

(d) any Security Interest granted by the Issuer or any other member of the Group in connection with a Project Financing; or

(e) any renewal of or substitution for any Security Interest permitted by any of subparagraphs (b) to (d) (inclusive) of this definition, provided that with respect to any such Security Interest (i) the principal amount secured has not increased, and (ii) the Security Interest has not been extended to any additional assets (other than the proceeds of such assets and, provided the aggregate book value of all assets the subject of the relevant Security Interest immediately following the relevant renewal or substitution does not exceed the aggregate book value of all assets the subject of the relevant Security Interest immediately prior to the relevant renewal or substitution, any replacement assets).

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality.

"**Potential Event of Default**" has the meaning set out in the Trust Deed.

"**Proceedings**" has the meaning set out in Condition 19(b) (*English courts*).

"**Project Finance Company**" means a special purpose company whose sole business comprises a Project and the ownership, maintenance, improvement, operation and exploitation of the assets of that Project.

"**Project Financing**" means any financing of all or part of the costs of the acquisition, construction, development or operation of any assets (a "**Project**"), provided that (i) any Security Interest created by the Issuer or any other member of the Group in connection therewith is limited solely to such assets or the share capital of a Project Finance Company relating to that Project, and (ii) the documentation in respect of such financing provides for recourse to be limited to the assets financed and the revenues (including insurance proceeds) derived from such assets as the principal source of repayment for the money borrowed.

"**Ratings Decline Period**" means, with respect to any Change of Control, the period that (1) begins on the earlier of (a) the date of the first public announcement of the occurrence of such Change of Control or of the intention by the Issuer or a shareholder of the Issuer, as applicable, to effect such Change of Control or (b) the occurrence of such Change of Control and (2) ends on the 60th day following consummation of such Change of Control; provided, however, that such period shall be extended for so long as the rating of the Notes, as noted by the applicable rating agency, is under publicly announced consideration (such consideration having been announced publicly within the period ending 60 days after the Change of Control) for downgrade by the applicable rating agency, such extended period not to exceed 60 days after the public announcement of such consideration.

"**Record Date**" means the Business Day falling before the due date for the relevant payment.

"**Reference Bond**" means, in relation to any Optional Redemption Price calculation, U.S. Treasury 2.500% due 31 March 2023 (US9128284D91) or if such bond is no longer in issue, such other United States Treasury security as the Determination Agent may, with the advice of three brokers of, and/or market makers in, United States Treasury securities selected by the Determination Agent, determine to be appropriate for determining the Optional Redemption Price.

"**Related Person**" means:

(i) in case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof; or

(ii) any trust, corporation, partnership, foundation or other Person for which any member of the Ilıcak Family and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons holding in the aggregate the majority (or more) controlling interest therein.

"**Relevant Date** has the meaning set out in Condition 9 (*Taxation*).

"**Relevant Indebtedness**" means any Indebtedness which is in the form of or represented by any marketable debt securities (either through a public offering or a private placement), including any bond, note, debenture, debenture stock, certificate or other similar security which is initially held by three or more Persons and which is for the time being, or is ordinarily capable of being, listed, quoted or traded on any stock exchange or on any securities market (including, without limitation, any over-the-counter market).

"**Relevant Taxing Jurisdiction**" means Turkey or any other jurisdiction in which the Issuer is resident for tax purposes at the time of payment, and any political subdivision or taxing authority thereof or therein having power to tax and, in each case, to which the Issuer becomes subject in respect of payments made by it of principal, premium (if any) and interest in respect of the Notes.

"**Reporting Date**" means the date that is 30 days after (i) the publication of the Issuer's audited annual consolidated financial statements, prepared in accordance with IFRS, with respect to an Annual Measurement Date, or (ii) the publication of the Issuer's unaudited semi-annual consolidated financial statements, prepared in accordance with IAS 34, with respect to a Semi-Annual Measurement Date.

"**Reserved Matter**" has the meaning set out in Condition 15(a) (*Meetings of Noteholders*).

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction.

"**Specified Office**" has the meaning set out in the Agency Agreement.

"**Subordinated Obligation"** means any Indebtedness of the Issuer that is subordinated or junior in right of payment to the Notes.

"**Subordinated Shareholder Debt**" means Indebtedness of the Issuer directly or indirectly held by one or more of its shareholders; provided that such Indebtedness (and any security into which such Indebtedness is convertible or for which it is exchangeable at the option of the holder) (i) does not mature or require any amortisation, redemption or other repayment of principal or any sinking fund payment prior to the stated maturity of the Notes, (ii) does not pay cash interest, (iii) contains no change of control provisions and has no right to declare a default or event of default or take any enforcement action prior to the first anniversary of the stated maturity of the Notes, (iv) is unsecured and (v) is pursuant to its terms subordinated in right of payment to the Notes (provided, for the avoidance of doubt, that such subordination shall not restrict the Issuer from prepaying such Indebtedness prior to its stated maturity if no Event of Default or Potential Event of Default has occurred and is continuing at the time of, or would result following, such prepayment).

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**"):

(a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or

(b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person.

For the avoidance of doubt, the term Subsidiary shall not include any Jointly Controlled Entity.

"**Unencumbered Asset Value Ratio**" means, in respect of any Measurement Date, Unencumbered Total Assets divided by Combined Unsecured Indebtedness.

"**Unencumbered Total Assets**" means the aggregate amount of assets (excluding intangible assets) of the Group which are not subject to a Security Interest securing Indebtedness as determined by reference to the Combined Accounting Footnote included in the audited annual or unaudited semi-annual (as the case may be) financial statements of the Issuer, prepared in accordance with IFRS.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

The Global Certificates contain the following provisions which apply to the Notes in respect of which they are issued whilst they are represented by the Global Certificates, some of which modify the effect of the Conditions. Terms defined in the Conditions have the same meaning in paragraphs 1 to 6 below.

1. ACCOUNTHOLDERS

For so long as any of the Notes are represented by a Global Certificate, each person (other than another clearing system) who is for the time being shown in the records of DTC, Euroclear or Clearstream, Luxembourg (as the case may be) as the holder of a particular aggregate principal amount of such Notes (each an "**Accountholder**") (in which regard any certificate or other document issued by DTC, Euroclear or Clearstream, Luxembourg (as the case may be) as to the aggregate principal amount of such Notes standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such aggregate principal amount of such Notes (and the expression "**Noteholders**" and references to "**holding of Notes**" and to "**holder of Notes**" shall be construed accordingly) for all purposes other than with respect to payments on such Notes, the right to which shall be vested, as against us and the Trustee, solely in the nominee for the relevant clearing system (the "**Relevant Nominee**") in accordance with and subject to the terms of the relevant Global Certificate. Each Accountholder must look solely to DTC, Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the Relevant Nominee.

2. CANCELLATION

Cancellation of any Note following its redemption or purchase by us or any of our Subsidiaries (as defined in the Conditions) will be effected by reduction in the aggregate principal amount of the Notes in the relevant register of Noteholders and by the annotation of the appropriate schedule to the relevant Global Certificate.

Any Notes purchased on a *pro rata* basis, in accordance with the Conditions, will in all cases be subject to the rules and procedures of the relevant clearing system in effect from time to time.

3. PAYMENTS

Payments of principal, premium (if any) and interest in respect of Notes represented by a Global Certificate will be made upon presentation or, if no further payment falls to be made in respect of the relevant Notes, against presentation and surrender of such Global Certificate to or to the order of the relevant Registrar or any other Agent (as defined in the Conditions) as shall have been notified to the holders of the relevant Global Certificate for such purpose.

Distributions of amounts with respect to book-entry interests in the Regulation S Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the relevant Registrar, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant clearing system's rules and procedures.

Holders of book-entry interests in the Rule 144A Notes held through DTC will receive, to the extent received by the relevant Registrar, all distributions of amounts with respect to book-entry interests in such Notes from the relevant Registrar through DTC. Distributions in the United States will be subject to United States tax laws and regulations.

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date, which shall be on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

A record of each payment made will be endorsed on the appropriate schedule to the relevant Global Certificate by or on behalf of the relevant Registrar and shall be *prima facie* evidence that payment has been made.

4. INTEREST CALCULATION

For so long as the Notes are represented by one or both Global Certificates, interest payable to the holder of the relevant Global Certificate(s) will be calculated by applying the interest rate of 7.250 per cent. per annum to the outstanding principal amount of the Notes represented by such Global Certificate(s) and on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days., rounding the resulting figure to the nearest cent, half a cent being rounded upwards, and without any further rounding.

5. NOTICES

So long as the Notes are represented by a Global Certificate or Global Certificates and such Global Certificate(s) is/are held on behalf of a clearing system or clearing systems, notices to Noteholders may be given by delivery of the relevant notice to the relevant clearing system(s) for communication by it/them to entitled Accountholders in substitution for notification as required by Condition 18 (*Notice*s) provided that, so long as the Notes are listed and admitted to trading on the Main Securities Market, notices will also be filed at the Companies Announcements Office of Euronext Dublin. Any such notice shall be deemed to have been given to the Noteholders on the second day after the day on which such notice is delivered to the relevant clearing system(s) as aforesaid.

Whilst any of the Notes held by a Noteholder are represented by a Global Certificate, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through Euroclear or Clearstream, Luxembourg or DTC (as applicable) and otherwise in such manner as the Trustee and Euroclear or Clearstream, Luxembourg or DTC (as applicable) may approve for this purpose.

6. CHANGE OF CONTROL PUT NOTICE

For so long as any Note is represented by a Global Certificate or Global Certificates and such Global Certificate(s) is/are held on behalf of a clearing system or clearing systems, to exercise the right to require redemption or purchase of such Note under Condition 7(d) (*Redemption at the Option of Noteholders upon a Change of Control*) the Noteholder must, within the notice period set out in Condition 7(d) (*Redemption at the Option of Noteholders upon a Change of Control*) give notice to a Paying Agent of such exercise in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg or DTC, as applicable (which may include notice being given on such Noteholder's instruction by Euroclear, Clearstream, Luxembourg, DTC or any depositary for them to any Paying Agent by electronic means) in a form acceptable to Euroclear, Clearstream, Luxembourg or DTC, as applicable, from time to time.

Any notice given in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg or DTC, as applicable, by a Noteholder under Condition 7(d) (*Redemption at the Option of Noteholders upon a Change of Control*) shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing in which event such Noteholder, at its option, may elect by notice to the Issuer to withdraw such notice and instead to give notice that the Note is immediately due and repayable under Condition 11 (*Events of Default*).

7. PARTIAL REDEMPTION

In the event that less than all the Notes are redeemed, selection of such Notes or portions thereof for redemption will be made only in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg and DTC (to be reflected in the records of Euroclear, Clearstream, Luxembourg and DTC as either a pool factor or a reduction in nominal amount, at their discretion).

8. REGISTRATION OF TITLE

Registration of title to Notes in a name other than that of the Relevant Nominee will not be permitted unless Euroclear or Clearstream, Luxembourg or DTC, as applicable, notifies us that it is unwilling or unable to continue as a clearing system in connection with a Global Certificate or, in the case of DTC only, DTC ceases to be a clearing agency registered under the United States Securities Exchange Act of 1934, and in each case a successor clearing system approved by the Trustee is not appointed by us within 90 days after receiving such notice from Euroclear, Clearstream, Luxembourg or DTC or becoming aware that DTC is no longer so registered (as applicable). In these circumstances, title to a Note may be transferred into the names of holders notified by the Relevant Nominee in accordance with the Conditions, except that Certificates in respect of Notes so transferred may not be available until 21 days after the request for transfer is duly made.

The Registrars will not register title to the Notes in a name other than that of the Relevant Nominee for a period of 15 calendar days preceding the due date for any payment of principal, premium (if any) or interest in respect of the Notes.

If only one of the Global Certificates (the "**Exchanged Global Certificate**") becomes exchangeable for Certificates in accordance with the above paragraphs, transfers of Notes may not take place between, on the one hand, persons holding Certificates issued in exchange for beneficial interests in the Exchanged Global Certificate and, on the other hand, persons wishing to purchase beneficial interests in the other Global Certificate.

9. TRANSFERS

Transfers of book-entry interests in the Notes will be effected through the records of Euroclear, Clearstream, Luxembourg and DTC and their respective participants in accordance with the rules and procedures of Euroclear, Clearstream, Luxembourg and DTC and their respective direct and indirect participants, as more fully described under "*Book-entry, Delivery and Form*". For additional transfer restrictions, see "*Selling and Transfer Restrictions*".

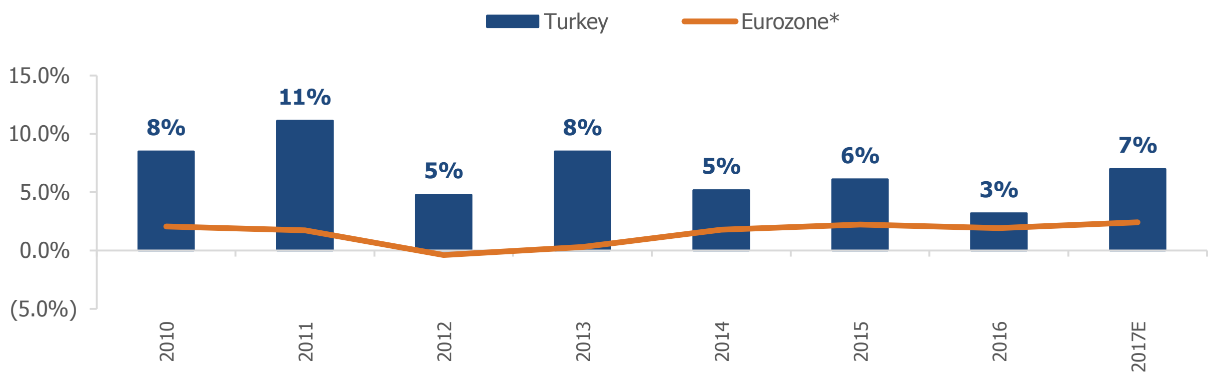
USE OF PROCEEDS

We intend to use the net proceeds from the offering of the Notes to pay various expenses in connection with the issuance of the Notes, including, among others, the Joint Lead Managers' fees, legal counsel fees, rating agency fees and listing fees as well as to repay certain existing indebtedness of the Group and for general corporate purposes.

MACROECONOMIC AND DEMOGRAPHIC OVERVIEW

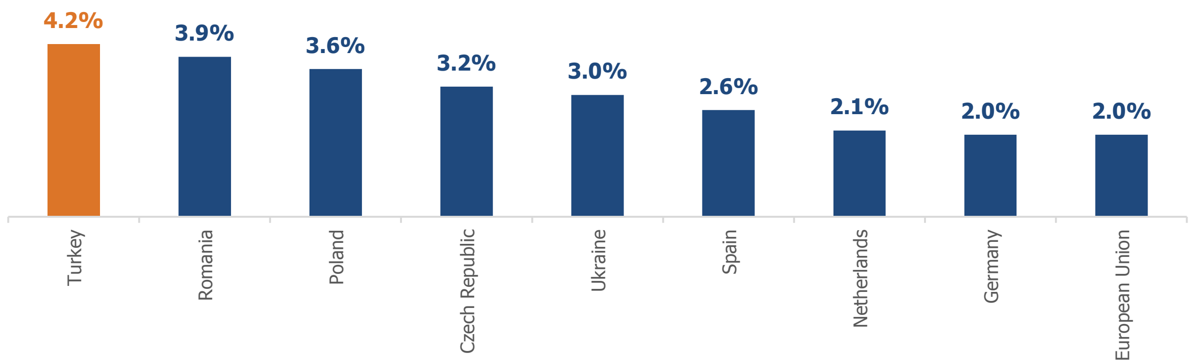
Turkey's economy was among the fastest growing emerging market economies in recent years, despite volatile domestic political and social conditions, including elections, widespread protests and an attempted coup in July 2016, that have at times had a material adverse impact on macroeconomic conditions. In a referendum held on 16 April 2017, the majority of votes cast approved proposed amendments to certain articles of the Turkish Constitution including replacing the existing parliamentary system of government with an executive presidency and a presidential system. Most of the amendments are expected to be implemented by the end of 2019. The state of emergency following the attempted coup in July 2016 has been extended six times, and is currently expected to remain effective until April 2018. Turkish politics are expected to remain volatile, and the medium and long-term impact on economic conditions in Turkey remains uncertain. Nevertheless, Turkey's economy has remained relatively resilient with volatile but positive GDP growth on an annual basis, which has supported growth in the real estate sector. The GDP growth rate was 6.1% in 2015 and 3.2% in 2016 according to TurkStat. However the economy recorded historically the highest growth rate of 11.1% in the third quarter of 2017, fuelled by a combination of government support, including the Credit Guarantee Fund (*Kredi Garanti Fonu*) ("**KGF**") and improving domestic and international macroeconomic conditions. Accordingly, according to Oxford Economics, Turkey's growth rate has been and is expected to continue to exceed the eurozone average and a number of peer economies as set forth below.

Real GDP 2016-2017E CAGR (%)



Source: Oxford Economics,

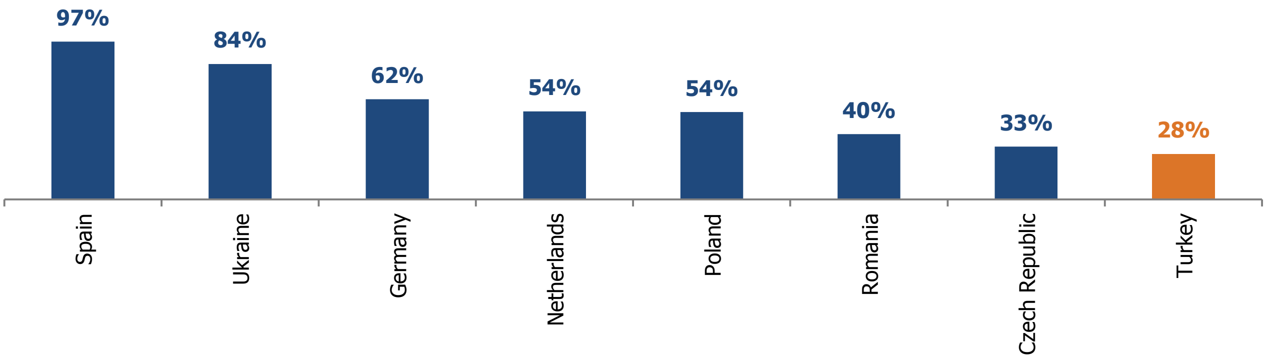
GDP CAGR 2016-2020E



Source: Oxford Economics

Although EU-defined Turkish Government debt level decreased considerably since 2001 and reached its lowest level at 27.5% of GDP in 2015, it is estimated to slightly increase to 28.5% in 2017 from 28.1% in 2016, which is well below the Maastricht criteria, according to the 2018-2020 medium term economic programme announced by the Turkish Ministry of Development.

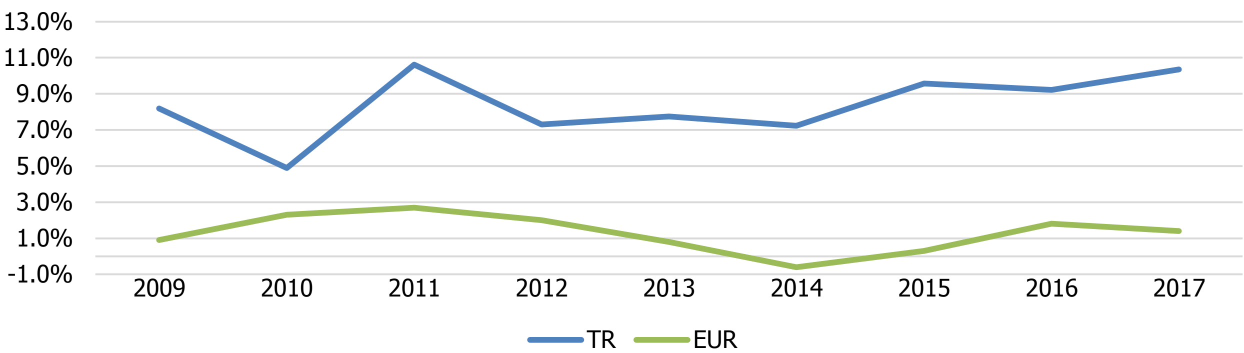
Government Debt Ratio



Source: IMF, October 2017

Consumer price inflation was 8.8% and 8.5% in 2015 and 2016, respectively, which was impacted by weaker domestic demand and decreases in energy prices. In 2017, inflation increased to 11.9% due to Turkish Lira depreciation and a surge in food prices; however the Central Bank of Turkey expects inflation levels for the year ended 31 December 2018 to be less than 10.0%.

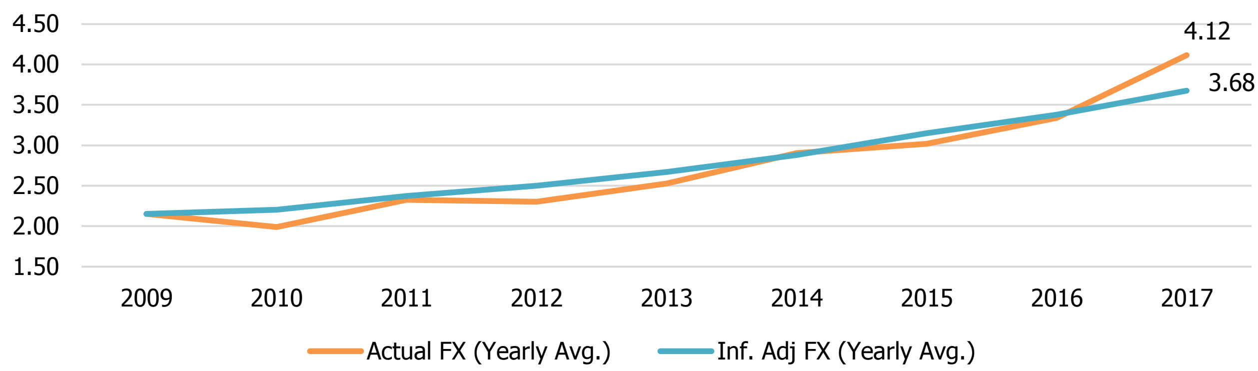
TRY & EUR Inflation



Source: TurkStat, Eurostat

Since February 2001, the Central Bank has applied a floating exchange rate policy and exchange rates for the Turkish lira have historically been, and continue to be, highly volatile and recent events in Turkey and globally have further contributed to significant fluctuations in the value of the Turkish lira against international currencies such as the US dollar as well as varying interest rate policies to respond to currency volatility and economic conditions. In recent years, there have been a number of periods of sharp depreciation and some recovery. In nominal terms, between 31 December 2015 and 31 December 2016, the Turkish lira depreciated against the US dollar by 21.3%. On a real basis, based upon the consumer price index-based real effective exchange rate, the Turkish Lira depreciated by 5.5% during this period. In addition, from 30 December 2016 to 29 December 2017, the Turkish lira declined in value by 7.2% in nominal terms against the US dollar. Accordingly, domestic and international circumstances have resulted in significant volatility in the value of the Turkish lira, and in particular, its depreciation in the past years.

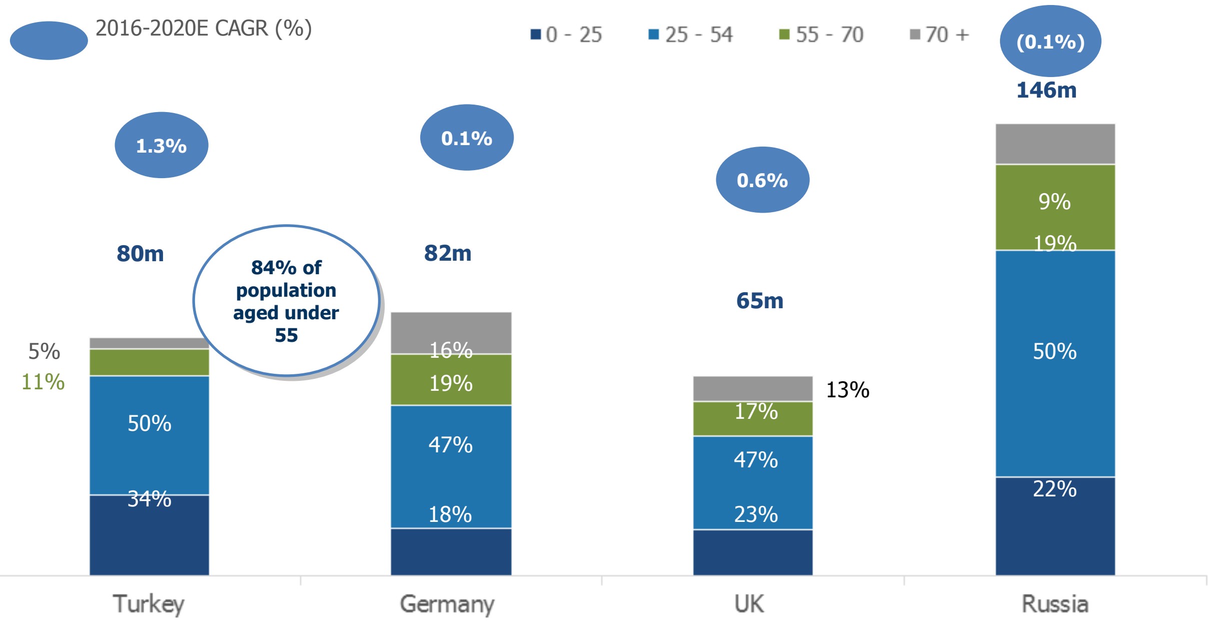
Average EUR/TRY Exchange Rate Evolution



Source: CBRT, RGY analysis

Turkey's economy is diverse and benefits from a large domestic market with a population of approximately 80 million and an increasing number of middle class households, offering growth opportunities. In addition, Turkey benefits from a young population and demographic trends favourable to the retail industry (*Source*: EIU).

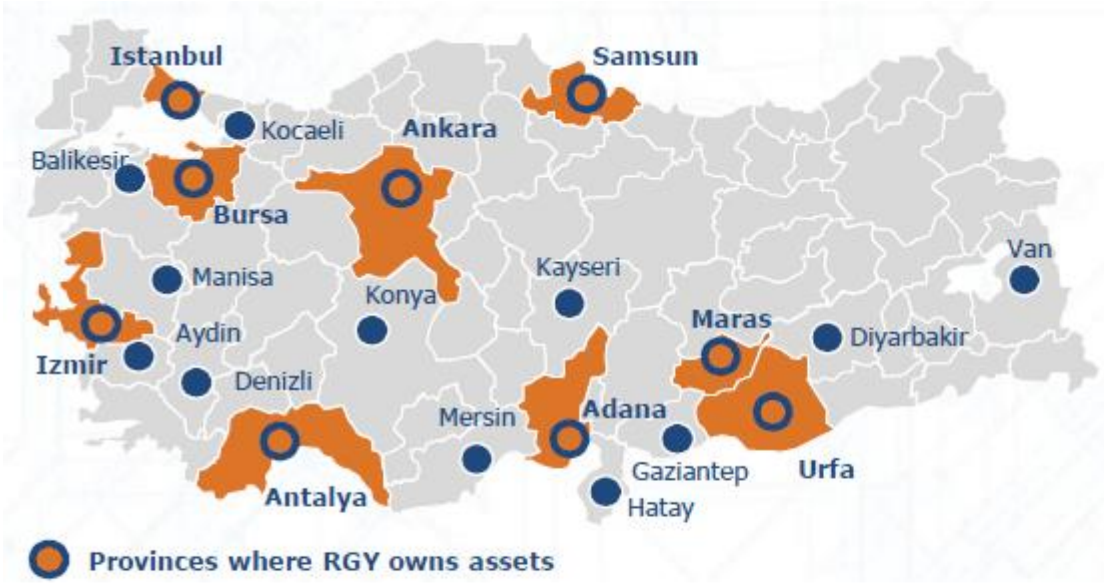
The Turkish population is expected to grow more than 1% per annum over the next five years, outpacing other major European countries. In addition, Turkey's population is relatively young compared to peers, supporting strong and growing consumer spending (*Source*: Oxford Economics).



Source: Oxford Economics, Population

Turkey has a network of large cities and more than 20 Turkish cities have a population in excess of one million inhabitants. In addition, Turkish secondary cities have expanded significantly in recent years and more than 10 cities have grown 4% or more since 2015 (*Source*: TurkStat).

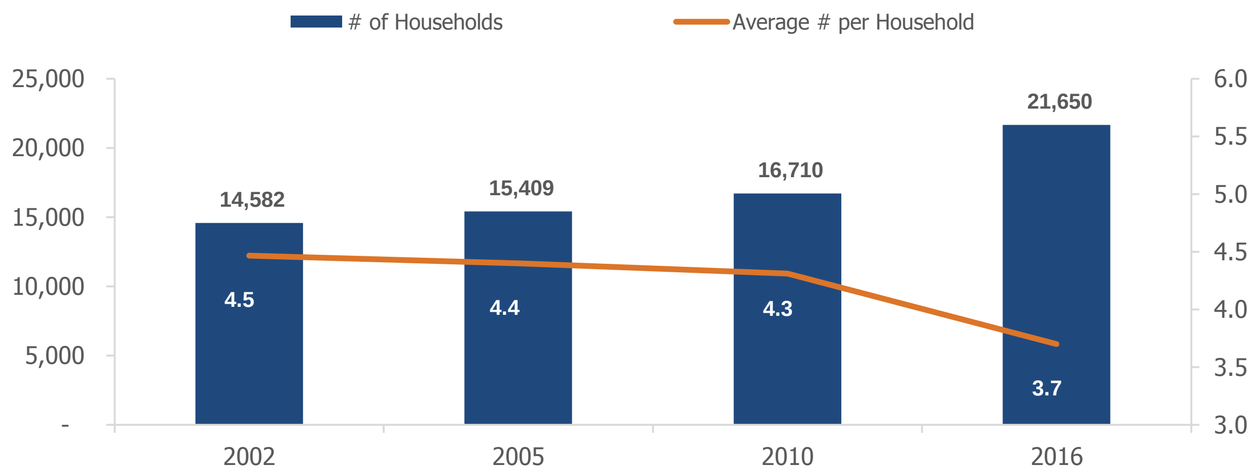
Turkey provinces with more than one million inhabitants



Source: TurkStat

While the number of households is expected to keep growing in line with local demographic trends, the average household size in Turkey decreased to less than four people in 2016 (*Source*: EIU).

Turkey household size

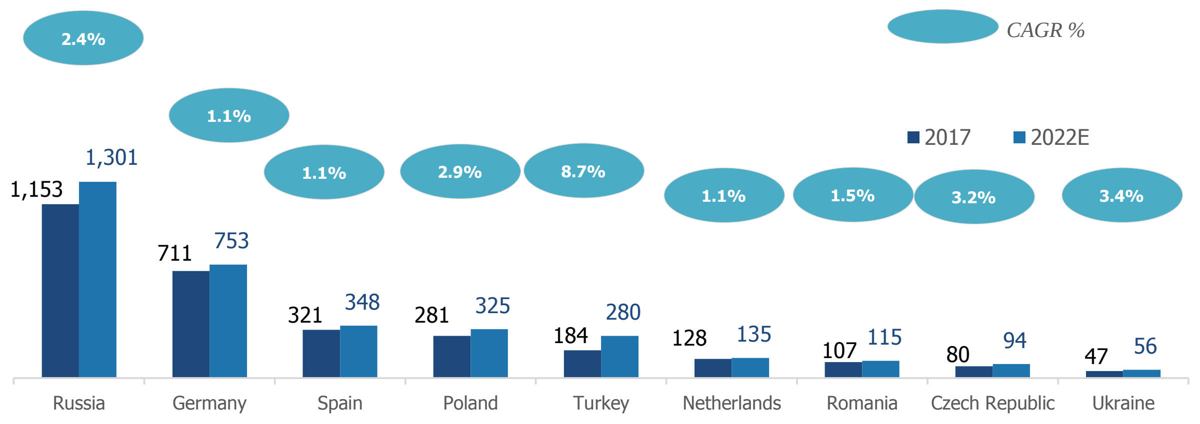


Source: EIU

RETAIL MARKET OVERVIEW

Strong demographic trends combined with rising income levels are expected to fuel private consumption and support the retail sector. After a drop at the end of 2016, the consumer confidence index showed a slight increase in 2017 boosted by high loan growth. As a result, retail sales in Turkey are expected to experience 8.7% growth between 2017 and 2022 (*Source*: Oxford Economics).

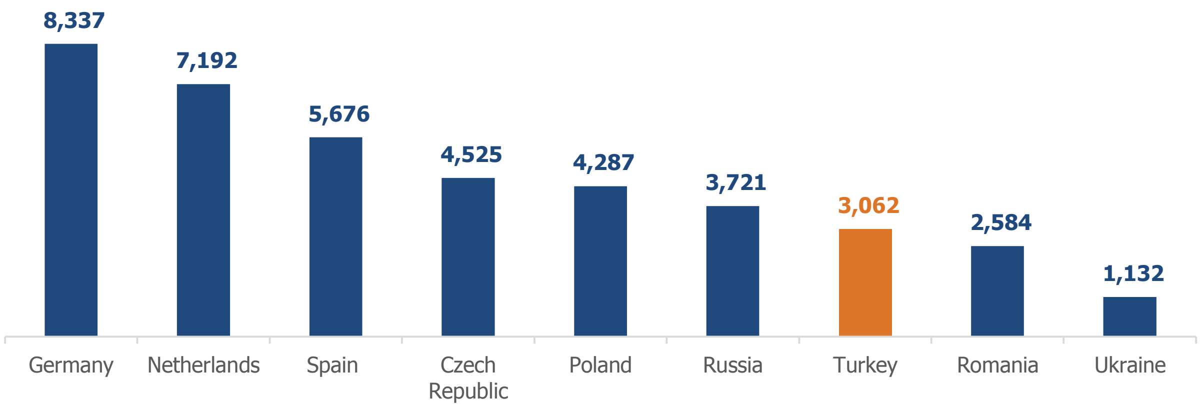
Total retail sales (US$ billion)



Source: Oxford Economics

Turkey's per capita retail sales are lower than the average of selected EU and Central and Eastern European ("**CEE**") countries (*Source*: Planet Retail) However, they are expected to steadily rise.

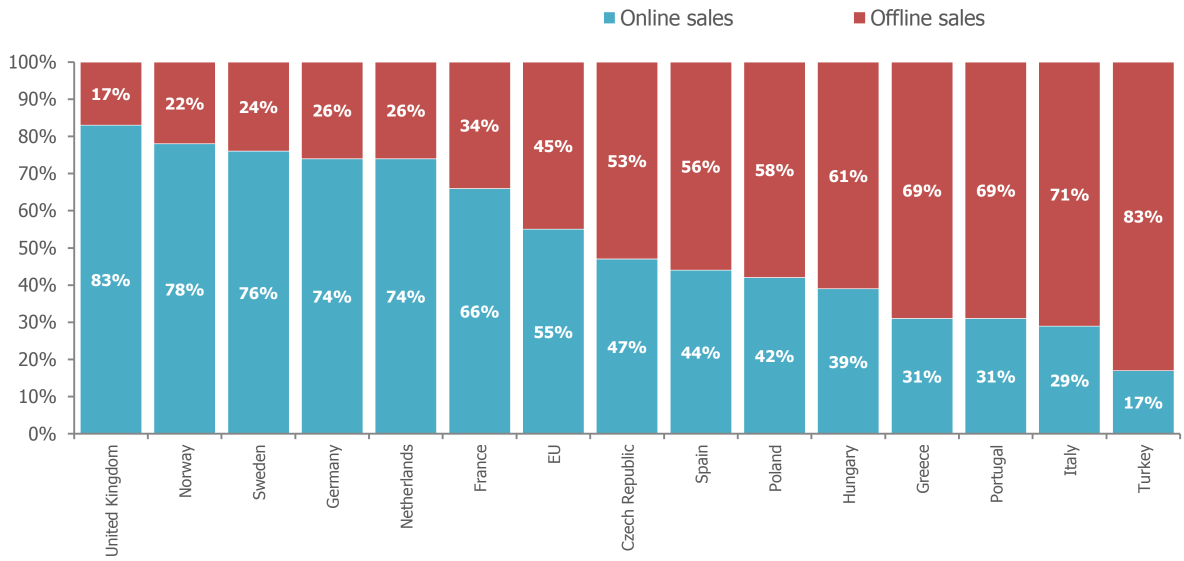
Retail Sales per Capita (US$ billion)



Source: Planet Retail

Turkey's retail market is dominated by offline sales which remain the main channel for consumer spending. As of 2016, offline sales accounted for more than 80% of total retail sales demonstrating a lower online sales penetration rate in Turkey compared to selected EU and CEE countries (*Source*: EuroStat).

Percentage of Individuals Using Internet for Ordering Goods or Services (2016)

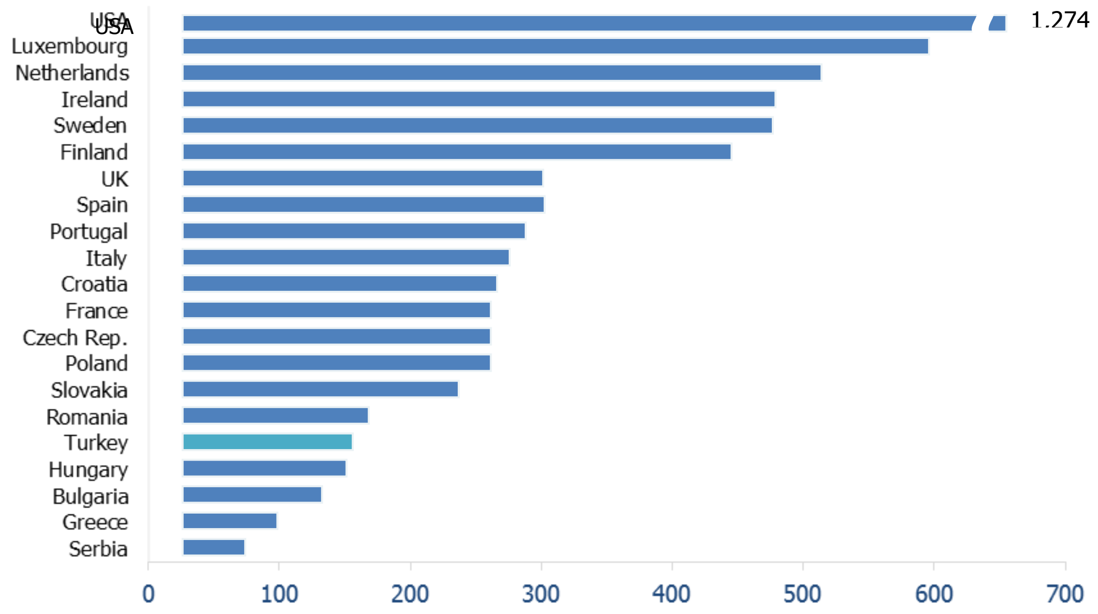


Source: EuroStat

RETAIL REAL ESTATE MARKET OVERVIEW

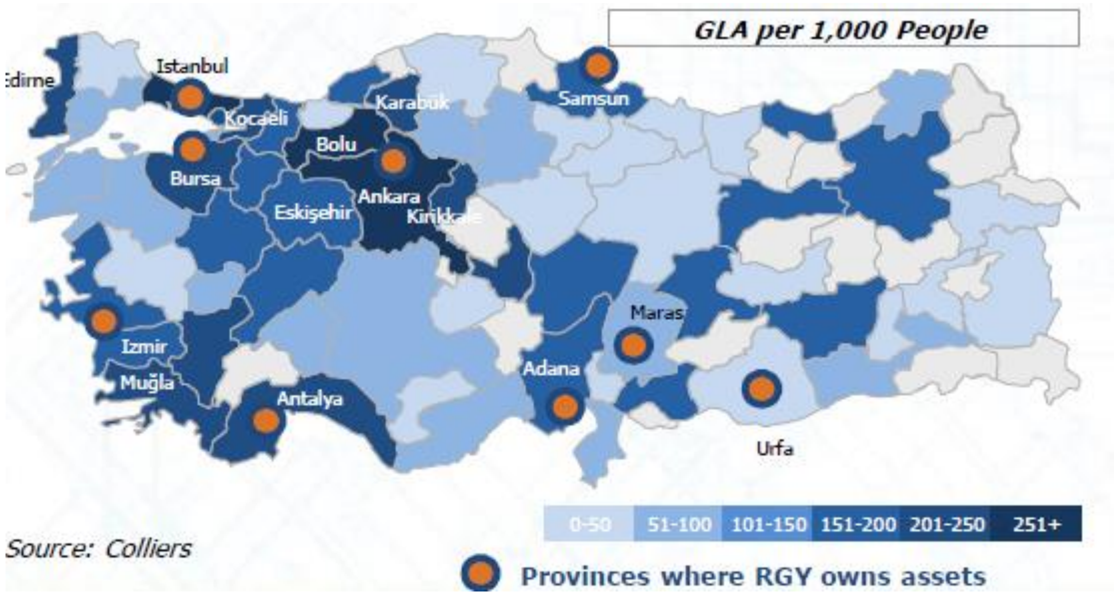
At the end of 2017, there were 401 shopping centres in Turkey, with a total GLA of 12,218,989m². Retail space in Turkey amounts to 165m² GLA per 1,000 inhabitants (*Source*: C&W). This is significantly below the EU average of 314 m² GLA per 1,000 inhabitants (*Source*: JLL, EuroStat) which indicates that the Turkish market is underpenetrated compared to the EU. An additional 44 new shopping centres are expected to open an add an additional 1,733,393m² of GLA by the end of 2020. Currently, there are 19 cities in Turkey without shopping centres (*Source*: Colliers). The cities of Istanbul and Ankara, which together house 25% of Turkey's population, also contain 50% of the country's total shopping centre GLA (*Source*: JLL). Shopping centre supply in Turkey is lower than selected EU and CEE countries and is characterized by robust retail sales growth and by a relatively minor share of e-commerce (*Source*: C&W).

Global existing shopping centre stock (GLA m² per 1,000 inhabitants)



The prime rent for shopping centres, which declined sharply in 2016, remained stable at €70 per m^2 per month through 2017 (*Source*: JLL). Occupier demand remains somewhat slow although falling rents have started to create opportunities for retailers to switch to expansion again after a relatively long period of store consolidations (*Source*: C&W). Despite initial signs of saturation in some prime locations, there are still many growth opportunities for retail market in the both primary and secondary cities. In addition, several secondary locations with more than one million inhabitants lack sufficient retail space and present additional opportunities for growth (*Source*: Colliers).

Turkey existing shopping centre stock (GLA m² per 1,000 inhabitants)



SELECTED FINANCIAL INFORMATION

The following financial information should be read in conjunction with, and is qualified in its entirety by reference to, our Financial Statements and other relevant information included elsewhere in this Offering Circular. The selected financial information contained herein is presented in lira and has been prepared and presented in accordance with the IFRS, unless otherwise indicated. You should read the following information in conjunction with "Presentation of Financial and Other Information", "Management's discussion and analysis of financial condition and results of operations" and our Financial Statements and the notes to them included elsewhere in this Offering Circular.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The table below shows our consolidated statement of financial position as at 31 December in each of 2017, 2016 and 2015.

	As at 31 December		
	2017	**2016**	**2015**
		(*TRY thousand*)	
ASSETS			
Current assets			
Cash and cash equivalents	693,169	746,921	633,978
Trade receivables	44,349	56,551	16,476
Other receivables	55,921	46,228	21,717
Derivative instruments	—	23	23
Inventories	167,787	106,968	68,503
Prepaid expenses	3,820	4,381	38,724
Current tax assets	149	119	2,954
Other current assets	7,463	6,172	6,653
Total current assets	**972,658**	**967,363**	**789,028**
Non-current assets			
Other receivables	55,843	82,760	79,377
Derivative instruments	3,100	—	—
Financial investments	—	1,001	—
Investments accounted for using the equity method	1,798,481	1,681,549	1,580,154
Investment properties	6,299,142	3,544,988	2,141,155
Property, plant and equipment	3,008	4,205	4,929
Intangible assets	489	687	2,488
Prepaid expenses	7	77	56,044
Deferred tax assets	1,310	3,681	979
Other non-current assets	282,426	184,462	111,533
Total non-current assets	**8,443,806**	**5,503,410**	**3,976,659**
TOTAL ASSETS	**9,416,464**	**6,470,773**	**4,765,687**

	As at 31 December		
	2017	**2016**	**2015**
		(*TRY thousand*)	
LIABILITIES			
Current liabilities			
Short-term portion of long-term financial debts	261,649	188,711	53,220
Trade payables..	161,056	106,816	38,516
Other payables..	10,468	9,760	50,936
Derivative instruments.....................................	1,168	176	956
Deferred revenue	124,366	30,584	737
Current tax liabilities	1,696	11,480	109
Payables related to employee benefits.............	2,880	2,369	2,397
Short-term provisions	4,273	3,665	551
Total current liabilities..................................	**567,556**	**353,561**	**147,422**
Non-current liabilities			
Long-term financial debts.................................	2,174,752	975,973	531,716
Other payables..	410,822	275,399	82,897
Derivative instruments.....................................	7,101	11,627	1,234
Long-term provisions	1,610	1,612	1,272
Deferred tax liabilities	598,345	307,776	213,893
Total non-current liabilities...........................	**3,192,630**	**1,572,387**	**831,012**
SHAREHOLDERS' EQUITY			
Paid in capital	303,717	303,717	303,717
Loss on remeasurement of defined benefit obligations	(678)	(463)	(411)
Premiums in capital stock.................................	630,844	630,844	630,844
Restricted profit reserve	63,926	46,814	28,004
Retained earnings	4,658,469	3,563,913	2,825,099
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**9,416,464**	**6,470,773**	**4,765,687**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

The table below shows our consolidated statement of profit or loss for each of 2017, 2016 and 2015.

	2017	2016	2015
		(*TRY thousand*)	
Revenue	169,263	114,357	87,558
Cost of sales	(63,536)	(62,829)	(54,440)
Gross profit	**105,727**	**51,528**	**33,118**
Marketing expenses	(1,740)	(895)	(766)
General administrative expenses	(18,799)	(17,747)	(17,022)
Other operating income	967,339	604,673	304,015
Other operating expense	(603)	(3,823)	(14,801)
Operating profit	**1,051,924**	**633,736**	**304,544**
Income from investing activities	86,410	10,687	4
Expenses from investing activities	(89)	(15,886)	(2,643)
Share on profit of investments valued using the equity method	319,806	305,969	313,804
Profit before financial expenses	**1,458,051**	**934,506**	**615,709**
Finance expenses	(104,263)	(51,932)	(49,557)
Profit before taxation	**1,353,788**	**882,574**	**566,152**
Tax expenses	(187,120)	(124,950)	(57,946)
Net profit for the year	**1,166,668**	**757,624**	**508,206**

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

The table below shows our consolidated statement of other comprehensive income for each of 2017, 2016 and 2015.

	2017	2016	2015
		(*TRY thousand*)	
Profit for the year	1,166,668	757,624	508,206
Other comprehensive expense			
Accumulated other comprehensive income or loss that will not be reclassified in profit or loss			
Loss on remeasurement of defined benefit obligations	(269)	(65)	(513)
Tax expense based on other comprehensive income	54	13	102
Total comprehensive loss after taxation	**(215)**	**(52)**	**(411)**
Total comprehensive income	**1,166,453**	**757,572**	**507,795**

CONSOLIDATED STATEMENT OF CASH FLOWS

The table below summarises our consolidated statement of cash flows for each of 2017, 2016 and 2015.

	2017	2016	2015
		(*TRY thousand*)	
Net cash flows from operating activities	292,830	166,314	38,156
Net cash flows used in investing activities	(802,618)	(569,935)	(143,403)
Net cash flows from financing activities	456,036	516,564	373,525
Cash and cash equivalents at 1 January	746,921	633,978	365,700
Cash and cash equivalents at 31 December	693,169	746,921	633,978

COMBINED FINANCIAL DATA

We present certain supplementary financial information of the Group and Group's joint ventures. It relates to the combination of the Group's own assets and/or liabilities, and profits/losses, with the Group's proportionate share of its joint ventures' assets and/or liabilities, or profits/losses, on a proportional consolidation basis (which differs from the Financial Statements as these joint ventures are required to be equity accounted under IFRS) and is therefore a non-IFRS presentation method (the "**Combined Financial Data**"). This Combined Financial Data should not be used as a substitute for the financial information included in the Financial Statements. We believe that combining our proportional share in the results of our joint ventures with the Company's results provides a more comprehensive view of our business.

RECONCILIATION OF NET PROFIT FOR THE PERIOD TO COMBINED ADJUSTED EBITDA

The table below shows a reconciliation of EBITDA to revenue for each of 2017, 2016 and 2015.

	2017	2016	2015
		(*TRY thousand*)	
Net Profit for the Period	1,166,668	757,624	508,206
Add: Tax expenses	187,120	124,950	57,946
Add: Finance expenses	104,263	51,932	49,557
Less: Share on profit of investments valued using equity method	(319,806)	(305,969)	(313,804)
Less: Investing activities expense/income	(86,321)	5,199	2,639
Less: Other operating income/expense	(966,736)	(600,850)	(289,214)
Adjusted EBITDA[(1)] (A)	**85,188**	**32,886**	**15,330**
Share of Group on profit for the year	319,806	302,625	301,534
Add: Share of Group on income tax expense	79,304	78,452	75,479
Add: Share of Group on other income/(expense)	(279,865)	(286,434)	(282,877)
Less: Share of Group on interest expense financial debts	53,714	50,618	41,363
Less: Share of Group on interest income from bank deposits	(1,182)	(1,432)	(1,074)
The Group's share of the Adjusted EBITDA of the joint ventures (B)	**171,777**	**143,829**	**134,425**
Consolidation eliminations and adjustments (C)	(247)	2,878	1,382

Combined Adjusted EBITDA (A+B+C)	**256,718**	**179,593**	**151,137**
Combined revenue[(2)]	395,773	311,321	269,748
Less: Common area income and Reimbursable income	(46,962)	(46,721)	(44,312)
Combined Adjusted Revenue	**348,811**	**264,600**	**225,436**
Combined Adjusted EBITDA adjusted margin[(3)]	***74%***	***68%***	***68%***

Notes:

(1) Adjusted EBITDA refers to earnings before finance expenses, tax expenses, share on profit of investments valued using equity method, income/expense from investing activities and other operating income/expense. The table reconciles net profit for the period to Combined Adjusted EBITDA. See "*Presentation of Financial and Other Information—Presentation of financial information—Certain non-IFRS financial information—Combined Adjusted EBITDA*".

(2) Combined revenue represents the combined total revenue of the Group and the Group's proportional share of the total revenue of the Group's joint ventures. See "*—Combined Financial Data*" for the reconciliation of Revenue to Combined revenue.

(3) Combıned Adjusted EBITDA adjusted margin means the ratio of Combıned Adjusted EBITDA to Combined revenue excluding Common area income and Reimbursable Income (2017: TRY 46,962 thousand, 2016: TRY 46,721 thousand, 2015: TRY 44,312 thousand). In shopping centres, first subsidiaries and joint ventures pay the private utility expense of stores and common area expenses, and then, charges the expenses to the tenants. Hence, the amount that cannot be reimbursed is the actual cost that subsidiaries and joint ventures have to bear. In that sense, excluding the reimbursed amount from both revenue and cost sides is a necessary adjustment for a fair Combined Adjusted EBITDA demonstration.

	2017	**2016**	**2015**
		(*TRY thousand*)	
Combined revenue[(1)]	395,773	311,321	269,748
Combined cost of revenue[(2)]	(108,272)	(101,387)	(92,908)
Combined gross profit[(3)]	287,501	209,934	176,840
Combined operating expenses[(4)]	(30,783)	(30,341)	(25,703)
Combined gross asset value[(5)]	9,495,157	6,634,530	4,814,680
Combined gross rental profit[(6)]	261,687	197,045	172,548
Combined Adjusted EBITDA	256,718	179,593	151,137
Combined cash and cash equivalents[(7)]	793,580	817,433	688,712
Combined financial debts[(8)]	3,807,059	2,405,757	1,494,308
Combined interest income from bank deposits[(9)]	6,558	11,185	9,914
Combined total assets[(10)]	11,098,345	8,087,297	6,051,802
Combined total liabilities[(11)]	5,442,078	3,542,464	2,264,554
Combined deferred tax liabilities[(12)]	1,007,313	699,474	544,533
Combined EPRA NAV[(13)]	6,663,580	5,244,307	4,331,781
Combined interest expenses of financial debt[(14)]	90,649	79,622	69,471

Notes:

(1) Combined revenue represents the combined total revenue of the Group and the Group's proportional share of the total revenue of the Group's joint ventures. The following table presents the calculation of Combined revenue for the years ended 31 December 2017, 2016 and 2015.

	2017	**2016**	**2015**
		(*TRY thousand*)	
Revenue	169,263	114,357	87,558
Add: Revenue of joint ventures[(A)]	243,571	216,504	200,220
Less: Consolidation eliminations and adjustments[(B)]	(17,061)	(19,540)	(18,030)
Combined revenue	**395,773**	**311,321**	**269,748**

(A) See note 3(b) to the Financial Statements.

(B) See note 4(e) to the Financial Statements.

(2) Combined cost of revenue represents the combined total cost of revenue of the Group and the Group's proportional share of total cost of revenue of the Group's joint ventures. The following table presents the calculation of Combined cost of revenue for the years ended 31 December 2017, 2016 and 2015.

	2017	2016	2015
		(*TRY thousand*)	
Cost of revenue	63,536	62,829	54,440
Add: Cost of revenue of joint ventures(A)	61,797	60,862	55,035
Add: Consolidation eliminations and adjustments	(17,061)	(22,304)	(16,567)
Combined cost of revenue	**108,272**	**101,387**	**92,908**

(A) See note 3(b) to the Financial Statements.

(3) Combined gross profit represents the combined total gross profit of the Group and the Group's proportional share of the gross rental profit of the Group's joint ventures. The following table presents the calculation of Combined gross profit for the years ended 31 December 2017, 2016 and 2015.

	2017	2016	2015
		(*TRY thousand*)	
Gross Profit	105,727	51,528	33,118
Add: Gross profit of joint venture projects(A)	181,774	155,642	145,185
Add: Consolidation eliminations and adjustments	-	2,764	(1,463)
Combined gross profit	**287,501**	**209,934**	**176,840**

(A) See note 4(e) to the Financial Statements.

(4) Combined operating expenses represents the combined General administrative expenses and marketing expenses of the Group and the Group's proportional share of the operating expenses of the Group's joint ventures.

	2017	2016	2015
		(*TRY thousand*)	
Operating Expenses	20,539	18,642	17,788
Add: Operating expenses of joint ventures projects	9,997	11,813	10,760
Consolidation eliminations and adjustments	247	(114)	(2,845)
Combined operating expenses(A)	**30,783**	**30,341**	**25,703**

(A) See note 4(f) to the Financial Statements.

(5) Combined gross asset value represents the combined fair value of the properties of the Group and the Group's proportional share of the fair value of the joint ventures' properties. The following table presents a reconciliation of investment properties to Combined gross asset value for the years ended 31 December 2017, 2016 and 2015.

	2017	2016	2015
		(*TRY thousand*)	
Investment properties	6,299,142	3,544,988	2,141,155
Fair value of joint venture projects(A)	3,196,015	3,089,542	2,673,525
Combined gross asset value	**9,495,157**	**6,634,530**	**4,814,680**

(A) Amount presents the fair values of the Group's joint venture projects multiplied by the Company's ownership share. See note 3(b) to the Financial Statements.

(6) Combined gross rental profit represents the combined Gross rental profit of the Group and the Group's proportional share of Gross rental profit of the Group's joint ventures. The following table presents the calculation of Combined gross rental profit for the years ended 31 December 2017, 2016 and 2015.

	2017	2016	2015
		(*TRY thousand*)	
Gross Profit	105,727	51,528	33,118
Add: Gross profit of joint venture projects	181,774	155,642	145,185
Consolidation eliminations and adjustments	_	2,764	(1,463)
Combined gross profit(A)	287,501	209,934	176,840
Less: Gross profit not attributable to rental income(B)	(25,814)	(12,889)	(4,292)
Combined gross rental profit	**261,687**	**197,045**	**172,548**

(A) Amount presents the Combined gross profit of the Group's joint ventures. See Note 4(e) to the Financial Statements.

(B) Amount presents the combined Gross profit of the Company and Rönesans Yönetim and this gross profit is derived from management and consulting revenue and other rental income. See note 4(e) to the Financial Statements.

(7) Combined cash and cash equivalents represents the cash and cash equivalents of the Group in the Financial Statements and the Group's proportional share of the cash and cash equivalents of the Group's joint ventures in note 3(b) to the Financial Statements). The following table presents a reconciliation of Cash and cash equivalents to Combined cash and cash equivalents as 31 December 2017, 2016 and 2015.

	2017	2016	2015
Cash and cash equivalents	693,169	746,921	633,978
Share of Group on cash[A]	100,411	70,512	54,734
Combined cash and cash equivalents	**793,580**	**817,433**	**688,712**

(A) Amount presents the combined Cash of the Group's joint venture projects multiplied by the Company's ownership share. See note 3(b) to the Financial Statements.

(8) Combined financial debt represents the combined financial debt of the Group in the Financial Statements and the Group's proportional share of the financial debt of the Group's joint ventures in note 3(b) to the Financial Statements. The following table presents the calculation of Combined financial debt as of 31 December 2017, 2016 and 2015.

	2017	2016	2015
		(*TRY thousand*)	
Financial debt[A]	2,436,401	1,164,684	584,936
Share of Group on financial debt[B]	1,370,658	1,241,073	909,372
Combined financial debt	**3,807,059**	**2,405,757**	**1,494,308**

(A) Financial debt is short term portion of long term debt plus long term Financial debt.

(B) Share of Group on Financial Debt is combined current and non-current Financial debt of the Group and the Group's joint venture projects multiplied by the Company's ownership share. See note 3(b) to the Financial Statements.

(9) Amount presents the Combined Interest income from bank deposits of the Group and the Group's joint ventures. The following table presents the calculation of Combined interest income from bank deposits for the years ended 31 December 2017, 2016 and 2015.

	2017	2016	2015
		(*TRY thousand*)	
Interest income from bank deposit	5,376	9,753	8,840
Add: Interest income from bank deposits of joint ventures[A]	1,182	1,432	1,074
Combined interest income from bank deposits	**6,558**	**11,185**	**9,914**

(A) See note 4(g) to the Financial Statements.

(10) Amount presents the Combined total assets of the Group in the Financial Statements and the Group's proportional share of the total assets of the joint ventures in note 4(a) to the Financial Statements. The following table presents a reconciliation of Total Assets to Combined total assets as of 31 December 2017, 2016 and 2015.

	2017	2016	2015
		(*TRY thousand*)	
Total assets	9,416,464	6,470,773	4,765,687
Add: Total assets of joint ventures[A]	3,667,692	3,449,019	2,825,702
Consolidation eliminations and adjustments	(1,985,811)	(1,832,495)	(1,539,587)
Combined total assets	**11,098,345**	**8,087,297**	**6,051,802**

(A) See note 3(b) to the Financial Statements.

(11) Amount presents the Combined total liabilities of the Group in the Financial Statements and the Group's proportional share of the total liabilities of the joint ventures in note 4(a) to the Financial Statements. The following table presents a reconciliation of Total Liabilities to Combined total liabilities as of 31 December 2017, 2016 and 2015.

	2017	2016	2015
		(*TRY thousand*)	
Total liabilities	3,760,186	1,925,948	978,434
Add: Total liabilities of joint ventures[A]	1,869,223	1,767,469	1,345,388
Consolidation eliminations and adjustments	(187,331)	(150,953)	(59,268)

Combined total liabilities	**5,442,078**	**3,542,464**	**2,264,554**

(A) See note 3(b) to the Financial Statements.

(12) Amount presents the Combined deferred tax liabilities of the Group and the Group's joint ventures. The following table presents the calculation of Combined deferred tax liabilities as of 31 December 2017, 2016 and 2015.

	2017	**2016**	**2015**
		(*TRY thousand*)	
Deferred tax liabilities	598,345	307,776	213,893
Add: Deferred tax liabilities of joint ventures[(A)]	408,968	391,698	330,640
Combined deferred tax liabilities	**1,007,313**	**699,474**	**544,533**

(A) See note 3(b) to the Financial Statements.

(13) Combined EPRA NAV represents net assets of the Group and the Group's proportional share of net assets of the Group's joint ventures excluding combined deferred tax liability. The following table presents the calculation of Combined EPRA NAV as of 31 December 2017, 2016 and 2015.

	2017	**2016**	**2015**
		(*TRY thousand*)	
Combined total asset size[(A)]..	11,098,345	8,087,297	6,051,802
Less: Combined total liability[(B)]	(5,442,078)	(3,542,464)	(2,264,554)
Less: Combined deferred tax liabilities[(C)]	1,007,313	699,474	544,533
EPRA NAV	**6,663,580**	**5,244,307**	**4,331,781**

(A) Amount presents the Combined total assets of the Group and the Group's joint ventures. See note 4(a) to the Financial Statements.

(B) Amount presents the Combined total liabilities of the Group and the Group's joint ventures. See note 4(b) to the Financial Statements.

(C) Amount presents the Combined deferred tax liabilities of the Group and the Group's joint ventures. See note 4(c) to the Financial Statements.

(14) Amount presents the Combined interest expenses of financial debt of the Group and the Group's joint ventures. The following table presents the calculation of Combined interest expenses of financial debt for the years ended 31 December 2017, 2016 and 2015.

	2017	**2016**	**2015**
		(*TRY thousand*)	
Interest expenses of financial debts	43,186	33,938	28,108
Add: Interest expenses of financial debts of joint ventures[(A)]	53,714	50,618	41,363
Consolidation eliminations and adjustments	(6,251)	(4,934)	-
Combined interest expenses of financial debts	**90,649**	**79,622**	**69,471**

(A) See note 3(b) to the Financial Statements.

CAPITALISATION

The table below shows our cash and cash equivalents, long term financial debts and capitalisation as at 31 December 2017. This table should be read in conjunction with our Financial Statements and notes thereto included elsewhere in this Offering Circular.

	As at 31 December 2017
	(*TRY million*)
Cash and cash equivalents	**693,169**
Paid in capital	303,717
Capital reserves	630,166
Loss on remeasurement of defined benefit obligations	*(678)*
Premiums in capital stock	*630,844*
Profit reserves	4,772,395
Restricted profit reserve	*63,926*
Retained earnings	*4,658,469*
Shareholders' equity	**5,656,278**
Long term financial debts	2,174,752
Total capitalisation	**7,831,030**

Note:
(1) Total capitalisation equals long term financial debts plus shareholders' equity.

Except as described in this Offering Circular, there has been no material change in our capitalisation since 31 December 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis generally relates to our historical financial condition and results of operations and should be read in conjunction with our financial statements and related notes included elsewhere in this Offering Circular. The financial information in this section has been extracted from the Financial Statements, without material adjustment, and should be read in conjunction with, and is qualified in its entirety by reference to, the Financial Statements. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Actual results may differ materially from those anticipated in forward-looking statements as a result of a number of factors, including, but not limited to those set out under "*Risk Factors*" and elsewhere in this Offering Circular.

OVERVIEW

We are a leading Turkish commercial real estate company operating solely in Turkey. Our focus is on the development of, investment in and operation of predominately shopping centres and some offices, although some of our investment properties include other assets, such as a hotel, school or residential component. We have one of the largest commercial property portfolios in Turkey, with 11 income generating assets and two properties under development together with a strong pipeline of new developments. Our portfolio of investment properties comprises eight medium to large scale shopping centres in Istanbul, Ankara, Izmir and other large Turkish cities, one mixed use property comprising a shopping centre and office in Istanbul and two office buildings in Istanbul. We are also developing a mixed use project (shopping centre, office and residential) in Istanbul and a shopping centre in Izmir. Our Property Portfolio includes a range of commercial projects, in terms of geographic location, size, design, segment and stage of development.

We are involved in all stages of project development and management, including: sourcing; acquisition; zoning, permitting and licensing; design; financing; construction management; and leasing, property and asset management. We use our extensive deal-sourcing capability and knowledge of the Turkish real estate market to acquire attractive sites and properties following the three key principals: good location, easy accessibility and good visibility. We develop our projects using international architectural and design concepts and seek to do so in accordance with international best practices and safety standards. We actively observe international trends in commercial real estate offerings and endeavour to tailor evolving commercial real estate offerings for the markets in which we operate by continually adjusting the tenant mix to offer attractive stores and services as well as focusing on shopping centres that remain attractive meeting places, close to large population centres and with easy public transportation access. We also engage in the asset management of our properties by managing tenant mix and rents, structuring leases and engaging in other activities designed to maximise footfall, occupancy levels and rental income from our shopping centres.

We generate revenue principally from the Company's subsidiary and joint venture portfolio of eleven yielding investment properties as at 31 December 2017, comprising eight shopping centres, one mixed use property comprising a shopping centre and office and two office buildings and a school which is leased to an operator.

We also derive significant unrealised/realised revenue:

- other operating income from positive fair value changes on the Company's investment properties and investment properties under development; and
- the Company's proportional share of the profit recorded by its joint ventures which, as at 31 December 2017, operated eight yielding investment properties (Göksu became a fully consolidated subsidiary as at 31 December 2017).

As at 31 December 2017, the properties in which we hold an economic interest, were valued at a total value of TRY 12.7 billion by TSKB, although in many cases we do not hold a 100% interest in those properties and the value of our investment properties in the Financial Statements as at 31 December 2017 was TRY 6.3 billion (and, the Combined gross asset value was TRY 9.5 billion as at the same date). See "*Risk Factors—Risks related to our business and industry generally—Property valuation is inherently subjective and uncertain and subject to assumptions*".

As at 31 December 2017, the regional distribution of our Property Portfolio, based on the combined investment property value basis is: 48.0% are located in İstanbul, 21.9% located in İzmir, 9.7% in Adana, 5.0% in Samsun, 4.7% in Ankara, 4.5% in Antalya, 2.6% Kahramanmaraş, 2.3% in Şanlıurfa and 1.2% in other cities. As at 31 December 2017, the regional distribution of the yielding assets within our Property Portfolio, based on the combined investment property fair value basis is: 47.0% in İstanbul, 16.3% in İzmir, 15.0% in Adana, 7.8% in Samsun, 6.2% in Ankara, 4.1% Kahramanmaraş, and 3.5% in Şanlıurfa.

In January 2018, we acquired our joint venture partner's interest in three joint ventures each of which owned a yielding investment property.

In each of 2017, 2016 and 2015, our revenue amounted to TRY 169 million, TRY 114 million and TRY 88 million, respectively, our Adjusted EBITDA amounted to TRY 85 million, TRY 33 million and TRY 15 million, respectively, and our net profit amounted to TRY 1,167 million, TRY 758 million and TRY 508 million, respectively.

In each of 2017, 2016 and 2015, our Combined revenue amounted to TRY 396 million, TRY 311 million and TRY 270 million, respectively, our Combined Adjusted EBITDA amounted to TRY 257 million, TRY 180 million and TRY 151 million, respectively, and our net profit amounted to TRY 1,167 million, TRY 758 million and TRY 508 million, respectively. As at 31 December in each of 2017, 2016 and 2015 our Combined EPRA NAV amounted to TRY 6,664 million, TRY 5,244 million and TRY 4,332 million, respectively.

CONSOLIDATION PRINCIPLES

The Financial Statements include our accounts and the accounts of our subsidiaries, joint ventures and associates on the basis set out below. The financial statements of the companies included in the scope of consolidation are based on the statutory records which are maintained under historical cost convention, with adjustments and reclassifications, for the purpose of fair presentations in accordance with IFRS and application of uniform accounting policies and presentation. For a more detailed discussion of the consolidation principles applied in the preparation of the Financial Statements, see note 2.3 to our Financial Statements.

Subsidiaries are entities which we directly or indirectly control, have power over, are exposed to, have rights to variable returns from our involvement with such entities and have the ability to use our power to affect our returns. Subsidiaries are fully consolidated from the date on which control is transferred to us. They are de-consolidated from the date on which control ceases. We had 17 consolidated subsidiaries as at 31 December 2015, 21 as at 31 December 2016 (reflecting the fact that three new consolidated subsidiaries were established in 2016) and 23 as at 31 December 2017, (reflecting the fact that a joint venture was reclassified as a subsidiary following our acquisition of our joint venture partner's shares and one subsidiary was formed and consolidated in 2017). Our consolidated subsidiaries are listed in note 2.2 to the Financial Statements.

A joint venture is a contractual arrangement whereby we and other parties undertake an economic activity that is subject to joint control and where the parties that have joint control have rights to the net assets of the entity. We had 11 joint ventures as at 31 December 2015, 10 as at 31 December 2016 and nine as at 31 December 2017. Our joint ventures are also listed in note 2.2 to the Financial Statements.

An associate is an entity over which we have a significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies. We had one associate as at 31 December 2015 and none as at 31 December 2016 and 31 December 2017. Our associate is also listed in note 2.2 to the Financial Statements.

The results and assets and liabilities of our joint ventures and associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a joint venture or associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the net profit or loss and other comprehensive income of the joint venture or associate. In addition, only the Group's proportional share of the profit or loss of the joint venture or associate is recognised in the income statement, in the line item titled "Share of profit of investments valued using the equity method". Losses of an associate in excess of our interest in that associate (which includes any long term interest that, in substance, forms part of our net investment in the associate) are recognised only to the extent that we have incurred legal or constructive obligations or made payments on behalf of the associate.

KEY FACTORS AFFECTING OUR FINANCIAL RESULTS

Our results have been affected, and are expected to be affected in the future, by a variety of factors, including the following:

Macroeconomic factors

All of our properties and projects are located in Turkey. As a result, Turkish macroeconomic trends and country specific risks significantly influence our performance. The table below shows certain macroeconomic information for Turkey as at and for the dates indicated.

	As of or for the years ended 31 December[(1)]					
	2017[(4)]	**2016**	**2015**	**2014**	**2013**	**2012**
Nominal GDP at current prices (*in millions of lira*)	2,212,254	2,608,526	2,338,647	2,044,466	1,809,713	1,569,672
Real GDP growth (%)	6.1	3.2	6.1	5.2	8.5	4.8
Deficit/surplus of consolidated budget (%)[(2)]	(1.6)	(1.1)	(1.0)	(1.1)	(1.0)	(1.9)
Inflation (end of period) (%).......................................	11.9	8.5	8.8	8.2	7.4	6.2
Central Bank reference interest rate (%)......................	8.0	8.0	7.5	8.25	4.5	5.5
O/N Lending Rate of the Central Bank (%).................	9.25	8.50	10.75	11.25	7.75	9.0
Nominal appreciation (depreciation) of the Turkish lira against the U.S. dollar (%)	(7.18)	(20.60)	(25.41)	(9.2)	(19.7)	5.9
Nominal appreciation (depreciation) of the Turkish lira against the euro (%)	(21.7)	(16.8)	(12.7)	3.9	(24.9)	3.8
Real effective exchange rate appreciation (depreciation) (%)[(3)]	(7.7)	(5.9)	(6.9)	4.1	(9.06)	7.36

Notes:

(1) Inflation, nominal depreciation of the lira against the U.S. dollar and real effective exchange rate are presented on a year to year basis.

(2) Last 12 months deficit divided by last 12 months GDP.

(3) CPI-based real effective exchange rate is used.

(4) First three quarters cumulative.

Sources: TurkStat for nominal GDP at current prices, real GDP growth, inflation. Turkish Ministry of Finance, General Directorate of Public Accounts, for deficit/surplus of consolidated budget and Central Bank for reference overnight interest rate, refinancing rate, nominal appreciation (depreciation) of the Turkish lira against the U.S. dollar and real effective exchange rate.

Macroeconomic conditions impact the Turkish real estate industry and consequently our business. Turkey's economy is diverse and benefits from a large domestic market with a population of approximately 80 million and an increasing number of middle class households, offering growth opportunities (*Source*: EIU). In addition, Turkey benefits from a young population and demographic trends favourable to the retail industry

(*Source*: EIU). The Turkish population is expected to grow more than 1% per annum over the next five years, outpacing other major European countries (*Source*: Oxford Economics). In addition, Turkey's population is relatively young compared to peers, supporting strong and growing consumer spending (*Source*: Oxford Economics). While the number of households is expected to keep growing in line with local demographic trends, the average household size in Turkey decreased to less than four people in 2016 (*Source*: EIU).

In the future, the Turkish real estate market, and our business, results of operations and financial condition, will continue to be impacted by macroeconomic conditions and factors, including GDP levels; consumer spending and household income levels; demographic trends, including population growth, urbanisation and migration trends; inflation rates; interest rates; availability of home loans and foreign direct investment levels.

See "*Risk Factors—Risks Relating to Turkey—Economic instability in Turkey may have a material adverse effect on our business*".

Cyclicality of the real estate industry

Our results of operations have been and will continue to be affected by the cyclical nature of the real estate industry. Property values and rental rates for our properties are affected by, among other factors, supply and demand for comparable properties, the liquidity of real estate investments, interest rates, inflation, economic growth rates, tax laws and political and economic developments and demographic and social factors in the regions in which we operate. In addition, we are affected by the impact of financial downturns on our tenants. In the past, during times of economic downturn, we contributed from time to time towards certain common expenses of some of our tenants, as financial support for such tenants. We are currently able to charge our tenants for the major part of the common expenses in our shopping centres and our aim is to constantly increase the portion of expenses reimbursed by our tenants.

Cyclical changes in the markets in which we operate could result in fluctuations in our results of operations. Since 2015, the real estate market in Turkey has grown due to various factors, including general economic growth. See "*—Macroeconomic factors*" above. Our results of operations could be materially adversely affected by any future downturn in the real estate markets in which we operate.

Value of our properties

For the purposes of preparing our annual and interim financial statements, we use the fair value the investment properties in our Property Portfolio as at 31 December and 30 June each year. We recognise changes in the fair value of our investment properties in each reporting period as other operating income in our statement of profit or loss and, as a result, changes in the fair values of our investment properties, and particularly our investment properties under development, can significantly affect our profits for each reporting period. For the purposes of our Financial Statements, our investment properties were valued by TSKB in accordance with CMB standards which are consistent with International Valuation Standards, as discussed in "*Valuation Standards*". The valuation methodology applied in determining the fair values of our investment properties is discussed in notes 2.3 and 2.4 to our Financial Statements. The fair value of our investment properties has increased significantly during the last three years, and particularly in 2017 as a result of the completion of our Hilltown shopping centre, progress in our properties under development, and the full consolidation of Göksu, the subsidiary that owns the investment property Optimum Adana after we acquired our joint venture partner's 50% share in Göksu. Our investment properties were valued in the Financial Statements at TRY 6.3 billion, TRY 3.5 billion and TRY 2.1 billion as at 31 December in each of 2017, 2016 and 2015, respectively. In 2017, 2016 and 2015, we recorded in our statement of profit or loss positive changes in the fair value of:

- our investment properties under development of TRY 693 million, TRY 409 million and TRY 135 million, respectively; and

•	our investment properties of TRY 215 million, TRY 77 million and TRY 62 million, respectively.

For a more detailed discussion of the changes in fair value on our investment properties over the periods, see "—*Results of operations—Other operating income and expenses*" below.

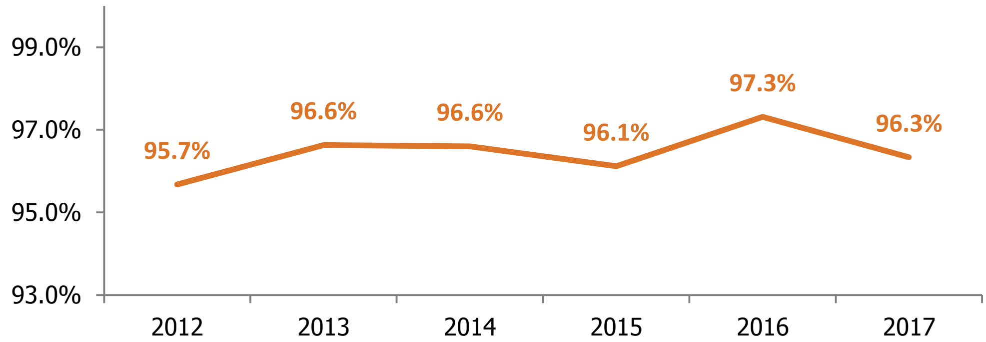
Property values are affected by a number of macroeconomic and sector-specific factors, including, among others, GDP growth rates, business and consumer confidence levels, demand for business products and services, levels of corporate profitability, government building and infrastructure initiatives, the general availability and cost of credit, and interest rates. The values of our investment properties and our results of operations have been and will continue to be affected by prevailing and projected economic and financial conditions in Turkey, as well as the cyclical nature of the Turkish real estate market.

Portfolio Occupancy levels, rent rates and footfall

Rental income from the leasing of our properties is our primary source of revenue. Our rental income levels are dependent on the occupancy levels of our shopping centres and offices and the rent rates and footfall volumes that we are able to achieve. Occupancy levels are driven by numerous factors, including, among others, general and local economic conditions and the impact of economic trends on consumer demand for retail products, our ability to manage our shopping centres so as to maximise the number of visitors, including in periods of economic recession, and the attractiveness of the facilities and location of our properties to our target tenant base. We have maintained high occupancy rates since 2015.

As at 31 December 2017, the combined overall occupancy level for our shopping centres and our joint ventures' shopping centres was 96%, and in 2017, 2016 and 2015 the Combined revenue from such shopping centres, which includes mainly rental income, amounted to TRY 292.4 million, TRY 218.8 million and TRY 205.9 million, respectively. The following chart shoes the evolution of our shopping centres occupancy.

Shopping Centre Occupancy Evolution



Source: Company information.

As at 31 December 2017, the combined overall occupancy level for our office properties centres and our joint ventures' office properties was 98%, and in 2017, 2016 and 2015 the Combined revenue from such office properties, which includes mainly rental income, amounted to TRY 61.4 million, TRY 55.6 million and TRY 39.5 million, respectively.

In addition, revenue from storehouse rental related to our opportunistic rental of land bank property as a storehouse, amounted to TRY 1.9 million in 2017 and TRY 1.1 million in 2016.

In addition to occupancy levels, the most significant factor affecting our rental income is the rental rates we are able to charge. The substantial majority of our lease contracts with our shopping centre tenants provide for fixed rents but also include turnover provisions pursuant to which tenants are required to pay us a proportion of their monthly turnover if the fixed rent is less than a certain proportion of the turnover. Our lease agreements are typically for a term of 5 to 15 years and provide for approximately 3% to 5% annual increases in the fixed rent amounts to adjust for annual inflation. Our rental rates vary depending on tenant and unit type and are generally determined based on rental rates for similar properties in the market. Rental rates are dependent on general economic factors, such as interest rates and foreign exchange movements, as well as local conditions, such as supply and demand levels, attractiveness of our properties to tenants, the location of our properties, the quality of management, and competition from other available properties. Average rental rates for our properties did not decline materially over the course of 2015 through 2017.

Because most of our lease contracts for shopping centres contain turnover provisions, pursuant to which our tenants are required to pay us a proportion of their monthly turnover, performance levels of our tenants also directly impact our results of operations. In addition to being affected by general and local economic and other conditions, the turnover levels of our tenants are also correlated to levels of footfall in our shopping centres and to the purchasing power of the end consumers. For shopping centre projects, footfall and per capita spending levels can fluctuate due to general and local economic and other conditions, but can also increase through management incentives and promotions. In 2017, our shopping centres had an annualized footfall of 80 million visitors.

Financial expenses

Our net financial expenses consist primarily of interest expense relating to our financing arrangements and net foreign exchange losses primarily related to the translation of our foreign currency loans into lira when preparing our financial statements. Interest expense on our financial debts (which does not include capitalised interest for our properties under development) amounted to TRY 43 million, TRY 34 million and TRY 28 million in 2017, 2016 and 2015, respectively. The variation in interest expense over the periods is primarily attributable to an increase in borrowings as a consequence of progress under our Hilltown and Maltepe mixed use projects and the consolidation of Optimum Adana (Göksu) following our purchase of our joint venture partner's shares in August 2017. In the future, fluctuations in interest rates, as well as in the principal amount of our outstanding indebtedness, will impact our interest expense and significant exchange rate fluctuations between the U.S. dollar and the lira and the euro and the lira will continue to impact our financial expenses to the extent we have significant amounts of outstanding indebtedness denominated in U.S. dollars or euro.

In addition, our reporting currency is the lira, while our major financing arrangements are denominated in euro or U.S. dollars. Consequently, depreciation of the lira against the euro or U.S. dollar increases our financing costs and also increases our financial liabilities upon balance sheet translation. See "—*Macroeconomic factors*" above.

Exchange rates

Our Financial Statements are presented in lira, which is our functional currency Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into lira at the rate of exchange ruling at the balance sheet date. Non-monetary items and equity balances (excluding profit or loss) that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Our rental revenues are primarily denominated in, or linked to, either euro or U.S. dollars as stated in the relevant lease agreement. Our subsidiaries issue their rent invoices in lira translated from the euro or US dollar amount stated in the lease agreement using the exchange rate on the invoice date. As an exception, variable turnover rent is invoiced and collected in TRY. Our tenants pay their rent in lira in accordance with the invoice they receive. In 2017, 86.8% of our cash flow was in euro equivalent TRY, 7.5% of our cash flow was in U.S. dollar equivalent TRY and 5.6% was TRY. As a result, changes in the exchange rate between the lira and the currency in which the lease agreement is denominated, or to which the rental payments are linked, may result in changes to our rental revenue from period to period. As an exception, rent derived from turnover is calculated and invoiced in TRY See "*Risk Factors—Other risks—Fluctuations in currency exchange rates may adversely affect our financial condition and results of operations*".

Revenue

We expect our revenue to increase significantly in 2018 following the acquisition and subsequent consolidation of one former joint venture which owns a shopping centre in August 2017, the opening of our Maltepe mixed use project and the acquisition and subsequent consolidation of three former joint ventures which all own shopping centres in early 2018, see "*Recent Developments*" below.

Recovery of VAT

We pay VAT to the Turkish authorities with respect to construction costs and expenses on our projects. We can offset the VAT due against the VAT we collect from our tenants. Accordingly, we include recoverable VAT as an asset on our balance sheet. The amount of our recoverable VAT was TRY 290 million, TRY 191 million and TRY 118 million as at 31 December 2017, 2016 and 2015, respectively.

Deferred taxation

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. Under applicable tax law, we are not allowed to capitalise certain of the costs in relation to the design, construction and financing of projects that we capitalise for the purposes of the Financial Statements. As a result, our tax bases in the related assets may be lower than our accounting bases for IFRS purposes, which would result in deferred tax liabilities. However, the expensing of such costs may result in accumulated tax losses for tax purposes that we may be able to carry forward against estimated future profits, resulting in deferred tax assets. We expect these deferred tax liabilities and assets to grow as our major projects reach more advanced stages. However, such tax losses may only be carried forward to offset gains for a five year period, and they may only be utilised in the subsidiary in which such tax losses were generated. There can be no assurance that we will be able to utilise any such tax loss carry forwards. See note 25 to the Financial Statements for an expiration schedule in relation to our carry forward tax losses.

Competition

We believe that our future results of operations may be impacted by increasing competition, especially as it relates to the identification and acquisition of properties in Turkey. See "*Risk Factors—Risks related to our business and industry generally—We operate in a highly competitive industry, which could negatively impact our profitability*".

KEY FACTORS AFFECTING COMPARABILITY

Acquisitions, sales, completed projects, properties under development and land bank properties

We have made a number of acquisitions and sales, and have completed one new shopping centre project and one expansion project, during the reviewed period, which have affected our financial condition and results of operations. These acquisitions, sales and completed projects include:

Acquisitions

In June 2015, we acquired our joint venture partner's 50% interest in Nakkaştepe (which owns a parcel of undeveloped land) for cash consideration of TRY 97 million.

In August 2017, we acquired our joint venture partner's 50% interest in Göksu (which owns the Optimum Adana shopping centre) for cash consideration of TRY 147 million.

Disposals

In April 2015, we sold 100% of the shares in our subsidiary, Beykoz (which owned Rönesans Tower, now known as Allianz Tower), for cash consideration of TRY 482 million and recorded a net loss of TRY 3 million on the sale.

In April 2016, we sold all of our shares in a joint venture, Açim (which owned a land bank property), for cash consideration of TRY 105 million and recorded a net gain of TRY 2 million on the sale.

In August 2016, we sold all of our shares in an associate, Zeugma (which owned a shopping centre), for cash consideration of TRY 86 million and recorded a net loss of TRY 17 million on the sale.

Completed projects

In January 2015, our Küçükyalı office project was completed and TRY 258 million was transferred from investment properties under development to investment property.

In March 2017, we completed an expansion project at Optimum Izmir, which increased the GLA of the shopping centre by approximately 27,000 m^2 or approximately 47%.

In October 2017, our Hilltown shopping centre was completed and TRY 1,403 million was transferred from investment properties under development to investment property.

Properties under development

In the second quarter of 2018, our Maltepe mixed use project is expected to be completed and to have a total GLA of 91,499 m^2 (of which shopping centre: 55,612 m^2 and office: 35,887 m^2). Currently, 95% (of which 89% signed lease agreements and 6% signed letters of intent) of the expected GLA of the shopping centre has been pre-let to tenants, including Inditex, H&M, Levi's and CGV. In addition, 81% of the residential units were pre-sold as at 31 December 2017. New build office accommodation is generally not pre-let in Turkey.

In the second quarter of 2019, our Karşıyaka shopping centre is expected to be completed and to have a total GLA of 62,885 m^2. Currently 31% (of which 15% signed lease agreements and 16% signed letters of intent) of the expected GLA of the project has been pre-let to tenants.

Land bank properties

Subject to the granting of the necessary construction permit, in 2020, though construction is not in progress, our Antalya Konyaaltı shopping centre project is expected to be completed.

Subject to the granting of the necessary construction permit, in 2022, though construction is not in progress, our Konak mixed use project is expected to be completed.

Subject to the granting of the necessary construction permit, in 2022, though construction is not in progress, our Optimum Antalya shopping centre project is expected to be completed.

RECENT DEVELOPMENTS

On 26 January 2018, the Company acquired the 50% shareholdings of its joint venture partner in each of:

- Mel 2 (which owns Samsun Piazza) for €45.7 million (TRY 212.1 million);
- Mel 3 (which owns Kahramanmaraş Piazza) for €22.6 million (TRY 105.1 million); and
- Kozyatağı (which owns Kozzy) for €5.0 million (TRY 23.1 million).

With effect from that date, each of these entities ceased to be equity accounted and became fully consolidated.

On 21 February 2018, the Company repaid a TRY 100 million corporate bond and, on 2 March 2018, a mortgage on a plot of non-core land in our land bank amounting to U.S.$13 million was released.

RESULTS OF OPERATIONS

Revenue

Our revenue principally comprises rental revenue from investment properties, which also includes common utility costs charged to the tenants in our shopping centres and offices, and management and consulting costs charged to joint ventures and subsidiaries. Our principal management and consultancy services are development, asset management, leasing, property management services and pilotage services.

Our principal wholly owned and fully consolidated investment properties in the three years under review are the Küçükyalı office and school, which became an investment property in January 2015, and the RönesansBiz Mecidiyeköy office property.

In 2015, we also earned revenue from an existing shopping centre on purchased land until it was demolished in order to build a new shopping centre.

In 2016, we also earned small amounts of revenue from two undeveloped properties in our land bank that were used as a storehouse and shopping centre, which was subsequently demolished so that a new project could start.

In 2017, our Hilltown shopping centre project was completed and it opened in October 2017. In addition, following the acquisition of our joint venture partner's shares in Göksu in August 2017, revenue from Optimum Adana has been fully recorded in the Financial Statements. In 2017, we also earned a small amount of revenue from the undeveloped property in our land bank that was used as a storehouse.

We do not record rental revenue from the investment properties held by our joint ventures as revenue in the Financial Statements, see "—

Consolidation principles" above.

The table below shows our revenue for each of the years 2017, 2016 and 2015.

	2017		2016		2015	
	(*TRY thousand*)	(*%*)	(*TRY thousand*)	(*%*)	(*TRY thousand*)	(*%*)
Rental revenue from investment properties	112,209	66.3	58,942	51.5	45,099	51.5
Management and consulting revenue.........................	35,371	20.9	34,874	30.5	30,246	34.5
Other rental revenue	21,683	12.8	20,541	18.0	12,213	13.9
Total revenue...	**169,263**	**100.0**	**114,357**	**100.0**	**87,558**	**100.0**

Our revenue increased by TRY 54,906 thousand, or 48.0%, from TRY 114,357 thousand in 2016 to TRY 169,263 thousand in 2017. Previously, our revenue increased by TRY 26,799 thousand, or 30.6%, from TRY 87,558 thousand in 2015 to TRY 114,357 thousand in 2016.

The increase in 2017 principally reflected an increase of TRY 53,267 thousand, or 90.4%, in rental revenue from investment properties, which principally reflected revenue from Optimum Adana (Göksu) from August 2017 amounting to TRY 32,201 thousand and from the Hilltown shopping centre and office development from October 2017 amounting to TRY 16,614 thousand. Our management and consulting revenue increased by TRY 497 thousand, or 1.4%, in 2017 as a result of increase in asset management, property management, development and leasing activities undertaken for joint ventures.

The increase in 2016 principally reflected an increase of TRY 13,843 thousand, or 31.0%, in rental revenue from investment properties, which reflected an increase of TRY 14,735 thousand, or 53.1%, in rental revenue from our Küçükyalı office and school principally resulting from an increase in occupancy to 100% as the property was fully let from the middle of 2015. Our management and consulting revenue increased by TRY 4,628 thousand, or 15.3%, in 2016 as a result of increase in asset management, property management, development and leasing activities undertaken for joint ventures.

Cost of revenue

Our cost of revenue includes the cost of our employees directly engaged in revenue generating activities, rent, maintenance, utility and insurance expenses incurred in relation to our investment properties, and consultancy and other expenses directly related to our revenue generating activities.

The table below shows our cost of revenue for each of the years 2017, 2016 and 2015.

	2017		2016		2015	
	(*TRY thousand*)	(*%*)	(*TRY thousand*)	(*%*)	(*TRY thousand*)	(*%*)
Cost of revenue related to investment properties	32,296	50.8	17,539	27.9	17,736	32.6
Cost of revenue related to management and consulting and other....................................	31,240	49.2	45,290	72.1	36,704	67.4
Total cost of revenue.................................	**63,536**	**100.0**	**62,829**	**100.0**	**54,440**	**100.0**
Rent expense..	18,508	29.1	12,776	20.3	8,975	16.5
Electricity expense.......................................	12,751	20.1	5,960	9.5	4,776	8.8
Employee benefit expenses..........................	11,851	18.7	25,713	40.9	24,894	45.7
Office management expenses	9,459	14.9	5,356	8.5	2,617	4.8

Consultancy expenses	3,327	5.2	2,526	4.0	4,659	8.6
Maintenance expense	2,972	4.7	1,134	1.8	571	1.0
Insurance expenses	1,475	2.3	779	1.2	1,285	2.4
Taxes and fees	1,209	1.9	726	1.2	1,632	3.0
Depreciation expenses	250	0.4	355	0.6	312	0.6
Other	1,734	2.7	7,504	11.9	4,719	8.7
Total cost of revenue	**63,536**	**100.0**	**62,829**	**100.0**	**54,440**	**100.0**

Our cost of revenue increased by TRY 707 thousand, or 1.1%, from TRY 62,829 thousand in 2016 to TRY 63,536 thousand in 2017. Previously, our cost of revenue increased by TRY 8,389 thousand, or 15.4%, from TRY 54,440 thousand in 2015 to TRY 62,829 thousand in 2016.

Although our total cost of revenue was substantially flat in 2017, the principal movements within individual line items were:

- an increase of TRY 14,757 thousand, or 84.1%, in cost of revenue related to investment properties, due to the costs from Optimum Adana and our Hilltown shopping centre in 2017; and

- a decrease of TRY 14,050 thousand, or 31.0%, in cost of revenue related to management and consulting and other, due to higher management fees received from subsidiaries in 2017 resulting in a higher elimination effect.

The increase in 2016 principally reflected an increase of TRY 8,586 thousand, or 23.4%, in cost of revenue related to management and consulting and other, which reflected the increase in rent expenses for our office space in Allianz Tower and the full year effect of this rent.

The principal categories of cost of revenue expenses that we incur are employee benefit, rent, electricity and office management expenses, which together comprised 82.7% of our total cost of revenue by category in 2017, 79.3% in 2016 and 75.8% in 2015.

In 2017, our rent expense increased by TRY 5,732 thousand, or 44.9%, principally as a result of the currency exchange effect on the indexed rent we pay in respect of our Istanbul office. We pay the rent of the Rönesans Group companies and other third-party companies in the Allianz Tower, and then gain income, which we recorded as other rental revenue, from the Rönesans Group companies and the other third-party companies. Our office expenses increased by TRY 4,103 thousand, or 76.6%, as a result of growth in our operations. Office management expenses mostly comprise operational expenses of newly opened shopping centres and Optimum Adana. Our electricity expense increased by TRY 6,791 thousand, or 113.9%, principally as a result of the newly opened Hilltown shopping centre and offices and our acquisition of Optimum Adana. Our employee benefit expense decreased by TRY 13,862 thousand, or 53.9%, as a result of consolidation effects. Expenses related to consolidated companies increased, but these amounts have been eliminated for consolidation purposes.

In 2016, each of our principal categories of cost of revenue increased. Our rent expense increased by TRY 3,801 thousand, or 42.4%, as a result of the full year effect of Allianz Tower rent and the depreciation of the lira against the euro. Our office expenses increased by TRY 2,739 thousand, or 104.7%, as a result of operational increases. Our electricity expense increased by TRY 1,184 thousand, or 24.8%. Our employee benefit expense increased by TRY 819 thousand, or 3.3%, as a result of operational increases.

Gross profit

Reflecting the above factors, our gross profit increased by TRY 54,199 thousand, or 105.2%, from TRY 51,528 thousand in 2016 to TRY 105,727 thousand in 2017. Previously, our gross profit increased by TRY 18,410 thousand, or 55.6%, from TRY 33,118 thousand in 2015 to TRY 51,528 thousand in 2016. Our gross profit from our investment property rental business increased by TRY 38,510 thousand, or 93.0%, from TRY

41,403 thousand in 2016 to TRY 79,913 thousand in 2017. Previously, our gross profit from out investment property rental business increased by TRY 14,040 thousand, or 51.3%, from TRY 27,363 thousand in 2015 to TRY 41,403 thousand in 2016. Our gross profit from our management, consulting and other rental revenue increased by TRY 15,689 thousand, or 155.0%, from TRY 10,125 thousand in 2016 to TRY 25,814 thousand in 2017. Previously, our gross profit from our management, consulting and other rental revenue increased by TRY 4,370 thousand, or 75.9%, from TRY 5,755 thousand in 2015 to TRY 10,125 thousand in 2016.

Marketing

Our marketing expenses comprise the advertising expenses we incur in connection with the marketing of our investment properties.

Our marketing expenses increased by TRY 845 thousand, or 94.4%, from TRY 895 thousand in 2016 to TRY 1,740 thousand in 2017. Previously, our marketing expenses and increased by TRY 129 thousand, or 16.8%, from TRY 766 thousand in 2015 to TRY 895 thousand in 2016.

The increase in 2017 was principally due to the marketing of our properties in the Hilltown shopping centre which opened in October 2017 as well as the consolidation of the former joint venture which owns Optimum Adana.

General administrative expenses

Our general administrative expenses include employee benefit expenses of all employees other than those directly engaged in revenue generating activities, consultancy expenses, rent, depreciation and amortisation expenses, taxes and fees, provisions, insurance expenses related to our head office and other administrative expenses.

The table below shows our general administrative expenses for each of the years 2017, 2016 and 2015.

	2017		**2016**		**2015**	
	(*TRY thousand*)	(*%*)	(*TRY thousand*)	(*%*)	(*TRY thousand*)	(*%*)
Employee benefit expenses	10,064	53.5	8,494	47.9	11,046	64.9
Consultancy expenses	2,412	12.8	2,285	12.9	2,718	16.0
Rent expenses	2,411	12.8	1,901	10.7	1,112	6.5
Depreciation and amortisation expenses	1,361	7.2	1,265	7.1	831	4.9
Taxes and fees	430	2.3	210	1.2	559	3.3
Lawsuit provision	333	1.8	1,608	9.1	—	—
Insurance expenses	178	0.9	131	0.7	125	0.7
Other	1,610	8.6	1,853	10.4	631	3.7
Total general administrative expenses	**18,799**	**100.0**	**17,747**	**100.0**	**17,022**	**100.0**

Our general administrative expenses increased by TRY 1,052 thousand, or 5.9%, from TRY 17,747 thousand in 2016 to TRY 18,799 thousand in 2017. Previously, our general administrative expenses increased by TRY 725 thousand, or 4.3%, from TRY 17,022 thousand in 2015 to TRY 17,747 thousand in 2016.

The principal categories of general administrative expense that we incur are employee benefit, consultancy and rent expenses, which together comprised 79.2% of our general administrative expense by category in 2017, 71.4% in 2016 and 87.4% in 2015.

In 2017, our employee benefits expenses increased by TRY 1,570 thousand, or 18.5%. The increase in employee benefit expense is related to the increase in the number of operating shopping centres and the increase in the salary of personnel. There was little increase in consultancy expenses. Our rent expense increased by TRY 510 thousand, or 26.8%, principally as a result of the currency exchange effect on the indexed rent we pay in respect of our Istanbul office.

In 2016, our employee benefits expenses and consultancy expenses decreased by TRY 2,552 thousand, or 23.1%, and by TRY 433 thousand, or 15.9%, respectively. The decrease in employee benefit expenses principally reflected a decrease in the number of our employees. Our rent expense increased by TRY 789 thousand, or 71.0%, principally as a result of the full year effect of our Istanbul office rent. In addition, in 2016 we made a provision relating to a lawsuit in respect of employee cases for the first time.

Other operating income and expenses

Our other operating income principally relate to changes in the fair value of our investment properties and investment properties under development. They also include any net foreign exchange income from operations, interest income and other items.

Our investment properties are income generating properties. Our investment properties under development consist of plots of land, wholly or majority owned, or leased, by us on which commercial properties are being built or will be built in the near future. These properties consist of two components: land and costs capitalised in connection with the development of the site. Costs capitalised relate to development carried out on sites owned or majority owned by us or sites to which we hold lease titles and which will be acquired on completion of the development. Land and buildings that are being constructed for future use as investment property are classified as investment properties under development until construction or development is complete, at which time they are reclassified as investment properties.

The fair value of our properties has been arrived at on the basis of a valuation carried out at the balance sheet date by independent valuers. The valuation, which conforms to CMB Standards, which are in line with International Valuation Standards, was arrived at:

- in relation to our investment properties by using the discounted cash flow and income capitalisation approach and the assumptions specified in note 10(a) to the Financial Statements;

- in relation to 70% of our investment properties under development in 2017 (70% in 2016 and 57% in 2015) by using the discounted cash flow approaches and the assumptions specified in note 10(b) to the Financial Statements; and

- in relation to 30% of our investment properties under development in 2017 (30% in 2016 and 43% in 2015) by using the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction based on the market value per m^2 assumptions specified in note 10(b) to the Financial Statements.

Our other operating expenses include negative changes in the fair value of investment properties under development, provisions for doubtful receivables and other operating expenses.

The table below shows our operating gains and losses for each of 2017, 2016 and 2015.

	2017	2016	2015
		(*TRY thousand*)	
Other operating income			
Change in fair value of investment properties under development	692,862	409,026	135,275
Change in fair value of investment properties	215,390	76,538	62,281
Foreign exchange gain from operations (net)	46,064	94,000	90,926
Gains from Scrap sales	—	2,885	—
Interest income	10,829	20,635	14,180
Reversal of provision	354	438	—
Other	1,840	1,151	1,353
Total other income from operating activities	**967,339**	**604,673**	**304,015**
Other operating expense			
Provision for doubtful receivables	(524)	(1,879)	(458)
Change in fair value of investment properties under development sold	—		(12,373)
Donations	—	—	(1,000)
VAT base increase	—	(766)	
Other	(79)	(1,178)	(970)
Total other expenses from operating activities	**(603)**	**(3,823)**	**(14,801)**
Net other operating income	**966,736**	**600,850**	**289,214**

Our other operating income increased by TRY 362,666 thousand, or 60.0%, from TRY 604,673 thousand in 2016 to TRY 967,339 thousand in 2017. Previously, our other operating income increased by TRY 300,658 thousand, or 98.9%, from TRY 304,015 thousand in 2015 to TRY 604,673 thousand in 2016.

The increase in 2017 principally reflected a TRY 283,836 thousand, or 69.4%, positive change in the fair value of investment properties under development. This change reflected progress and therefore changes in the fair value of our Maltepe and Karşıyaka projects in 2017. In addition, the fair value of our investment properties increased by TRY 138,852 thousand, or 181.4%, in 2017 reflecting a TRY 107,021 thousand increase in the fair value of our Hilltown shopping centre and offices following completion of the shopping centre in October 2017.

The increase in 2016 principally reflected a TRY 273,751 thousand, or 202.4%, positive change in the fair value of investment properties under development. This change reflected progress on our Hilltown, Maltepe and Karşıyaka projects in 2016. In addition, the fair value of our investment properties increased by TRY 14,257 thousand, or 22.9%, in 2016, including as a result of foreign exchange effects.

Our operating expense decreased by TRY 3,220 thousand, or 84.2%, from TRY 3,823 thousand in 2016 to TRY 603 thousand in 2017. Previously, our operating expense decreased by TRY 10,978 thousand, or 74.24%, from TRY 14,801 thousand in 2015 to TRY 3,823 thousand in 2016. The decrease in 2017 principally reflected a decrease in our provision for receivables. The decrease in 2016 principally arose from a change in the fair value of Beykoz in 2015.

Operating profit

Reflecting the above factors and the fair value changes of our investment properties under development in particular, our operating profit increased by TRY 418,188 thousand, or 66.0%, from TRY 633,736 thousand in 2016 to TRY 1,051,924 thousand in 2017. Previously, our operating profit increased by TRY 329,192 thousand, or 108.1%, from TRY 304,544 thousand in 2015 to TRY 633,736 thousand in 2016.

Share of profit of investments valued using the equity method

The majority of the properties in our Property Portfolio are held by equity accounted joint ventures. Under this method of accounting, we do not fully consolidate the revenue and expenses of the joint ventures and associates in our income statement. Instead, our proportional share of the joint venture's profit or loss for each year is presented in this line item.

In 2017, we had 10 equity accounted joint ventures (after taking into account the acquisition of our joint venture partner's 50.0% share in Göksu which owns Optimum Adana and fully consolidating Göksu) compared to 11 in 2016 and 12 in 2015. These joint ventures together held eight shopping centre investment properties (after Göksu's consolidation) and two property parcels in our land bank as at 31 December 2017. See "*Business—Property Portfolio*". The additional joint venture in 2016 held a land bank property and was sold in April 2016. The additional joint venture in 2015 held a land parcel in our land bank and in June 2015 we acquired all of the shares in this joint venture and fully consolidated it from that date. We also had one equity accounted associate which held a shopping centre investment property and which was sold in August 2016.

Our share of profit from our joint ventures increased by TRY 13,837 thousand, or 4.5%, from TRY 305,969 thousand in 2016 to TRY 319,806 thousand in 2017. Previously, our share of profit from our joint ventures decreased by TRY 7,835 thousand, or 2.5%, from TRY 313,804 thousand in 2015 to TRY 305,969 thousand in 2016.

The table below shows our proportional share of the profit or loss from our joint ventures and associate for each of 2017, 2016 and 2015.

		2017	2016	2015
			(*TRY thousand*)	
Joint ventures	**Property**			
Açim	Ataşehir land	—	(6,659)	21,429
Esentepe.......................	Optimum Izmir	135,117	125,174	70,123
Feriköy.........................	Optimum Istanbul	70,504	46,683	41,786
Florya...........................	Konak land	3,279	(844)	15,442
Göksu...........................	Optimum Adana	17,782	30,881	36,831
Kandili	Ümraniye Tepeüstü land	4,681	7,704	756
Kozyatağı.....................	Kozzy	6,210	8,849	5,118
Kurtköy........................	Optimum Ankara	21,617	31,772	32,994
Mel 2............................	Samsun Piazza	46,775	35,643	27,206
Mel 3............................	Kahramanmaraş Piazza	7,845	14,908	16,127
Mel 4............................	Şanlıurfa Piazza	5,996	8,514	11,016
Nakkastepe	Bayraklı land	—	—	22,706
Total joint ventures		**319,806**	**302,625**	**301,534**
Associate				
Zeugma	Sankopark	—	3,344	12,270
Total share on profit of investments valued using the equity method		**319,806**	**305,969**	**313,804**

Although our total share of the profit or loss recorded by our joint ventures and associate remained relatively flat in 2017, individual properties recorded significant changes in profitability. In particular:

- our share of the profit of Göksu decreased by TRY 13,099 thousand, or 42.4%, in 2017 as a result it being reclassified as a subsidiary from August 2017; and

- our share of the profit of the other shopping centres, such as Feriköy, Mel 2, Kurtköy and Esentepe, increased or decreased as a result of foreign exchange effects and fair value gain/loss.

Although our total share of the profit or loss recorded by our joint ventures and associate remained relatively flat in 2016, individual properties recorded significant changes in profitability. In particular:

- Açim, which was sold in April 2016, generated a TRY 6,659 thousand loss for us in that year as a result of foreign exchange effects compared to a share of profit of TRY 21,429 thousand in 2015;

- our share of the profit of Esentepe increased by TRY 55,051 thousand, or 78.5%, in 2016 as a result of operational performance and a fair value increase of TRY 86,046 thousand which was offset by a deferred tax effect and increased financing costs;

- our share of the profit of Zeugma decreased by TRY 8,926 thousand, or 72.7%, in 2016 as we sold our shares in Zeugma in August 2016;

- our share of the profit of the other shopping centres, such as Feriköy and Mel 2, increased or decreased based on the operational performance, fair value gains and foreign exchange effects of each shopping centre.

Net result from investing activities

Our net result from investing activities principally reflects gains and losses recorded on the sales of shares in subsidiaries, joint ventures and associates.

Our net result from investing activities was a gain of TRY 86,321 thousand in 2017, compared to a loss of TRY 5,199 thousand in 2016. Previously, our net result from investing activities was a loss of TRY 2,639 thousand in 2015. In 2017, the gain principally related to the acquisition of Göksu (Optimum Adana). In 2016, the loss principally reflected losses incurred on the sale of Zeugma which were offset by additional consideration received for transactions related to our Optimum Izmir and Optimum Istanbul investment properties. In 2015, the loss related almost entirely to the sale of Beykoz.

Profit before financial expenses

Reflecting the above factors, our profit before financial expenses increased by TRY 523,545 thousand, or 56.0%, from TRY 934,506 thousand in 2016 to TRY 1,458,051 thousand in 2017. Previously, our profit before financial expenses increased by TRY 318,797 thousand, or 51.8%, from TRY 615,709 thousand in 2015 to TRY 934,506 thousand in 2016.

Financial expenses

Our principal financial expenses during the years under review have been the interest charged on our financial debt and the foreign exchange losses incurred in connection with that debt. These expenses have been partly offset by the gains on derivative transactions made in money markets such as foreign exchange swaps, options and forward contracts.

Our net financial expenses increased by TRY 52,331 thousand, or 100.8%, from TRY 51,932 thousand in 2016 to TRY 104,263 thousand in 2017. Previously, our net financial expenses increased by TRY 2,375 thousand, or 4.8% from TRY 49,557 thousand in 2015 to from TRY 51,932 thousand in 2016.

The increase in 2017 principally reflected a TRY 59,730 thousand, or 144.7%, increase in our net foreign exchange loss related to loans as a result of increases in financial debt, the opening of our Hilltown shopping centre and related financing costs, the acquisition of our joint venture partner's shares in Göksu (Optimum Adana), depreciation of the lira against the euro and a TRY 9,248 thousand, or 27.2% increase in our interest expense as a result of increases in financial debt, the opening of our Hilltown shopping centre and related financing costs and the acquisition of our joint venture partner's shares in Göksu (Optimum Adana). These factors were offset by an increase of TRY 13,889 thousand, or 53.8%, in our realised gain on derivative financial instruments as a result of derivative transactions made in money markets such as foreign exchange swaps, options and forward contracts.

The increase in 2016 principally reflected a TRY 5,830 thousand, or 20.7%, increase in our interest expense as a result of increased financial debt.

Profit before taxation

Reflecting the above factors, our profit before taxation increased by TRY 471,214 thousand, or 53.4%, from TRY 882,574 thousand in 2016 to TRY 1,353,788 thousand in 2017. Previously, our profit before taxation increased by TRY 316,422 thousand, or 55.9%, from TRY 566,152 thousand in 2015 to TRY 882,574 thousand in 2016.

Tax expense

Our tax expense increased by TRY 62,170 thousand, or 49.8%, from TRY 124,950 thousand in 2016 to TRY 187,120 thousand in 2017. Previously, our tax expense increased by TRY 67,004 thousand, or 115.6%, from TRY 57,946 thousand in 2015 to TRY 124,950 thousand in 2016.

In 2017, our current tax expense, at TRY 8,114 thousand, was TRY 25,642 thousand, or 76.0%, lower than the TRY 33,756 thousand current tax expense in 2016. The decrease in 2017 principally reflected a foreign exchange difference effect as well as a range of other smaller effects. Our deferred tax expense in 2017 increased by TRY 87,812 thousand, or 96.3%, due to the increase in the fair value of our investment properties and investment properties under development in 2017.

In 2016, our current tax expense, at TRY 33,756 thousand, was TRY 2,762 thousand, or 8.9%, higher than the TRY 30,994 thousand expense in 2015. Our deferred tax expense in 2016 increased by TRY 64,242 thousand, or 238.4%, from TRY 26,952 thousand in 2015. This increase was principally due to the increase in the fair value of our investment properties and investment properties under development in 2016.

Net profit for the year

Reflecting the above factors, our net profit increased by TRY 409,044 thousand, or 54.0%, from TRY 757,624 thousand in 2016 to TRY 1,166,668 thousand in 2017. Previously, our net profit increased by TRY 249,418 thousand, or 49.1%, from TRY 508,206 thousand in 2015 to TRY 757,624 thousand in 2016.

LIQUIDITY AND CAPITAL RESOURCES

Overview

We principally require cash to finance:

- our working capital requirements and general corporate activities, including paying interest on and repaying borrowings; and

- our future capital expenditure incurred in developing investment properties under development and acquisitions of new properties.

We fund our cash requirements principally through debt financing to the extent permitted by the financial covenants in our loan agreements, cash flows from operating activities and, in 2015, an increase of share capital. We may also fund our cash requirements through sales of shares in our subsidiaries and joint ventures where we consider that such sales are appropriate.

Cash flows

The table below summarises our consolidated statement of cash flows for each of 2017, 2016 and 2015.

	2017	2016	2015
		(*TRY thousand*)	
Net cash flows from operating activities	292,830	166,314	38,156
Net cash flows used in investing activities	(802,618)	(569,935)	(143,403)
Net cash flows from financing activities	456,036	516,564	373,525
Cash and cash equivalents at 1 January	746,921	633,978	365,700
Cash and cash equivalents at 31 December	693,169	746,921	633,978

Net cash flows from operating activities

Our net cash from operating activities amounted to TRY 292,830 thousand in 2017, TRY 166,314 thousand in 2016 and TRY 38,156 thousand in 2015.

Our net cash from operating activities in 2017 consisted of our net profit for 2017 of TRY 1,166,668 thousand adjusted to take into account a number of non-cash items, including an increase in the fair value of our investment properties and investment properties under development of TRY 908,252 thousand, primarily attributable to the increase in the fair values of our Maltepe, Karşıyaka and Hilltown shopping centres, the consolidation effect of Göksu (Optimum Adana) and our share of the net profit of our associates and joint ventures of TRY 319,806 thousand (which were both deductions) and adjustments of TRY 187,120 thousand related to tax expense and TRY 101,016 related to profit and loss (which were both additions). Changes in working capital in 2017 included an increase of TRY 93,782 million in deferred income and an increase of TRY 50,357 thousand in trade payables (which were both positive adjustments) and a decrease in inventories of TRY 60,819 thousand (which was a negative adjustment).

Our net cash from operating activities in 2016 consisted of our net profit for 2016 of TRY 757,624 thousand adjusted to take into account a number of non-cash items, including an increase in the fair value of our investment properties and investment properties under development of TRY 485,564 thousand and our share of the net profit of our associates and joint ventures of TRY 305,969 thousand (which were both deductions) and adjustments of TRY 124,950 thousand related to tax expense and TRY 57,416 thousand related to profit and loss (which were both additions). Changes in working capital in 2016 included an increase of TRY 68,300 thousand in trade payables and an increase of TRY 29,847 million in deferred income (which were both positive adjustments) and a decrease of TRY 41,516 thousand in trade receivables and a decrease in inventories of TRY 38,465 thousand (which were both negative adjustments).

Our net cash from operating activities in 2015 consisted of our net profit for 2015 of TRY 508,206 thousand adjusted to take into account a number of non-cash items, including an increase in the fair value of our investment properties and investment properties under development of TRY 197,556 thousand and our share of the net profit of our associates and joint ventures of TRY 313,804 thousand (which were both deductions) and adjustments of TRY 57,946 thousand related to tax expense and TRY 33,281 thousand related to profit and loss (which were both additions). The principal change in working capital in 2015 was a decrease in inventories of TRY 44,082 thousand (which was a negative adjustment).

Net cash flows used in investing activities

Our net cash used in investing activities amounted to TRY 802,618 thousand in 2017, TRY 569,935 thousand in 2016 and TRY 143,403 thousand in 2015.

Our net cash used in investing activities in 2017 principally reflected TRY 635,998 thousand spent on developing our investment properties under development, in particular our Hilltown shopping centre and offices, which were completed in October 2017, and the Maltepe and Karşıyaka projects as well as for the purchase of 50% of Göksu (Optimum Adana) and leasing payments for the Antalya Konyaaltı project.

Our net cash used in investing activities in 2016 principally reflected TRY 778,919 thousand spent on developing our investment properties under development, in particular our Hilltown shopping centre and offices, Maltepe and Karşıyaka projects, the purchase of the land bank Optimum Antalya and TRY 183,038 thousand received from our sale of shares in Açim and Zeugma.

Our net cash used in investing activities in 2015 principally reflected TRY 418,767 thousand spent on developing our investment properties under development, in particular our Hilltown shopping centre and offices, Maltepe and TRY 97,494 thousand spent on acquiring Nakkaştepe and the TRY 475,681 thousand we received from the sale of our subsidiary, Beykoz.

Net cash flows from financing activities

Our net cash from financing activities amounted to TRY 456,036 thousand in 2017, TRY 516,564 thousand in 2016 and TRY 373,525 thousand in 2015.

Our net cash from financing activities in 2017 was primarily attributable to proceeds from loans of TRY 1,270,400 thousand, primarily attributable to the Maltepe refinancing, the Karşıyaka shopping centre and the Hilltown shopping centre and office loans. In 2017, we repaid of loans in an amount of TRY 757,492 thousand, made dividend payments to shareholders in an amount of TRY 55,000 thousand and paid interest expenses of TRY 136,182 thousand.

Our net cash from financing activities in 2016 was primarily attributable to proceeds from loans of TRY 648,187 thousand, primarily attributable to Maltepe, Hilltown shopping centre and office loans. In 2016, we repaid of loans in an amount of TRY 191,863 thousand and paid interest expenses of TRY 74,879 thousand.

Our net cash from financing activities in 2015 was primarily attributable to proceeds from loans of TRY 299,775 thousand, the repayment of loans in an amount of TRY 325,936, payment of dividends to shareholders in an amount of TRY 43,070 thousand, proceeds from the issuance of share capital in an amount of TRY 417,291 thousand and interest expenses in an amount of TRY 34,240 thousand.

Capital resources

The table below shows our outstanding bank loans including interest accruals as at 31 December in each of 2017, 2016 and 2015. The tables in this section do not include the indebtedness of our joint ventures.

Borrower	**Project**	**Facility amount**	**Outstanding amount as at 31 December**		
			2017	**2016**	**2015**
		(*TRY million*)	(*TRY million*)		
Bostancı[1]	Küçükyalı office and school	226	158	155	148
Mecidiyeköy[2]	Mecidiyeköy office	89	52	49	47
Tarabya[3]	Küçükyalı shopping centre and office	655	635	283	107
Salacak & Salacak-Rönesans [4]	Maltepe mixed-use	903	815	489	153
Altunizade[5]	Karşıyaka	700	102	—	—
Göksu[6]	Optimum Adana	515	488	—	—
The Company	Corporate Loan	85	85	88	29
			2,335	**1,064**	**484**

Notes:

(1) This bank loan is denominated in euro and matures in January 2022. It is guaranteed by the Company. It is secured by a share pledge, account pledge, assignment of receivables and capital undertaking. It is subject to restrictive covenants, including a debt service coverage ratio ("**DSCR**") of 115% or above and a requirement that the LTV should be less than 60%. For this purpose, the DSCR is calculated as net rental income divided by debt service cost.

(2) This bank loan is denominated in euro and matures in June 2019. It is guaranteed by the Company. It is secured by a mortgage, share pledge, account pledge and assignment of receivables. It is subject to restrictive covenants, including a DSCR of 115% or above. For this purpose, the DSCR is calculated as net cash flow divided by debt service cost.

(3) This bank loan is denominated in euro and matures in March 2025. It is guaranteed by the Company. It is secured by a share pledge, account pledge, assignment of receivables and subordination and assignment of shareholder receivables. It is subject to restrictive covenants, including a DSCR of 105% or above. For this purpose, the DSCR is calculated as net cash flow divided by debt service cost.

(4) This bank loan is denominated in euro and matures in June 2029. It is guaranteed by the Company. It is secured by a mortgage, share pledge, account pledge, assignment of receivables, subordination agreement and assignment of subordinated receivables agreement. It is subject to restrictive covenants, including a DSCR of 105% or above and a requirement that the LTV should be less than a percentage between 70% and 60% which varies over time. For this purpose, the DSCR is calculated as net cash flow divided by the debt service cost.

(5) This bank loan is denominated in euro and matures in May 2023. It is guaranteed by the Company. It is secured by a mortgage, share pledge, account pledge and assignment of receivables, subordination agreement and assignment of subordinated receivables.

(6) This bank loan is denominated in euro and matures in May 2021. It is secured by a mortgage, share pledge, account pledge, assignment of receivables, commercial enterprise pledge, subordination agreement and assignment of inter-company receivables agreement. It is subject to restrictive covenants, including a DSCR of 120% or above and a requirement that the LTV should be below 65%. For this purpose, the DSCR is calculated as net rental income divided by debt service cost.

The table below shows the maturity profile of our outstanding bank loans as at 31 December in each of 2017, 2016 and 2015.

	As at 31 December		
	2017	**2016**	**2015**
		(*TRY million*)	
Payable within one year	160	188	52
Payable between one and two years	235	485	64
Payable between two and three years	151	89	148
Payable between three and four years	559	50	39
Payable between four and five years	146	58	68
Payable after five years	1,084	194	113
Total outstanding bank loans	**2,335**	**1,064**	**484**

As at 31 December 2017, we had TRY 688,862 thousand in committed but undrawn financing available to us.

In addition to the bank loans described above, the Company has issued TRY 100 million corporate bonds with an effective interest rate of 3% plus government debt securities which matured and were repaid on 21 February 2018. The principal amount outstanding of these bonds was TRY 100 million as at 31 December 2017.

As at 31 December 2017, our average debt maturities including that of the Group's joint ventures was 5.7 years (2016: 4.8 years; 2015: 5.4 years).

Capital requirements

Real estate development is a capital intensive business, and we expect to have significant ongoing liquidity and capital requirements in order to finance our investments in new properties and development projects, while making additional investments in our existing properties.

For the foreseeable future, we expect that we will continue to rely on our financing activities to support our investing and operating activities. We also expect that our capital expenditure in connection with the development of real estate properties and investments in new properties will comprise the majority of our cash outflows for the foreseeable future.

In January 2018, we acquired all of the shares of our joint venture partner in three joint ventures, Mel 2, Mel 3 and Kozyatağı for an aggregate amount of €73.3 million (TRY 340.3 million).

COMMITMENTS AND CONTINGENT LIABILITIES

Contractual obligations

We have various contractual obligations and commercial commitments to make future payments, including debt agreements, lease obligations and certain other committed obligations.

The table below shows our future obligations under these contracts due within the periods indicated as at 31 December 2017. The table is based on the undiscounted net cash inflows/(outflows) on the borrowings and operating lease commitments that settle on a net basis and the undiscounted gross inflows and (outflows) on those borrowings and operating lease commitments that require gross settlement.

	Less than one year	Between one and five years	More than five years	Cash outflows according to agreements Total
	(*TRY thousand*)			
Borrowings	323,920	1,468,085	1,290,795	3,082,800
Operating lease commitments	5,109	30,147	64,903	100,159
Total commitments	**329,029**	**1,498,232**	**1,355,698**	**3,182,959**

The table is based on the undiscounted net cash inflows / (outflows) on the borrowings and operating lease commitments that are settled on a net basis and the undiscounted gross inflows and (outflows) on those borrowings and operating lease commitments that require gross settlement. For our borrowings as at 31 December 2017, see "*—Liquidity and capital resources—Capital resources*" above.

Our operating leases relate to:

- our Hilltown shopping centre and offices and our Küçükyalı school and offices where we have a 49-year usufruct right with a renewal option at the end of the term; and

- our Antalya Konyaaltı project where we have a 30-year usufruct right with a renewal option at the end of the term.

Contingent liabilities

Our contingent liabilities as at 31 December 2017 amounted to TRY 2,931,405 thousand. These comprised:

- TRY 2,582,426 thousand balance specified in "Mortgage" and "Surety and guarantees" given lines in 2017 are guarantees given for the loans utilised by us and this balance also showed in liability in financials.

The remaining amount is TRY348,979 thousand and consists of:

- TRY 51,708 thousand relating to letters of guarantees for our subsidiaries operational utilisation;

- TRY 76,749 thousand relating to letter of guarantees for investing activities (only during development phase);

- TRY 171,324 thousand relating to sureties and guarantees given for other related parties' loans (the Company is guarantor for Desna Moskovsky and Desna Neva projects); and

- TRY 49,198 (U.S. $13 million) thousand mortgage granted by the Company for the benefit of Rönesans Holding to secure a loan (released on 2 March 2018).

QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT FINANCIAL RISKS

Our activities expose us to credit risk, liquidity risk and market risks (including foreign exchange risk and interest rate risk). Our overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our financial performance.

Risk management is carried out by our central treasury department in accordance with policies approved by our management. Our central treasury team identifies, evaluates and hedges financial risks in close co-operation with our operating units. Our management also provides principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investment of excess liquidity.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to us. We have adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. We continuously monitor our exposure and the credit ratings of our counterparties and we spread the aggregate value of transactions concluded among approved counterparties. We seek to control credit exposure by counterparty limits that are reviewed and approved by our management annually.

Our credit risk exposure principally arises from our bank deposits and receivables and our maximum credit risk exposure (before taking account of any credit enhancement measures) amounted to TRY 850,638 thousand as at 31 December 2017, TRY 933,209 thousand as at 31 December 2016 and TRY 751,447 thousand as at 31 December 2015. Of these amounts:

- bank deposits constituted 81.3% as at 31 December 2017, 80.0% as at 31 December 2016 and 84.4% as at 31 December 2015; and

- receivables constituted 18.4% as at 31 December 2017, 19.9% as at 31 December 2016 and 15.6% as at 31 December 2015.

Our due but not impaired trade receivables amounted to TRY 1,309 thousand as at 31 December 2017, TRY 613 thousand as at 31 December 2016 and TRY 296 thousand as at 31 December 2015.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with our board of directors, which has established a liquidity risk management framework for the management of our short-, medium- and long-term funding and liquidity management requirements. We manage liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities based on continuous monitoring of forecast and actual cash flows and matching the maturity profiles of our financial assets and liabilities. Note 30(b)(2) to the Financial Statements sets out our liquidity analysis as at 31 December in each of 2017, 2016 and 2015.

Market risks

Foreign currency risk

We undertake certain transactions, principally our borrowings and cash deposits, that are denominated in foreign currencies and we are therefore exposed to currency risk (in the form of transaction risk) from these transactions. Our principal exposures are to movements in the euro and U.S. dollar exchange rates with the lira. Note 30(b)(3)(1) to the Financial Statements contains a sensitivity analysis showing our sensitivity to a 10% change in relevant exchange rates with all other variables being held constant. This analysis indicates that:

- a 10% appreciation of the euro against the lira as at 31 December 2017 would have decreased our profit by TRY 213,265 thousand while a 10% depreciation of the euro against the lira as at the same date would have had an equal but opposite effect (2016: TRY 52,879 thousand, 2015: TRY 108,774 thousand); and

- a 10% appreciation of the U.S. dollar against the lira as at 31 December 2017 would have increased our profit by TRY 14,560 thousand while a 10% depreciation of the U.S. dollar against the lira as at the same date would have had an equal but opposite effect (2016: TRY 5,654 thousand, 2015: TRY (2,577) thousand).

Our central treasury department manages our foreign currency risk in accordance with policies approved by our management. Our treasury team executes derivative transaction in order to minimize the currency exchange risk inline with cash flow projections.

Interest rate risk

The objective of managing interest rate risk is to optimise our net interest expense across the business cycle. We are exposed to interest rate risk as we borrow funds at both fixed and floating interest rates (as at 31 December 2017 TRY 2,351,317 thousand, or 96.5%, of our borrowings carried interest at floating rates). Changes in interest rates impact the interest expense that we incur on our variable rate borrowings and the fair value of our fixed rate borrowings. They may also impact business and commercial demand for our vacant properties.

Note 30(b)(3)(2) to the Financial Statements contains a sensitivity analysis showing our sensitivity to a 50 basis point change in the lira interest rate with all other variables being held constant. This analysis indicates that if a 50 basis point increase had occurred in 2017, our profit before tax would have been TRY 11,628 thousand lower.

We enter into interest rate swap contracts under which we agree to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable us to mitigate the risk of changing interest rates on the fair value of our issued fixed rate debt held and on our cash flow exposures under our variable rate debt held. See note 30(b)(3)(2) to the Financial Statements which sets out the average contracted fixed interest rate relating to, and the notional amounts and the fair values of, these contracts as at 31 December in each of 2017, 2016 and 2015. The fair value of the interest rate swaps at the reporting date is determined by discounting the future cash flows and the average interest rate is based on the outstanding balances at the start of the financial year. As of 31 December 2017, our interest rate swap ratio was 91%.

Capital risk management

We manage our capital to ensure that we will be able to continue as a going concern while maximising the return to our stakeholders through optimising our debt/equity balance. Our capital structure comprises both debt in the form of borrowings and equity in the form of share capital, reserves and retained earnings.

Our gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings) less cash and cash equivalents. Total capital is calculated as equity plus net debt.

The table below shows our net debt and gearing ratios as at 31 December in each of 2017, 2016 and 2015.

	As at 31 December		
	2017	**2016**	**2015**
	(*TRY thousand, except percentages*)		
Financial debt	2,436,401	1,164,684	584,936
Less: cash and cash equivalents and financial investments	(693,169)	(746,922)	(633,978)
Net debt	**1,743,232**	**416,762**	**(49,042)**
Total equity	5,656,278	4,544,825	3,787,253

Total capital	7,399,510	4,961,587	3,738,211
Gearing ratio	23.6%	8.4%	(1.3)%

CRITICAL JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

When applying our accounting policies, which are described in note 2.3 to the Financial Statements, our management has made the following judgments that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Critical judgments

Deferred taxation on investment properties

In determining our deferred taxation on investment properties, our management must first determine that the properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. This determination has been made and, as a result, we have recognised deferred taxes on changes in the fair value of our investment properties.

Deferred taxes

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between the accounting and tax bases of our assets and liabilities. In the Company's subsidiaries, there are deferred tax assets resulting from tax loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future. Based on the available evidence, both positive and negative, our management must determine whether it is probable that all or a portion of the deferred tax assets will be realised. The main factors which our management considers include:

- the future earnings potential of the subsidiary concerned;
- its cumulative losses in recent years;
- our history of loss carry-forwards and other tax assets expiring;
- the carry-forward period associated with the deferred tax assets;
- future reversals of existing taxable temporary differences;
- tax-planning strategies that could, if necessary, be implemented; and
- the nature of the income that can be used to realise the deferred tax asset.

As a result of the assessment made, we have recognised deferred tax assets in certain entities because our management believes that it is probable that sufficient taxable profit will be available within the carry forward period to recognise the deferred tax assets in those entities. We have also provided an allowance for deferred tax assets in certain entities because our management believes that it is probable that insufficient taxable profit will be available in those entities to recognise the deferred tax assets.

Key sources of estimation uncertainty

The key assumptions made by our management concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Determination of fair values of investment properties and investment properties under development

The fair value of our investment property is based on valuations, performed by independent valuers, who hold recognised and relevant professional qualifications and who have recent experience in the location and category of the investment properties being valued. The valuations are based primarily on comparable rents, discount rates, yields and sales prices from recent market transactions on an arm's lengths basis, using the discounted cash flow technique and income capitalisation approach for investment properties.

Estimated impairment of goodwill

We test annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.3 to the Financial Statements. The fair value of our investment properties under development has been arrived at on the basis of a valuation carried out by independent valuers. There is no current impairment of goodwill.

Estimated impairment of investment in associates

We test annually whether each of our investments in joint ventures/associates has suffered any impairment, in accordance with the accounting policy stated in note 2.3 to the Financial Statements.

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The fair value of non-derivative financial instruments is determined based on the present value of the future principal and interest cash flows. These cash flows are calculated based on the discount rate prevailing at the reporting date. See note 28 to the Financial Statements.

SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

SHAREHOLDERS

The Company's majority shareholder is Rönesans Holding which indirectly owned 74.24% of its shares as at 31 December 2017. Rönesans Holding (through its subsidiary Rönesans Emlak) together with minority shareholders Mr. Murat Özgümüş and Mr. Kamil Yanıkömeroğlu who together hold 4.32% of the shares in Company, has the power to control the composition of the majority of the members of the Company's board of directors (currently six out of eight members) and is itself controlled by members of the Ilıcak Family. The Company's other indirect principal shareholder is GIC which indirectly (through its wholly owned subsidiary Euro Efes S.à r.l.) owned 21.44% of the Company's shares as at 31 December 2017 and currently has the right to nominate two directors to the Company's board. The rights of the Company's shareholders are contained in the articles of association of the Company and the Company will be managed in accordance with those articles of association and with the provisions of Turkish law. See "*Risk Factors—Risks relating to our shareholding structure—The Company is controlled by shareholders whose interests may not be aligned with our interests or those of our creditors*".

Both the Rönesans Group and GIC are described under "*Business—Overview*".

RELATED PARTY TRANSACTIONS

The Company, its direct shareholders and Rönesans Holding are parties to a shareholders' agreement which, among other things, requires the approval of at least one GIC director in a board meeting before a related party transaction, other than a related party transaction designated as permitted under the shareholders' agreement (a "**Permitted Related Party Transaction**"), can be entered into. The shareholders' agreement contains a list of Permitted Related Party Transactions that includes:

- construction agreements entered into with our sister company, Rönesans Construction Company, that are in the form of an approved template construction agreement;
- consultancy services provided to us by Rönesans Holding or its subsidiary which is also a direct shareholder in the Company, although the number and scope of these has been declining as we develop the ability to take on additional functions in-house;
- electricity supply agreements with our sister company, Rönesans Elektrik Enerji Toptan Satış A.Ş., provided that they are on market terms;
- office rental agreements on market terms with other Rönesans Group companies;
- a range of service agreements between us and our joint ventures, including agreements for asset management services, leasing services, development services, facilities management services and construction consultancy services; and
- a leasing agreement relating to the Küçükyalı school.

The principal effects of our transactions with related parties are to our current trade payables to related parties which amounted to TRY 145,515 thousand as at 31 December 2017, TRY 98,355 thousand as at 31 December 2016 and TRY 33,256 thousand for the year ended 31 December 2015 and non-current trade payables to related parties which amounted to TRY 314,605 thousand as at 31 December 2017, TRY 210,744 thousand as at 31 December 2016 and TRY 30,629 thousand for the year ended 31 December 2015. Details of our related party transactions can be found in note 5 to the Financial Statements.

BUSINESS

OVERVIEW

We are a leading Turkish commercial real estate company operating solely in Turkey. Our focus is on the development of, investment in and operation of predominately shopping centres and some offices, although some of our investment properties include other assets, such as a hotel, school or residential component. We have one of the largest commercial property portfolios in Turkey, with 11 income generating assets and two properties under development together with a strong pipeline of new developments. Our portfolio of investment properties comprises eight medium to large scale shopping centres in Istanbul, Ankara, Izmir and other large Turkish cities, one mixed use property comprising a shopping centre and office in Istanbul and two office buildings in Istanbul. We are also developing a mixed use project (shopping centre, office and residential) in Istanbul and a shopping centre in Izmir. Our Property Portfolio includes a range of commercial projects, in terms of geographic location, size, design, segment and stage of development.

We are involved in all stages of project development and management, including: sourcing; acquisition; zoning, permitting and licensing; design; financing; construction management; and leasing, property and asset management. We use our extensive deal-sourcing capability and knowledge of the Turkish real estate market to acquire attractive sites and properties following the three key principals: good location, easy accessibility and good visibility. We develop our projects using international architectural and design concepts and seek to do so in accordance with international best practices and safety standards. We actively observe international trends in commercial real estate offerings and endeavour to tailor evolving commercial real estate offerings for the markets in which we operate by continually adjusting the tenant mix to offer attractive stores and services as well as focusing on shopping centres that remain attractive meeting places, close to large population centres and with easy public transportation access. We also engage in the asset management of our properties by managing tenant mix and rents, structuring leases and engaging in other activities designed to maximise footfall, occupancy levels and rental income from our shopping centres.

Our major shareholders' parent, Rönesans Holding, a private company, holding indirectly 74.24% of our outstanding shares, is a construction and real estate development group with operations in Turkey and other locations across the Commonwealth of Independent States, Western Europe, Africa and the Middle East. In 2016, the International Finance Corporation invested U.S.$215 million into Rönesans Holding through a capital increase to become a minority shareholder holding 5.25% of the outstanding shares of Rönesans Holding. This investment valued Rönesans Holding at U.S.$4.1 billion. As of at 31 December 2017, the Rönesans Group has 44,704 employees globally, working in more than 20 locations. The Rönesans Group operates in energy, PPP healthcare investment and infrastructure businesses. Rönesans Construction, the Rönesans Group's construction arm, has been the general contractor or construction manager for most of our real estate development projects. During that time, it has accumulated expertise in managing the construction of various types of properties, including retail, industrial, hotels, offices and public buildings. Our other principal shareholder's parent, GIC, holding 21.44% of our outstanding shares, is a global investment management company established in 1981 to manage Singapore's foreign reserves. It invests through three investment groups: Public Markets, Private Equity and Real Estate. Its real estate investments include both shareholdings and debt investments in both listed and unlisted real estate companies. The remaining 4.32% of our outstanding shares are held by members of our management (Mr. Kamil Yanıkömeroğlu and Mr. Murat Özgümüş).

Our extensive experience in the Turkish real estate market gives us both significant insight into this market and an extensive network of contacts that enables us to source attractive sites. Our relationships with developers, vendors, local municipalities and other industry participants provide us with access to land sites in both on- and off-market transactions and an array of other development opportunities. We also have access to an extensive network of well-known domestic and international retailers for our shopping centres and a broad tenant base for our office and other developments. In addition, we benefit from the Rönesans Group's and GIC's reputation in both our domestic and international markets.

We use the following categorisation for the properties in our Property Portfolio:

- **Investment properties**: these are properties where construction has been completed and the constructed facility is operational and generates revenues;

- **Properties under development**: these are properties where we have commenced construction, which is ongoing; and

- **Land bank properties**: there are properties where we have not commenced construction. Our land bank is divided into core and non-core segments. Core land bank properties are properties on which we intend to commence construction once we receive a construction permit. In relation to these properties, we may have already completed a detailed concept design or we may still be working on one. Non-core land bank properties are those properties where we have no current intention to commence construction activities.

In accordance with these categories, as at 31 December 2017 our Property Portfolio comprised:

- 11 yielding investment properties, principally comprising eight shopping centres located in Istanbul, Ankara, Izmir and other major Turkish cities, one mixed use project comprising a shopping centre and office in Istanbul, and two office buildings in Istanbul, totalling 526,536 m^2 of GLA in aggregate, comprising 450,471 m^2 of retail GLA and 76,066 m^2 of office GLA. Our proportional share meaning our share of the assets and liabilities and revenue and expenses of our joint ventures of the total GLA of our investment properties is 361,915 m^2;

- a mixed use project comprising a shopping centre, office and residential units in Istanbul and a shopping centre under development in Izmir, totalling 154,384 m^2 of GLA in aggregate, comprising 118,497 m^2 of retail GLA and 35,887 m^2 of office GLA. The shopping centre in Izmir is wholly owned by the Company;

- three core land bank properties, located in Izmir and Antalya, totalling 233,559 m^2. Our proportional share of the total core land bank properties' plot area is 209,174 m^2; and

- eight non-core land bank properties, located in Istanbul, Ankara, Izmir, Bursa, Antalya and Izmit, totalling 217,454 m^2. Our proportional share of the total non-core land bank properties' plot area is 205,739 m^2.

As at 31 December 2017, the properties in which we hold an economic interest, were valued at a total value of TRY 12.7 billion by TSKB, although in many cases we do not hold a 100% interest in those properties and the value of our investment properties in the Financial Statements as at 31 December 2017 was TRY 6.3 billion (and, the Combined gross asset value was TRY 9.5 billion as at the same date). See "*Risk Factors—Risks related to our business and industry generally—Property valuation is inherently subjective and uncertain and subject to assumptions*".

As at 31 December 2017, the regional distribution of our Property Portfolio, based on the combined investment property value basis is: 48.0% are located in İstanbul, 21.9% located in İzmir, 9.7% in Adana, 5.0% in Samsun, 4.7% in Ankara, 4.5% in Antalya, 2.6% Kahramanmaraş, 2.3% in Şanlıurfa and 1.2% in other cities. As at 31 December 2017, the regional distribution of the yielding assets within our Property Portfolio, based on the combined investment property fair value basis is: 47.0% in İstanbul, 16.3% in İzmir, 15.0% in Adana, 7.8% in Samsun, 6.2% in Ankara, 4.1% Kahramanmaraş, and 3.5% in Şanlıurfa.

In January 2018, we acquired our joint venture partner's interest in three joint ventures each of which owned a yielding investment property.

In each of 2017, 2016 and 2015, our revenue amounted to TRY 169 million, TRY 114 million and TRY 88 million, respectively, our Adjusted EBITDA amounted to TRY 85 million, TRY 33 million and TRY 15 million, respectively, and our net profit amounted to TRY 1,167 million, TRY 758 million and TRY 508 million, respectively.

In each of 2017, 2016 and 2015, our Combined revenue amounted to TRY 396 million, TRY 311 million and TRY 270 million, respectively, our Combined Adjusted EBITDA amounted to TRY 257 million, TRY 180 million and TRY 151 million, respectively, and our net profit amounted to TRY 1,167 million, TRY 758 million and TRY 508 million, respectively. As at 31 December in each of 2017, 2016 and 2015 our Combined EPRA NAV amounted to TRY 6,664 million, TRY 5,244 million and TRY 4,332 million, respectively.

STRENGTHS

We believe that we have a number of key strengths that give us a competitive advantage and enable us to operate successfully in Turkey.

Presence in attractive and growing market and assets classes

We are present in a growing economy with favourable macroeconomics and dynamic demographics, which we believe drives demand for our real estate assets. Historically, in terms of real GDP growth, Turkey has outperformed the eurozone average, with average real GDP growth rates from 2015-2017 forecast to be 5.1% compared to 2.0% real GDP growth rates across the eurozone (Source: OECD, March 2018). We expect Turkey to continue to outperform European average real GDP growth in the next few years.

One trend observed in emerging and growing economies as they develop is the increasing urbanisation of the population as jobs migrate from the rural economy to towns and cities. In Turkey between 1975 and 2014, the UN estimates that the proportion of the population in urban environments increased from 41.6% to 72.9% (Source: United Nations World Urbanisation Offering Circular, 2014 Revision). This has led to increased demand for commercial real estate, particularly as the middle and affluent class has been growing in Turkey in turn driving demand for retail and other commercial real estate and is expected to continue to do so.

We believe that quality real estate assets and retail space remain in short supply in Turkey. Retail space in Turkey is limited at 126 m^2 GLA per 1,000 inhabitants which is significantly below the European Union 28 average of 314 m^2 GLA per 1,000 inhabitants (Source: C&W), which we believe suggests significant growth potential.

High quality and balanced portfolio

We believe that we have a high quality and well-balanced portfolio of (i) income generating assets which bring stability to earnings and (ii) assets that we can develop in the future which we believe will drive the growth of the portfolio. As at 31 December 2017, the total value of the properties in which we hold an economic interest, was TRY 12.7 billion.

As of 31 December 2017, the portfolio of the properties in which we hold an economic interest as classified by Combined gross asset value is 64.3% investment property, 23.4% properties under development, 6.0% core land bank properties and the remaining 6.3% is non-core land bank. Of the properties under development, our Maltepe mixed use project, whose fair value as at 31 December 2017 was TRY 1,549 million, is expected to be completed in the second quarter of 2018. After the Maltepe project is opened, the share of properties under development is expected to fall to 7.1%. Shopping centres represent 74.9% of the total portfolio value as at 31 December 2017, with the remainder being offices (11.2%), other (1.5%) and land bank (12.3%). In addition, shopping centres represent 85.2% of the yielding portfolio value as at 31 December 2017, with the remainder being offices (12.4%) and other (2.4%).

The portfolio of the properties in which we hold an economic interest as classified by Combined gross asset value was 50.9% investment property, 32.4% properties under development, 8.4% core land bank properties and the remaining 8.2% was non-core land bank as at 31 December 2016.

The portfolio of the properties in which we hold an economic interest as classified by Combined gross asset value was 59.1% investment property, 19.7% properties under development, 8.0% core land bank properties and the remaining 13.2% was non-core land bank as at 31 December 2015.

This balanced portfolio allows us to pursue growth by using the cash flow from investment properties to fund the future development of the pipeline, while efficiently managing our operational risks.

Dominant shopping centres located close to public transportation hubs

All of our shopping centres are dominant shopping centres in their region and we believe are well located and easily accessible. The dominance reflects their central location and proximity to metro, light or high speed train services. In the most populated cities of Turkey where traffic congestion is significant, easy access to transportation is vital to maintain dominance and to have a larger catchment area. Our shopping centres are accessible to over 20 million people within 30 minutes time and will be accessible to over 26 million people once the two ongoing development projects are completed.

Growth of portfolio due to development activities

We have two projects under development, Maltepe mixed use in Istanbul and Karşıyaka shopping centre in Izmir, which we plan to complete in the second quarter 2018 and the second quarter of 2019, respectively. Assuming that both of these projects are completed according to plan, this will add an additional 154,384 m^2 GLA to the portfolio, broken out into 91,499 m^2 in 2018 and 62,885 m^2 in 2019 (on a 100% basis). The total GLA of our Property Portfolio has grown at a compound annual growth rate of 8.4% since 2015.

Vertically integrated platform

We have a vertically integrated business model covering sourcing and acquisition; concept and design; zoning and permitting; financing; construction management and leasing, property and asset management. This allows us to capture value across all stages of the development cycle and minimise value leakage, as well as to manage and control all stages of the development process. We employ 327 people, including mapping specialists, zoning specialists, project managers, engineers, analysts, marketing and sales specialists, lawyers, contract managers and finance and control personnel. Our internalised management structure allows us to control the development cycle and not to rely on third party managers.

Expertise and extensive experience in the Turkish market

We have significant expertise and extensive experience operating in the Turkish market. We employ local management and development teams in Turkey, our management teams have a wide range of development, construction and transaction experience and our Chairman and CEO have over 25 years' real estate development experience. We believe this approach of having an experienced local management team gives us key advantages over competitors in understanding local dynamics, credibility with key local counterparties, market intelligence and access to on- and off-market transactions.

STRATEGY

Our mission is to maintain our leading position in the Turkish real estate investment market. We aim to achieve this by pursuing the following strategies:

Continue to focus on commercial real estate in Turkey

We will continue to focus on our core sectors and market which are the retail and office sectors in Turkey. We intend to successfully develop and complete our existing pipeline. In addition, we intend to exploit the growing demand for high quality shopping centres from the growing middle and affluent class and the growing institutional tenant demand for Class A office space. We aim to further deliver sustainable shareholder value by expanding our investment property portfolio to further benefit from economies of scale and capitalise on retail network opportunities.

Expand the asset platform

We intend to continue to build, own and operate a leading portfolio of commercial real estate in order to maintain a critical mass of investment properties, capitalise on economies of scale and retain a platform capable of future growth. We aim to continue to acquire best-in-class shopping centres to support our inorganic growth. In addition, we intend to continue to opportunistically acquire land in attractive locations to support future growth, realise profits and recycle capital through opportunistic property sales if offered attractive prices.

Strengthen integrated operations

We believe that asset management offers significant value in the medium term and is a differentiating factor to increase profitability of our income generating properties. We intend to continue to expand our existing asset management capabilities as new investment properties are developed. We believe that by actively managing our tenant base and investment properties, we can maximise efficiency through the development cycle whilst maintaining competitive margins and the profitability of our assets. Our significant asset management capability also improves our ability to find and opportunistically acquire inadequately positioned or poorly performing yielding assets with significant redevelopment or repositioning potential.

Maintain financial and operational discipline

Financial stability and efficient use of capital will remain our key focus and we believe act as a defence to the cyclical nature of the sector. We intend to maintain financial and operational stability by using leverage to maintain an optimal capital structure in line with the shareholder agreements we signed with Rönesans Holding and GIC. In addition, we plan to retain significant income from our rental revenue stream, broaden our sources of funds, including the issuance of securities in the international capital markets and continue to use our relationships with local and international banks to obtain financing at competitive terms.

OUR HISTORY

The Company was founded in June 2006 in Ankara. However, Rönesans Group's real estate development activities date back to 2001 with the acquisition of the land plot on which Optimum Ankara was built and subsequently opened in 2004. Following reorganisations, the Company became the Rönesans Group's sole arm for its real estate development operations in Turkey and Russia in 2008 and 2009, respectively. In 2013, the Russian real estate operations were separated out into a separate Rönesans Group company.

In 2008, the Company entered into a joint venture with Amstar Global Partners (**Amstar**) through CREI Holding B.V. and Fervonia Holding B.V. that developed the Optimum Adana, Samsun Piazza (and hotel), Kahramanmaraş Piazza, Şanlıurfa Piazza and Kozzy shopping centres. In 2014, we took our first step into the office market by completing the Rönesans Tower, now known as Allianz Tower, which we subsequently sold in 2015. In 2013 and 2014, GIC, indirectly through Euro Efes S.à r.l., acquired a 50% shareholding in three subsidiaries (namely Esentepe, Feriköy and Kurtköy) which own Optimum shopping centres in Istanbul, Ankara and Izmir and became a significant partner at the asset level. In 2014, our co-operation with GIC deepened and it indirectly acquired a 21.44% shareholding in the Company through a capital increase of approximately €250 million.

In 2017 and 2018, we acquired Amstar's 50% shareholdings in Göksu (Optimum Adana), Mel 2 (Samsun Piazza and hotel), Mel 3 (Kahramanmaraş Piazza) and Kozyatağı (Kozzy). We have a single joint venture (Mel 4 - Şanlıurfa Piazza) remaining with Fervonia Holding B.V. and controlled by Amstar.

Our most recent project completion was the Hilltown shopping centre which opened in October 2017. An office development forming part of that mixed use project is expected to be completed later in 2018. In addition, our Maltepe mixed use project is expected to be completed in April 2018.

CORPORATE STRUCTURE

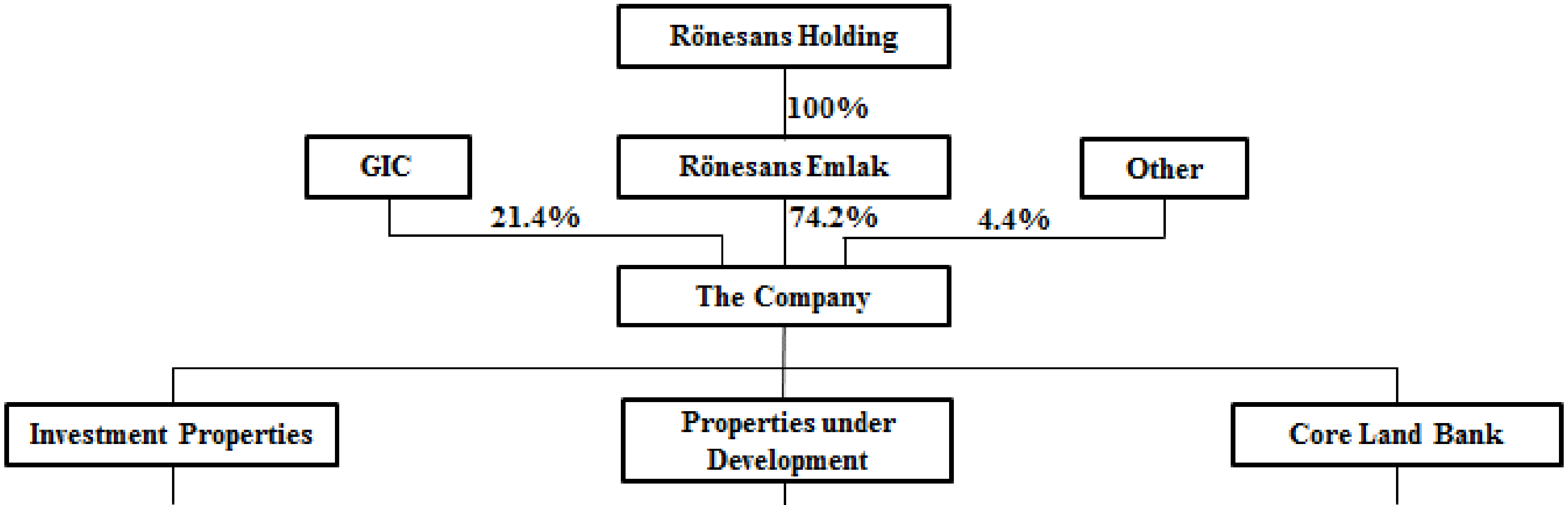
We are a joint stock company with two major shareholders as of the date of this document:

- Rönesans Emlak Geliştirme Holding A.Ş. (which is a wholly-owned subsidiary of Rönesans Holding, which in turn is controlled by members of the Ilıcak Family and in which International Finance Corporation has a 5.25% shareholding) which owns 74.24% of our shares; and

- Euro Efes S.à r.l., (which is wholly owned by GIC) which owns 21.44% of our shares.

The remaining 4.32% of our shares are held by members of our management (namely Mr. Kamil Yanıkömeroğlu and Mr. Murat Özgümüş).

We currently have 24 property-owning subsidiaries and we are party to six joint ventures (namely Esentepe, Feriköy, Kurtköy, Mel 4, Florya and Kandilli) which also own properties. The chart below shows our current corporate structure in respect of our various properties.



Investment Properties

Tarabya (100%) Hilltown Shopping centre and office

Göksu (100%) Optimum Adana shopping centre

Bostancı (100%) Küçükyali school and office

Mecidiyeköy (100%) RönesansBiz Mecidiyeköy office

MEL 2 (100%) Samsun Piazza shopping centre and hotel

MEL 3 (100%) Kahramanmaraş Piazza shopping centre

MEL 4 (50%) Şanlıurfa Pizza shopping centre

Kozyatağı (100%) Kozzy shopping centre

Esentepe (50%) Optimum Izmir shopping centre

Feriköy (50%) Optimum Istanbul shopping centre

Kurtköy (50%) Optimum Ankara shopping centre

Properties under Development

Salacak (100%) Maltepe shopping centre, office and residential

Altunizate (100%) Karşiyaka shopping centre

Core Land Bank

Florya (50%) Konak

Kuzguncuk (100%) Optimum Antalya

Kabataş (100%) Antalya Konyaalti

Non-Core Land Bank

Nakkaştepe (100%)

Kandilli (50%)

Nisbetiye (100%)

Kavacik (100%)

Sancaktepe (100%)

Akatlar (100%)

Balmumcu (100%)

Pendik (100%)

OPERATIONS

Overview

Our primary focus is on the development and ownership of and investment in medium-scale and large-scale shopping centres, as well as Class A office projects, although some of our investment properties include other assets, such as a hotel, school or residential component. We are directly involved in or oversee all stages of development of our projects, including land sourcing; zoning; permitting and licensing; and design, financing and construction management; and we continue to be actively involved in the asset management of our projects after their completion. We develop real estate projects independently and we also participate in development or ownership of shopping centres with joint venture partners. The nature and degree of our involvement in different aspects of the development or investment cycle typically depends on the project type and, in the case of joint ventures, our agreements with our partners, although we generally seek to retain control over our projects. Our operations can be divided into the following two primary areas of concentration: (i) project development and (ii) leasing, property management and asset management. We discuss these areas of concentration below.

Investment criteria

Our investment objectives are to maintain and strengthen our position as a leading commercial real estate platform in Turkey and to take advantage of this position to source new acquisition and development opportunities. We aim to continue building our Property Portfolio of attractively located, institutional quality, income producing retail and office properties in Turkey, with a view to enhancing capital values through development, acquisition and asset management and to generating and growing long-term cash flows. When selecting new investments, we target investments that we expect will generate significant returns in terms of income and capital gains. Our principal investment criteria are:

Asset type: while we pursue opportunities for investment as they arise in line with market conditions, our core business is the development and management of retail and office properties. Our target is to maintain our Combined gross asset value of our retail assets above 60% of our Property Portfolio and the Combined gross asset value of our office assets that are developed for lease at or below 25% of the Property Portfolio on the same basis. We consider residential units, hotels, schools and office units for sale as non-core business and we restrict our investment in them to mixed-use projects which also include a sizeable retail and/or office leasing component. While we generally seek to sell our non-core assets after development, we do retain any which we cannot dispose of profitably.

Asset size: we focus on medium- to large-size development properties and target a minimum completed GAV of over €20 million when acquiring land, development projects or completed assets.

Geography: we intend to exclusively invest in Turkey, in or near large cities with total populations exceeding 300,000. We may also consider investments in other areas in Turkey where opportunities meet our strategy and offer attractive returns.

Ownership: our priority is to own whole or controlling stakes in each project in our Property Portfolio. If we can source capital from more efficient sources, we generally do not use joint-venture structures. Our strategy is to retain both property and asset management control of each project in a subsidiary which is not wholly owned.

Asset concentration: we do not permit any single investment, or aggregate investments secured on a single project, to exceed 50% of the NAV of the Company (unless the investment is explicitly approved by our board of directors, including by at least one GIC director) and currently no project exceeds this threshold.

Developments: we aim to continue our active development strategy, including by acquiring land and taking advantage of property redevelopment opportunities, provided that certain unzoned land acquisitions are first approved by our board of directors, including at least one GIC director.

Leverage: we aim to use debt with a view to enhancing equity returns whilst maintaining prudent levels of interest cover and leverage. We also aim to determine the appropriate level of borrowings on a deal-specific basis. We do not impose a particular LTV limit for our investments, although, on an overall basis, we target a proportionally consolidated LTV of 40% with a cap of 45%.

Project development

Project development involves sourcing; acquisition; zoning; permitting and licensing; design; financing; and construction management.

Sourcing

We regularly perform in-depth market research and analysis on the Turkish real estate market. Opportunities are usually identified by our management team. In addition, our development track record and broad network of relationships enable us to receive direct proposals from property owners, real estate brokers and other parties. We identify land for development and other investment opportunities based on the following investment criteria:

- the competitive environment for the potential project;
- its location and land area;
- the proposed project size and type;
- anticipated population growth and purchasing power in the catchment area;
- the proposed development timeline; and
- our portfolio mix and performance objectives, including the projected amount and timeline of potential returns on investment in light of anticipated construction and financing costs,

and we assess the conformity of the opportunity to these investment criteria.

Once we identify an opportunity, we consider the potential investment during our internal investment approval process. All potential transactions are presented to our board. The assessment by our board is conducted in three stages:

(i) basic feasibility study, strengths, weaknesses, opportunities and threats analysis and location analysis;

(ii) concept design followed by detailed feasibility study based on the concept design, including the review of the location, scale, zoning, recommended project type and magnitude, target customers, timing, cost and potential returns on investment in light of anticipated financing costs, present and future competition and consumer trends; and

(iii) preliminary legal and technical due diligence.

A positive decision of the board is required before we can sign any preliminary agreement (such as, for example, a memorandum of understanding or heads of terms) and before we incur significant expenses on due diligence or the negotiation of final transaction documents. If our board approves the proposal, the due diligence and documentation process is conducted.

For our shopping centre projects, we principally focus on developing and investing in medium-scale (that is, with a GLA of 20,000 to 39,999 m^2) and large-scale (that is, with a GLA of 40,000 to 90,000 m^2) shopping centres in major cities in Turkey (such as Istanbul, Ankara, Izmir, Adana, Antalya and Samsun), although we have also developed and invested in shopping centres with GLA of less than 20,000 m^2. The average GLA of the properties we have developed over the last 10 years is 54,205 m^2. Both catchment area and accessibility are critical criteria for us and therefore we consider the site location and the proximity of the properties to transportation hubs.

For our office projects, we principally focus on developing and investing in office projects in major cities in Turkey (both our existing offices are in Istanbul). For our office projects, site location is the most critical criterion for us.

Acquisition

We acquire either freehold or long-term leasehold properties on which we develop our projects. We acquire the land primarily through private transactions and in some instances through public tenders.

We conduct all investment, assessment, negotiation and purchasing processes in-house. Acquiring attractive land at economically sensible prices is central to our acquisition strategy and we believe that our experience in the Turkish real estate market gives us a strategic advantage in identifying attractive and under-valued property. We typically finance land acquisitions through equity.

We are party to joint venture arrangements in relation to a number of properties in our portfolio (see "—*Property Portfolio*" below), and we may enter into similar arrangements in the future if appropriate opportunities arise. We generally do not make acquisition decisions together with our joint venture partners. We may, however, enter into joint venture agreements where our partner owns the land and where we provide financing, together with the full skill set required for commercial project development.

Design

We design our developments using modern architectural and design concepts and seek to do so in accordance with all local applicable safety standards and international best practices by using international expertise and consultancy firms. We retain the services of internationally recognised external design and concept consultants such as Elkus Manfredi Architects, DDG, T-Concept, Buchan, 5+ Design, Arquitectonica, C Concept Design, Fxfowle, Benoy and Valley Crest, depending on the project type, but manage and oversee the design process for our developments internally.

We employ 14 in-house designers with relevant experience in different areas, such as landscaping and interiors, who oversee and coordinate the design process before and through the construction period. We determine a preliminary development concept, taking into account local demographics and urban development trends, zoning rights, physical parameters, future expectations for the market and location, customer preferences and competing projects and, together with the design, architectural and construction firms, identify the principal attributes of the development. We also typically run market surveys and in-house analysis through our commercial managers and retain professional consultants to assess the market potential and target customer base for a proposed project.

Following the acquisition of a land plot, the preliminary development concept is formed and then shared with the external designers in order to form the basis of the design work. This preliminary concept is further developed during the design stage in accordance with the feedback provided by the external designers. Compliance with local regulations, domestic procedures and applications, which require architectural expertise, are conducted by external advisors and coordinated by our in-house architects.

We generally mandate leading international design and architecture firms to prepare the design documentation, including schematic and development designs. We take into consideration the advice of engineers as to technical measures such as with regard to earthquake preparedness and we retain an engineering company to carry out a site survey for an independent assessment of the site's subsoil and seismic conditions.

In addition, we actively observe changing global trends in commercial real estate offerings and our tenants' changing needs and requirements to tailor modern designs for our shopping centres. We design our office properties taking into account our tenants' focus on efficient use of space and lower operational costs.

Zoning, permitting and licensing

We generally undertake the zoning, permitting and licensing application and approval process in-house. Due to our established presence in Turkey, as well as our experience in liaising with relevant authorities, we are able to apply for zoning, permits and licences without external assistance. We prefer to acquire land which already has appropriate zoning status for our developments. However, in certain cases we may acquire land without completed zoning, depending on the availability of land for our development projects. For information regarding the regulations applicable to the development of real estate in Turkey, see "*Regulatory framework – Regulations relating to Real Estate in Turkey*".

Financing

We typically finance land acquisitions using equity. We have historically financed construction and other development costs relating to our projects mainly through a combination of equity and long-term bank loans, corporate bonds, project financing and re-financing. The substantial majority of our projects are financed on a project finance basis, without cross-collateralisation among them. We evaluate our financing opportunities on the basis of the economic terms offered. In addition, we periodically review the terms of our existing loans and in certain cases engage in negotiations with lenders in an attempt to improve those terms. The amount and type of bank financing we use varies by project depending on the availability and relative costs of bank financing, the type and scale of the project, the anticipated construction period and the estimated cost of development. We borrow from major domestic and international lenders, such as ICBC, BNP Paribas, Bank of China, UniCredit S.p.A, Akbank T.A.Ş,T. İş Bankası A.Ş., Alternatifbank A.Ş., Odea Bank A.Ş., T. Garanti Bankası A.Ş., Yapı ve Kredi Bankası A.Ş., TSKB A.Ş., QNB Finansbank A.Ş., and believe that our reputation in the market has generally allowed us to obtain favourable terms on our financing arrangements. Historically, we have been able to fix a large proportion of our financing costs through the use of interest rate swap and interest rate cap arrangements. As of 31 December 2017, our interest rate swap ratio was 91%. We generally obtain financing and project financing in euro or U.S. dollars to match the denomination of the rental income from shopping centre tenants and office space lessees, which affords us a degree of protection against exchange rate fluctuations. We generally try to diversify our borrowings across a number of banks.

Our project financing typically involves us preparing a detailed budget for the relevant project, which includes expenses and revenue expectation calculations relating to all the different phases from the development phase to completion of construction. Based on this budget, we submit a proposal to various banking institutions, which may provide a term sheet in response. Our project finance team evaluates, negotiates and agrees the proposed term sheet in consultation with the CFO. Once the term sheet is signed, the loan documentation is drafted and due diligence is performed by the relevant bank or banks. We generally do not sign the project's financing documentation before the contractor is selected and the budget is finalised. Sometimes we close the financing package earlier if, for example, we need the financing in place to facilitate construction commencing immediately upon signing the construction agreement with the contractor. Once the financing documentation is finalised and subject to any conditions precedent, the loan proceeds are disbursed to us for use in relation to the relevant project.

For more information on our financing arrangements, see "*Management's discussion and analysis of financial condition and results of operations—Liquidity and capital resources—Capital resources*".

The table below shows our average loan-to-value ratio for main project categories as at 31 December 2017.

	Investment properties	Properties under development	Land bank	Total
	(TRY million, except percentages)			
Loans outstanding[1]	2,890	917	—	3,807
Fair value of assets[1]	6,104	2,218	1,172	9,495
Loan to value ratio (*%*)	47.3%	41.3%	—	40.1%

Note:

(1) Includes 100% of the loans taken by, and the fair value of the assets of, subsidiaries and our proportional share of the loans taken by, and the fair value of the assets of, joint ventures.

As at 31 December 2017, 95% of our Combined financial debts portfolio comprises asset level debts which are secured, the remaining 5% is unsecured, of which, 3% are corporate bonds and 2% are corporate loans. The table below shows our combined financial debts' amortization schedule as at 31 December 2017.

	Total (TRY millions)
Payable in 2018	317.1
Payable in 2019	300.3
Payable in 2020	232.4
Payable in 2021	1,156.9
Payable in 2022	681,4
Payable in 2023	261.9
Payable after 2023	857.10
Total	**3,807.1**

As at 31 December 2017, the share of our largest 3 lenders in our combined debt portfolio is 49% and the share of international creditors in our combined financial debt portfolio is 31%.

Construction management

Rönesans Construction acts as general contractor of both of the projects in our portfolio which are currently under development, and has acted in that capacity with respect to most of our completed projects.

Using Rönesans Construction has enabled us to:

- achieve high standards of building quality;
- complete our projects in a timely manner;
- avoid cost overruns;
- minimise construction costs without compromising on the quality of work; and
- maintain flexibility throughout the construction process in connection with the projects' design.

With respect to our initial projects in Turkey, such as Optimum Ankara and Optimum Istanbul, the construction work was tendered to subcontractors following a pre-qualification process, in order to obtain a competitive price, and was coordinated by the Rönesans Group's project managers and key site personnel.

Since 2008, with the increasing number of projects in Turkey, Rönesans Construction started to directly contract as general contractor for all of our projects. This arrangement is embedded in our shareholder's agreement with GIC, see "*Shareholders and Related Party Transactions*". Our in-house development team oversees the construction throughout the process.

Our current framework agreement with Rönesans Construction adopts a cost plus margin basis. See "*Shareholders and Related Party Transactions*" and "*Risk Factors—Risks relating to our shareholding structure—We are party to a number of related party transactions and agreements which are material to our business*".

Leasing, property and asset management

Leasing

Leasing is a core activity of our operations. We have an in-house leasing team which manages the leasing of our shopping centres and we also retain reputable third-party agents to assist our office leasing manager in the leasing of our office properties. Our in-house leasing team is responsible for: (i) conducting rent negotiations, re-leasing and renewals; (ii) managing tenant relationships; (iii) administering leases, re-sizing and re-allocating existing space to maximise overall shopping centre leases; (iv) monitoring tenant mix, store sizes, store locations, sales and tenant credit risk; and (v) customer satisfaction management. We have an in-house health and safety manager who is responsible for health and safety at our properties, our finance department manages rent and service charge collection, our human resources team covers human resources and our in-house asset managers are responsible for facility upgrades and operational improvements, see "—*Asset management*" below.

Other day-to-day management services are undertaken by our subsidiary, Rönesans Yönetim A.Ş., see "—*Property management*" below.

Shopping centres

Our leasing strategy is to identify and secure a profitable, attractive and sustainable tenant mix, taking into account the location characteristics and the target customer base of the relevant shopping centre. We attempt to secure a diverse mix of tenants and to mitigate excess financial exposure to any particular tenant. When we plan our tenant mix, we also attempt to secure brands and concepts that are new to the market as well as lease contracts with entertainment service providers in order to attract more consumers and increase footfall. In 2017, we added 100 new brands to out tenant portfolio which widened our tenant pool by 18%. As at 31 December 2017, we had more than 500 tenants in our portfolio and no single tenant accounted for more than 6% of our total GLA or of our total rental income. The units in our operational shopping centres are leased to an extensive selection of domestic and international retailers, including providers of food and entertainment services. In 2017, our largest shopping centre tenant by GLA represented 2.64% of our total rental income from shopping centres and our top ten shopping centre tenants by GLA represented 16.36% of our total rental income from shopping centres. We negotiate long-term leases which may, in some instances, extend up to 15 years. We believe that securing anchor tenants facilitates securing tenants for smaller retail units and food court units, as well-known anchor tenants attract a significant level of consumer footfall. Our leasing department contacts potential tenants at early stages of development of a shopping centre to assess demand and survey space and other requirements. We may modify certain elements of our floor plan and architectural design based on feedback from potential anchor tenants. We usually seek to conclude lease agreements with anchor tenants prior to securing financing of our projects and generally lease small to medium units in the last months before opening to maximise the profit and ensure an up to date tenant mix that reflects industry trends. In addition, some units are strategically reserved until the opening to allow room for potential incoming strong brands.

The table below shows the occupancy evolution 12 months prior to the opening of our Hilltown shopping centre investment property and our Maltepe mixed use property under development.

Months before opening	12	11	10	9	8	7	6	5	4	3	2	1	0
Hilltown Shopping Centre **% of total GLA pre-let to tenants**	32.9	33.7	36.3	37.1	52.1	53.2	54.8	66.6	75.6	80.8	90.3	91.4	91.6
Maltepe Shopping Centre **% of total GLA pre-let to tenants**	40.6	40.6	43.0	45.0	45.0	45.2	51.8	62.7	77.8	83.8	92.0	95.0	n/a

Based on our experience with our past and current tenants and our database of past, current and prospective tenants, we believe that we can assess which tenants are likely to succeed in our developments, which enables us to seek to optimise our rental revenues and tenant mix. Our rents are typically linked to euro or U.S. dollars, with only a small number of tenants having rents denominated in lira without reference to another currency. Most of our lease agreements contain standard lease terms. However, we do negotiate certain terms with certain tenants, on a case-by-case basis. Our agreements with anchor tenants are generally more customised, depending on the type of tenant. Our shopping centre leases typically require our tenants to pay us monthly base rent or a base rent plus a variable turnover rent in TRY based on the tenant's actual monthly turnover, whichever is higher. We believe this mechanism enables us to build stable long-term relationships with our tenants and to benefit from the success of our tenants. At the same time, when the tenants experience periods of relatively low turnover, they will pay lower overall rates of rent than they would have otherwise had to pay. Partially as a result of these lease contracts, we generally enjoy higher overall occupancy rates, lower turnover of tenants and, ultimately, higher rental income. In rare cases, our tenants pay us only a turnover-based rent, which would typically range between 4% and 12% of their reported turnover. Our leases typically provide for periodic adjustments in base rent, which are mostly based on a stipulated increase of 3% to 5% per annum. In certain cases, the rent increase may be linked to variable price indices, such as the consumer price index (for example, the harmonised eurozone consumer price index (the **HICP**) for the foreign currency-based contracts and an average of Turkish consumer price index and producer price index rates for the lira-based contracts). We also apply, in certain cases, step-up rents where we provide our tenants with an initial base rent, which is gradually increased over time. For example, at our Optimum Izmir shopping centre, we have been able to increase the euro base rent by 22% in the last 5 years.

The table below shows our top 10 shopping centre tenants by GLA as at 31 December 2017.

Tenant name	**Sector**	**GLA (m^2)**	**% of total GLA**	**% of total Rent**	**Number of assets**
Migros...............................	Hypermarket	24,838	5.72%	2.64%	7
LCWaikiki	Apparel & Shoes	20,416	4.71%	2.18%	9
Inditex...............................	Apparel & Shoes	20,169	4.65%	1.75%	4
Mediamarkt.......................	Electronics	19,812	4.57%	2.75%	7
CGV.................................	Entertainment	17,496	4.03%	0.72%	5
BoynerGrup	Apparel & Shoes	17,444	4.02%	2.28%	8
Avşar Sinema....................	Entertainment	11,826	2.73%	0.54%	4
H&M................................	Apparel & Shoes	11,615	2.68%	0.72%	5
Koton	Apparel & Shoes	11,270	2.60%	1.78%	9
Playland	Entertainment	10,119	2.33%	0.99%	7

Note:

(1) The total GLA figure is based on leased GLA.

Office

Our external advisors identify tenants for most of our operational office properties, under the supervision of our in-house office leasing team. Our in-house expertise allows us to manage our relations with our external advisors and to undertake certain administrative functions. Our leasing team also provides feedback from tenants regarding market demands being made by tenants. Our office leasing strategy is to focus only on Class A office properties. The lease agreements that we usually enter for our office developments are for a term ranging from five years to 10 years. The rent in these agreements is denominated in euro. Our leases typically provide for periodic adjustments in base rent, which are mostly based on a stipulated increase of 1% to 3% per annum. In certain cases, the rent increase may be linked to variable price indices, such as the consumer price index (for example, the HICP).

The following table lists our top 10 office tenants by GLA as at 31 December 2017.

Tenant name	**Sector**	**GLA (m^2)**	**% of total GLA[(1)]**
Turkcell	Communications	36,611	55.99%
Bosch	Mobility & Industrial	15,153	23.17%
Adidas	Sports Goods	4,455	6.81%
George (ASDA	Textile & Wearables	2,546	3.89%
Axa Insurance	Insurance	2,434	3.72%
Adidas Sourcing	Sports Goods	855	1.31%
Nexans	Industry & Infrastructure	631	0.97%
Arkema	Chemicals & Advanced Materials	622	0.95%
Manpower	Human Resources	501	0.77%
Rumeli Cafe A.Ş.	Food & Beverages	275	0.42%

Note:

(1) The total GLA figure is based on leased GLA.

Property management

We retain the services of our subsidiary, Rönesans Yönetim A.Ş., for day-to-day management services for all our shopping centres and office spaces, including those owned by joint ventures, and it is responsible for, among other things (i) property accounting; (ii) cleaning, maintenance, security and landscaping of the common areas of a shopping centre or complex; (iii) utility cost management and (iv) asset-level marketing. Cleaning, maintenance, security and landscaping activities are conducted by external professionals. We are currently able to charge our tenants for a major part of the property management expenses in our shopping centres and our aim is to constantly increase the portion of expenses reimbursed by our tenants. Notwithstanding, we also strive to achieve greater efficiency through the use of new technologies and aim to achieve expense optimisation for our tenants and decrease their occupancy costs per square metre without compromising the quality of the services provided. In addition, we apply a hands-on approach to maintenance. Supervision of the technical issues is conducted by our in-house personnel, who are familiar with the technical specifications of our properties.

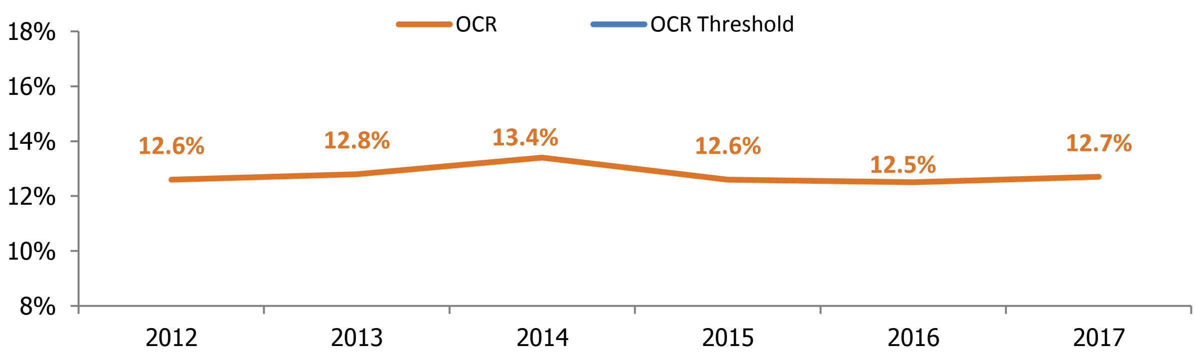
Asset management

As our Property Portfolio grows, we are increasingly focusing on asset management to enhance the value of our properties. We start actively managing our shopping centres following project completion. Detailed business planning for each property allows asset performance to be reviewed and constantly monitored, with monthly updates on key performance indicators in order to increase values, and address potential problems that may arise in any of the properties. Performance reviews, site visits and ongoing supervision by the asset management team allow us to make strategic decisions with respect to our properties. We seek to continuously strengthen the market position of our shopping centres by maintaining a high quality tenant base, high occupancy rates and high footfall to maximise our tenants' turnover and, as a result, our rental income. We focus on increasing the value and performance of our properties for the long term. To achieve that, our asset management team concentrates on maximising revenue and actively implements asset management strategies, including refurbishment, redevelopment and extensions, while our leasing team focuses on repositioning, tenant engineering, tenant mix reviews, marketing and customer relations management. We believe that the implementation of these strategies will increase per capita spending levels in our shopping centres and, as a result, our tenants' turnover and profitability. We also manage promotional activities and events in our shopping centres on a regular basis, with a view to increasing footfall and developing and maintaining customer loyalty. One of our major priorities is securing strong links with tenants and maintaining sustainable rental levels. During the last economic downturn this strategy effectively protected us from financial or material loss, which might have otherwise affected occupancy rates and created vacancies in our shopping centres.

Our leasing team analyses our commercial standing and relationships with our tenants. This is done by monitoring turnovers, customer spends, rents and payments based on information and schedules provided by our tenants either through co-operation and agreement, or through contract arrangements. This data is provided to the asset management team, and is then analysed and utilised for asset management purposes. Regular risk assessments are carried out in relation to our assets and their management, and action is quickly taken to mitigate and limit risks should any be identified. We believe that active asset management is essential to create and enhance additional market value, and we are committed to actively pursuing asset management strategies, and to expanding our expertise in this area in the future.

Occupancy cost ratio ("**OCR**"), calculated as sum of fixed rent, turnover rent, service charges including management costs and marketing contribution divided by our tenants' turnover, is a significant metric for us to measure how well-positioned we are to withstand economic volatility or contraction. We aim to maintain the OCR at each shopping centre below 15% and do so through an active tenant management policy. For example, Optimum Izmir has maintained an OCR level of 12% since its opening. As at 31 December 2017, our OCR stood at 12.7%, allowing us to remain under the 15% target. The graph below shows the evolution of our OCR from 2012 to 2017.

Occupancy Cost Ratio evolution



PROPERTY PORTFOLIO

The tables below show certain information in relation to the investment properties in our Property Portfolio.

Project	Location	Site area (m^2)	GLA (m^2)[(1)]			Occupancy rate (%)	Combined gross rental profit (*TRY million*)[(2)]
			Office	**Retail**	**Other**		
Optimum Izmir	Izmir	62,640		83,148		97%	49.3
Optimum Istanbul	Istanbul	21,525		39,771		99%	30.3
Optimum Adana	Adana	32,000		58,207		98%	37.8
Kozzy	Istanbul	10,010		14,704		99%	6.4
Optimum Ankara	Ankara	30,976		37,940		97%	23.6
Samsun Piazza and Anemon Hotel	Samsun	34,096		62,931	12,667 (hotel)	95%	29.4
Kahramanmaraş Piazza	Kahramanmaraş	36,029		48,103		94%	15.5
Şanlıurfa Piazza	Şanlıurfa	79,989		42,645		97%	12.9
RonesansBiz Mecidiyekoy	Istanbul	3,917	13,282			89%	8.7
Hilltown SC and office	Istanbul	48,958	9,216	63,022		95%[(3)]	9.6
Küçükyalı Office & Ted Ronesans College	Istanbul	23,323	53,567		26,743 (school)	100%	36.2
Total investment properties		**383,463**	**76,066**	**450,471**	**39,410**	**96%**	**259.7**

Notes:
(1) Approximately 84% of our total GLA is retail space and 16% is office space.
(2) Amount presents the gross profit of each project at 31 December 2017 multiplied by the Company's ownership share of the project company. For more information see Note 3(b) to the Financial Statements (excluding Seyrantepe).
(3) Shopping centre only.

Project	Construction start date	Construction completion date	Fair value of ownership (*TRY million*) [1]	Outstanding loans (*TRY million*)[2]	Our share (*%*)	Accounting methodology	Joint venture/ subsidiary name
Optimum Izmir	Q2 2010	Q1 2012[3]	996.2	453.5	50.0	Equity method	Esentepe
Optimum Istanbul	Q3 2007	Q4 2008	544.4	294.5	50.0	Equity method	Feriköy
Optimum Adana	Q4 2009	Q2 2011	917.1	488.2	100.0	Full consolidation[4]	Göksu
Kozzy	Q1 2008	Q2 2010	94.7	53.8	50.0	Equity method[5]	Kozyatağı
Optimum Ankara	Q2 2003	Q4 2006[6]	380.2	202.9	50.0	Equity method	Kurtköy
Samsun Piazza and Anemon Hotel	Q2 2011	Q1 2013	478.5	180.2	50.0	Equity method[5]	Mel 2
Kahramanmaraş Piazza	Q4 2011	Q2 2013	249.7	95.3	50.0	Equity method[5]	Mel 3
Şanlıurfa Piazza	Q4 2012	Q4 2013	216.0	90.4	50.0[7]	Equity method	Mel 4
RonesansBiz Mecidiyeköy	Q2 2011	Q1 2013	197.6	52.1	100.0	Full consolidation	Mecidiyeköy
Hilltown shopping centre and office	Q2 2012	Q4 2017[8]	1509.9	634.5	100.0	Full consolidation	Tarabya
Küçükyalı Office & Ted Ronesans College	Q3 2011 (school) Q1 2012 (office)	Q3 2014 (school) Q4 2014 (office)	520.0	158.0	100.0	Full consolidation	Bostancı
Total investment properties			**6,104.3**	**2,703.5**			

Notes:

(1) Amount presents the fair value of each project at 31 December 2017 multiplied by the Company's ownership share of the project company. For more information see Note 3(b) to the Financial Statements.

(2) Amount presents the current and non-current financial debt of each project at 31 December 2017 multiplied by the Company's ownership share of the project company. For more information see Note 3(b) to the Financial Statements.

(3) An extension was completed in March 2017.

(4) With effect from 16 August 2017. Prior to that, this was a 50:50 joint venture, consolidated using the equity method.

(5) With effect from 26 January 2018, these joint ventures have become wholly-owned subsidiaries.

(6) Optimum Ankara was constructed in two phases which completed in 2004 and 2006.

(7) The Group's joint venture partner has a put option entitling it to sell its 50% share of this joint venture to the Group. This option must be exercised by 30 September 2019, or it will lapse.

(8) Shopping centre only.

The tables below show certain information in relation to the properties under development in our Property Portfolio.

Project	Location	Site area (m^2)	GLA (m^2)			Pre-leasing rate (%)
			Office	Retail	Other	
Maltepe mixed use	Istanbul	30,617	35,887	55,612	22,354 (Residential GSA)	95%
Karşıyaka	Istanbul	87,727		62,885		31%
Total properties under development		**118,344**	**35,887**	**118,497**		

Project	Construction start date	Estimated completion date	Fair value of ownership (*TRY million*)[(1)]	Outstanding loans (*TRY million*)[(2)]	Our share (%)	Accounting methodology	Subsidiary name
Maltepe mixed use	Q3 2014	Q2 2018	1548.5	814.8	100.0	Full consolidation	Salacak
Karşıyaka	Q3 2016	Q2 2019	670.0	102.3	100.0	Full consolidation	Altunizade
Total properties under development			**2,218.5**	**917.1**			

Notes:

(1) Amount presents the fair value of each project at 31 December 2017 multiplied by the Company's ownership share of the project company. For more information see Note 10 to the Financial Statements.

(2) Amount presents the current and non-current financial debt of each project at 31 December 2017 multiplied by the Company's ownership share of the project company. For more information see Note 3(b) to the Financial Statements.

The table below show certain information in relation to the land bank in our Property Portfolio.

Land	Location	Site area (m^2)	Fair value of ownership (*TRY million*)[1]	Our share (*%*)
CORE				
Antalya Konyaaltı	Antalya	147,885	311.3	100.0
Konak	Izmir	48,770	160.1	50.0
Optimum Antalya	Antalya	36,904	100.5	100.0
NON-CORE				
Bayraklı	Izmir	23,893	255.4	100.0
Ümraniye Tepeüstü	Istanbul	23,431	76.2	50.0
Bursa	Bursa	25,010	101.3	100.0
Mamak	Ankara	51,521	64.1	100.0
Ayazağa	Istanbul	7,526	35.4	100.0
Silivri	Istanbul	41,633	34.1	100.0
Antalya	Antalya	12,919	19.7	100.0
Izmit	Izmit	31,521	14.5	100.0

Notes:

(1) Amount presents the fair value of each project at 31 December 2017 multiplied by the Company's ownership share of the Company. For more information see note 10 and 3(b) to the Financial Statements.

Investment properties

We currently have 11 investment properties.

Optimum Izmir

Overview

Optimum Izmir is a shopping centre located in Izmir with GLA of 83,148 m^2. The property consists of 62,640 m^2 of project land and a shopping centre. Optimum Izmir includes 252 stores and 3,062 parking spaces and its footfall in 2017 was 14.1 million. The shopping centre was designed by 5+ Design and the construction was managed by Rönesans Construction. The shopping centre opened in March 2012 and an extension was completed in March 2017 which added approximately 27,000 m^2 of retail GLA.

History and ownership

Optimum Izmir is a freehold property owned by Esentepe, which was incorporated in Turkey in 2007 and which acquired the land for the project in 2007 from the Rönesans Group. We hold a 50% interest in Optimum Izmir, through our 50% interest in Esentepe. The remaining interest has been held by GIC, through Euro Taurus S.à r.l., since February 2014. The property consists of 62,640 m^2 of land, including the shopping centre, and an adjacent area of land of 1,042 m^2 designated for the exhibition of the historical artefacts found in the area during the construction works and transferred to the adjacent land for display. Izmir Optimum is one of the two finalists in 2018 ICSC awards in the large refurbishment and extension category.

Location and accessibility

Optimum Izmir is located in the Gaziemir district of Izmir, which is bordered by the neighbourhoods of Karabağlar, Buca and Menderes. The Aegean Free Zone, an area in which special regulatory treatment exists for the operating users in order to promote exports of goods and services and several large hypermarket-oriented retail centres are in close proximity to the neighbourhood in which there are no other shopping centres bigger than 20,000 m^2 GLA within a 15 minute drive time. Izmir city has a population of 4.3 million.

Optimum Izmir is located approximately 4.5 kilometres from the Izmir Adnan Menderes Airport. Optimum Izmir is accessible by car or public transport. It is located approximately 50 metres from the closest underground station, Esbaş Station, and the Akçay Street also has many bus and minibus stops.

Tenants and yield status

The shopping centre's tenants are from various retail segments such as fashion, electronics, hypermarket, food and entertainment. As at 31 December 2017, 97.0% of the shopping centre's GLA was leased. As a result of the extension project and active tenant management strategy, Optimum İzmir was able to increase the euro base rent by 22% over the last five years.

In 2017, tenants at Optimum İzmir had over TRY 1 billion annualized revenue combined.

The average base rent for the shopping centre was €27.44 m^2 as of 31 December 2017.

The table below sets out the top five tenants of Optimum Izmir as at 31 December 2017. In 2017, the rent paid by these tenants accounted for 9.1% of the total rental income generated from the property.

Tenant	**GLA (*m^2*)**	**% of total leased GLA**	**Contract expires**
Migros	5,314	6.6%	21.04.2026
Inditex	5,124	6.4%	29.03.2037
Koçtaş	5,027	6.2%	31.12.2018

Cine Maximum	4,123	5.1%	17.05.2027
Decathlon	3,305	4.1%	22.10.2028
Total top five tenants	**22,893**	**28.4%**	

As at 31 December 2017, the shopping centre had a weighted average unexpired lease term of 7.51 years.

The table below shows Optimum Izmir's revenue and net profit, and our proportional share of that net profit, for each of 2017, 2016 and 2015.

	2017	**2016**	**2015**
		(*TRY million*)	
Revenue	126	81	74
Net profit	270	250	140
Our proportional share of net profit	135	125	70

Legal rights

The property is subject to the first degree mortgage dated 20 October 2017 in the total amount of €290,000,000 in favour of ICBC Turkey Bank A.Ş., Industrial and Commercial Bank of China Limited, Dubai Branch, and Bank of China Limited, Singapore Branch. In addition, on 31 December 2008 the adjacent land was registered as an immovable cultural asset to be protected due to the existence of historical artefacts on it such registration carries a requirements that the Monumental Protection Committee grant approval in advance of any construction or renovation work that may take place on the premises. The adjacent land is subject to the same first degree mortgage.

There is a first degree share pledge over the shares in Esentepe in favour of ICBC Turkey Bank A.Ş. (Ankara Branch).

Optimum Istanbul

Overview

Optimum Istanbul is a modern large purpose built shopping centre with GLA of 39,771 m^2. The shopping centre had a footfall of 7.4 million in 2017. The property consists of 21,525 m^2 of land and a shopping centre. Optimum Istanbul includes 156 stores from a wide variety of retail segments, combined with various leisure facilities, including an entertainment centre and an ice skating rink. It also has 1,533 indoor and 50 outdoor car parking spaces.

The shopping centre was designed by 5+ Design, was constructed by Rönesans Construction and opened in November 2008.

History and ownership

Optimum Istanbul's construction commenced in July 2007 and was completed in November 2008. We hold a 50% interest in Optimum Istanbul, through our 50% interest in Feriköy. The remaining interest has been held by GIC through Euro Taurus S.à r.l. since July 2013.

Location and accessibility

The shopping centre is located in the neighbourhood of Yenisahra in the Ataşehir District, on the Asian side of Istanbul. Ataşehir is one of the major districts of Istanbul, at the junction of Kadıköy and Ümraniye districts. The property is accessible by the E-5 highway, the main artery which runs through Istanbul, and the TEM highway. Ataşehir is accessible by car or public bus. The property is also situated on the Kadıköy-Kartal metro route and is approximately 650 metres from the closest underground station. Istanbul city has a population of 15.0 million.

Optimum Istanbul is located between two large and densely populated neighbourhoods, Kadıköy and Ümraniye. It is also in close proximity to the developing neighbourhood of Kozyatağı. Carrefour SA, a commercial complex compromising a shopping centre, a DIY store called Bauhaus and a Carrefour supermarket, is located approximately 1.4 kilometres south-east of Optimum Istanbul. The vicinity also includes a Metro Cash & Carry supermarket and a mixed-use commercial centre called the Palladium, which comprises a shopping centre, residential accommodation and office space.

Tenants and yield status

The shopping centre's tenants are from various retail segments, such as fashion, electronics, food and entertainment. As at 31 December 2017, 99% of the shopping centre's GLA was leased.

The average base rent for the shopping centre was €30.47 m^2 as of 31 December 2017.

The table below shows the top five tenants of Optimum Istanbul as at 31 December 2017. In 2017, the rent paid by these tenants accounted for 14.6% of the total rental income generated from the property.

Tenant	**GLA (*m^2*)**	**% of total leased GLA**	**Contract expires**
Koçtaş	4,425	11.2%	31.12.2018
Mediamarkt	3,285	8.4%	7.04.2021
Avşar Sinema	2,679	6.8%	31.10.2021
Migros	2,344	6.0%	21.04.2026
Boyner	1,695	4.3%	26.10.2027
Total top five tenants	**14,428**	**36.7%**	

As at 31 December 2017, the shopping centre had a weighted average unexpired lease term of 3.09 years.

The table below shows Optimum Istanbul's revenue and net profit, and our proportional share of that net profit, for each of 2017, 2016 and 2015.

	2017	**2016**	**2015**
		(*TRY million*)	
Revenue	79	70	64
Net profit	141	93	84
Our proportional share of net profit	71	47	42

Legal rights

Feriköy owns the land and buildings. An insignificantly small portion of the property is leased by the TEDAŞ (Electricity Distribution Joint Stock Company of Turkey) for 99 years commencing on 15 October 2008 for an annual amount of TRY 0.01. The property is subject to a first degree mortgage dated 8 November 2016 in the amount of €200,000,000 in favour of BNP Paribas. On 13 August 2017, we obtained a building permit from Municipality of Ataşehir in connection with our renovation of the shopping centre.

Optimum Ankara

Overview

Optimum Ankara is a modern large shopping centre with retail GLA of 37,940 m^2. The shopping centre had a footfall of 9.3 million in 2017. The property consists of 30,976 m^2 of land and a shopping centre. Optimum Ankara includes 177 stores from a wide variety of retail segments, combined with various leisure facilities, including an 18-lane bowling alley, a 14-screen cinema and a 401 m^2 indoor ice skating rink. It also has 680 indoor and 248 outdoor parking spaces. The shopping centre was designed by Öncüoğlu Architecture. The shopping centre was constructed by Rönesans Construction and opened in November 2006.

History and ownership

Optimum Ankara is a freehold property owned by Kurtköy, a joint venture which is 50% owned by us and 50% owned by GIC, through Euro Taurus S.à r.l., which acquired its stake from the Company in October 2013. The project's construction commenced in June 2003 and it opened in 2004. The property was built in two phases, with the construction of the second phase completed in October 2006. The total project costs amounted to approximately TRY 87 million.

Location and accessibility

Optimum Ankara is located in Eryaman district, in Ankara, at the junction of Istanbul and Eskişehir highways, which are the main arteries connecting the district to the city centre. It is located approximately 25 kilometres from the city centre and in close proximity to the Ankara-Etimesgut Highway exit which leads to the convergence of several roads near the centre. Optimum Ankara is accessible by car or public bus and is located approximately 1,600 metres from the closest high speed train station. Ankara city has a population of 5.4 million.

Optimum Ankara is located near the Istanbul highway, the city's newly developing industrial area. To the north of the property is a large vacant land area, which has not received zoning designation. The land is bordered by apartment block residential developments on its northern and southern sides, with a few smaller housing developments in its centre. A Migros MMM supermarket is located west of the property on the Sincan-Ayaş Street. Along the southern border of the property lies a river that is channelled through raised banks.

Tenants and yield status

The shopping centre's tenants are from various retail segments such as hypermarket, electronics, food and entertainment (including a movie theatre). As at 31 December 2017, 97% of the shopping centre's GLA was leased.

The average base rent for the shopping centre was €25.47 m^2 as of 31 December 2017.

The table below sets out the top five tenants of Optimum Ankara as at 31 December 2017. In 2017, the rent paid by these tenants accounted for 7.8% of the total rental income generated from the property.

Tenant	GLA (m^2)	% of total leased GLA	Contract expires
Mediamarkt	2,814	7.7%	7.04.2021
Avşar Sinema	2,689	7.3%	31.10.2021
Rollhouse	1,943	5.3%	31.12.2021
Adese	1,856	5.0%	11.07.2022
LCW	1,370	3.7%	19.06.2027
Total top five tenants	**10,672**	**29.0%**	

As at 31 December 2017, the shopping centre had a weighted average unexpired lease term of 4.45 years.

The table below shows Optimum Ankara's revenue and net profit, and our proportional share of that net profit, for each of 2017, 2016 and 2015.

	2017	**2016**	**2015**
		(*TRY million*)	
Revenue	62	55	51
Net profit	43	64	66
Our proportional share of the net profit	22	32	33

Legal rights

Kurtköy owns the lands and buildings. The parcel on which the shopping centre is built is subject to certain encumbrances, including among others, a first degree mortgage in favour of ICBC Turkey Bank A.Ş. in the amount of U.S.$70,000,000 and in favour of Industrial and Commercial Bank of China Limited, Dubai and Singapore Branches, in the amount of U.S.$160,000,000. The current building use permit was approved on 25 September 2013 by the Municipality of Etimesgut.

There is a first degree share pledge over the shares in Kurtköy in favour of ICBC Turkey Bank A.Ş. (Ankara Branch).

Kozzy

Overview

Kozzy Istanbul is a small-scale neighbourhood shopping centre with GLA of 14,704 m^2. The shopping centre had a footfall of 2.8 million in 2017. The property consists of 10,010 m^2 of land and a shopping centre, together with municipality services. Kozzy Istanbul includes 54 stores from a range of fashion, electrical and food stores, food courts and a nine screen cinema. It also has 221 underground car parking spaces. The shopping centre was designed by 5+ Design and was constructed by Rönesans Construction. The shopping centre opened in April 2010.

History and ownership

Kozzy is a leasehold property 100% owned by Kadıköy Municipality. Prior to 26 January 2018, we held a 50% interest in Kozzy through our 50% shareholding in Kozyatağı. We acquired our joint venture partner's (namely CREI Holding B.V.) interest in Kozyatağı on 26 January 2018. Kozyatağı is party to a 30-year usufruct agreement with the municipality which expires in December 2039. Usufruct is a right of use and enjoyment of property; the holder of the right can enjoy the full economic benefit of the property including the usage, administration and profitability of the property. The annual payment under the agreement is subject to annual increases in line with the Turkish PPI. The project's construction commenced in January 2008 and the shopping centre opened in April 2010.

Location and accessibility

The shopping centre is located in the Kozyatağı area of Kadıköy district, on the Asian side of Istanbul at the junction of Ataturk Avenue, Fahrettin Kerim Gökay Avenue and Şemsettin Günay Avenue approximately 0.8 kilometres to the south of the E-5 Highway, a key highway in Istanbul. Kozzy is accessible by car or public transport links with frequent bus services passing through the property. Kozzy is located approximately 1,300 metres from the closest underground station. The property is also situated close to the Kadıköy-Kartal metro route. Kozzy is located between large and densely populated neighbourhoods, such as Ümraniye, Üsküdar and Maltepe and is surrounded by high density housing complexes and the Erenköy Hospital. Istanbul city has a population of 15.0 million.

Tenants and yield status

The shopping centre's tenants are from various retail segments such as fashion, electronics and food stores, food and entertainment. As at 31 December 2017, 99% of the shopping centre's GLA was leased.

The average base rent for the shopping centre was €20.63 m^2 as of 31 December 2017.

The table below sets out the top five tenants of Kozzy Istanbul as at 31 December 2017. In 2017, the rent paid by these tenants accounted for 15.5% of the total rental income generated from the property.

Tenant	**GLA (*m^2*)**	**% of total leased GLA**	**Contract expires**
Migros	1,871	12.8%	21.04.2026
LCW	1,385	9.5%	19.06.2027
Avşar Sinema	1,384	9.5%	31.10.2021
Mudo	735	5.0%	30.06.2019
Flo	610	4.2%	17.05.2027
Total top five tenants	**5,985**	**41.1%**	

As at 31 December 2017, the shopping centre had a weighted average unexpired lease term of 3.56 years.

The table below shows Kozzy's revenue and net profit, and our proportional share of that net profit, for each of 2017, 2016 and 2015.

	2017	**2016**	**2015**
		(*TRY million*)	
Revenue	20	18	17
Net profit	12	18	10
Our proportional share of net profit	6	9	5

Legal rights

Kadıköy Municipality owns the lands and buildings of the project. Kozyatağı, in which we now hold 100% of the shares, has been granted a right of usufruct on the property for 30 years, starting from 25 December 2009. There are two lease annotations established on the property in favour of Migros Ticaret A.Ş. and Doruk Unlu Mamuller Sanayi ve Perakende Hizmetleri A. Ş. for 10 years starting from 30 September 2010 which has the effect of making the lease agreement enforceable vis-à-vis any new owner of the property. On 5 December 2016, we obtained a building permit from the Municipality of Kadıköy in connection with a renovation of the shopping centre.

There is a first degree share pledge over the shares in Kozyatağı in favour of Alternatifbank A.Ş.

Optimum Adana

Overview

Optimum Adana is a shopping centre located in Adana with GLA of 58,207 m^2. The shopping centre had a footfall of 10.1 million in 2017. The property consists of 32,000 m^2 of project land and a shopping centre. Optimum Adana includes 159 stores and 1,235 underground parking spaces. The shopping centre was designed by 5+ Design and the construction was managed by Rönesans Construction. The shopping centre opened in April 2011.

History and ownership

Optimum Adana is a freehold property, 100% owned by Göksu. Prior to 16 August 2017, the Company held a 50% interest in Göksu. The Company acquired all of the shares of its joint venture partner, CREI Holding B.V., in Göksu on 16 August 2017, making Göksu a wholly-owned subsidiary.

The land plot consists of a parcel of 32,000 m^2 on which the shopping centre is located and two adjacent parcels of 1,468 m^2 and 673 m^2, on which Göksu has joint ownership with third parties. The project's construction commenced in October 2009 and the shopping centre was opened in April 2011.

Location and accessibility

The property lies within a zone that has been selected as an urban transformation area by the Adana Metropolitan Municipality. Banks of the River Seyhan, which are currently used as parks and recreational areas, an operational Hilton Hotel and Sheraton Hotel are also located within the vicinity of the property.

The shopping centre is located in the Sinanpaşa neighbourhood of central Adana within the Yüreğir district. Optimum Adana is accessible by car or public transport through TEM and the Mersin-Adana highways. It is also located near the main bus terminal for the city. It is located approximately 350 metres from the closest underground station. Adana city has a population of 2.2 million.

Tenants and yield status

The shopping centre's tenants are from various retail segments such as fashion, electronics, hypermarket, food and entertainment. As at 31 December 2017, 98% of the shopping centre's GLA was leased.

The average base rent for the shopping centre was €17.93 m^2 as of 31 December 2017.

The table below sets out the top five tenants of Optimum Adana as at 31 December 2017.

Tenant	**GLA (*m*^{2})**	**% of total leased GLA**	**Contract expires**
Avşar Sinema	5,074	8.9%	31.10.2021
Inditex	4,600	8.1%	3.09.2035
Migros	3,700	6.5%	21.04.2026
LCW	3,189	5.6%	19.06.2027
Mediamarkt	2,816	5.0%	7.04.2021
Total top five tenants	**19,379**	**34.1%**	

As at 31 December 2017, the shopping centre had a weighted average unexpired lease term of 6.33 years.

The table below shows Optimum Adana's revenue and gross profit, and our proportional share of that gross profit, for each of 2016 and 2015.

	2017	**2016**	**2015**
		(*TRY million*)	
Revenue	72(1)	65	61
Gross profit	52(1)	47	43
Our proportional share of the gross profit	38(2)	23	22

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Notes:
(1) Comprises the sum of (i) 100% of the revenue/gross profit while Göksu was a joint venture and (ii) 100% of the revenue/gross profit while it was a subsidiary. Göksu became a subsidiary in August 2017.
(2) Comprises only 50% of the gross profit while Göksu was a joint venture.

In August 2017, Göksu was reclassified as a subsidiary when we acquired our joint venture partner's interest in Göksu.

Legal rights

Through Göksu, we own 100% of the parcel on which the shopping centre is located and have joint ownership in one of the two adjacent parcels. 100% of Göksu is held by the Company.

The parcel on which the shopping centre is located is subject to a first ranking mortgage dated 26 May 2016 in favour of Yapı ve Kredi Bankası A.Ş. and Unicredit S.P.A. for €150,000,000 and a commercial enterprise pledge in favour of Yapı ve Kredi Bankası A.Ş. for TRY 800,000,000 over the commercial enterprise located on the parcel. We obtained a building permit dated 22 August 2011 from Municipality of Yüreğir. There is also a first degree pledge of the shares in Göksu in favour of Yapı ve Kredi Bankası A.Ş. (Başkent Corporate Branch). In addition, an adjacent parcel on which the shopping centre is not located is subject to urban transformation development project.

Samsun Piazza and Anemon Hotel

Overview

Samsun is a mixed-use project with a shopping centre and a hotel in Samsun, at the junction of Ulus and Çarşamba Avenues. The property was designed by Tabanlıoğlu Architects and constructed by Rönesans Construction.

Samsun Piazza is a shopping centre located in Samsun with GLA of 62,931 m^2. The shopping centre had a footfall of 9.2 million in 2017. The property consists of 34,096 m^2 of land and a shopping centre. Samsun Piazza includes 165 stores and 1,343 parking spaces. The shopping centre opened in March 2013 and received an honorary award awarded from ICSC in the large shopping centres category in 2014.

The hotel also opened March 2013. It is being operated as the Anemon Samsun Hotel by Anemon Turizm ve İnşaat Ticaret A.Ş, which has a portfolio of 19 hotels across Turkey, under a 10-year agreement signed in 2012. The hotel has 164 rooms.

History and ownership

Samsun is a freehold property, 100% owned by Mel 2. Prior to 26 January 2018, the Company held a 50% interest in Mel 2. The Company acquired all of the shares of the joint venture partner, Fervonia Holding B.V., in Mel 2 on 26 January 2018, making Mel 2 a wholly-owned subsidiary.

Location and accessibility

The property is located in the Yenimahalle neighbourhood of the Canik district in Samsun and well surrounded by the local road network. Cumhuriyet Street, bordering the property to the north, forms a part of the coastal road linking Samsun to Istanbul and Trabzon. Doğu Park recreational area, Samsunspor Sports Facility, Samsun 19 Mayıs Stadium and Gülsan Industrial Zone are located within the vicinity of the property. There are also residential neighbourhoods located in close proximity to the property. The property is accessible by car, bus and the light rail system, which runs from the central bus station. It is located approximately 100 metres from the closest underground station. Samsun city has a population of 1.3 million.

Shopping centre tenants and yield status

The shopping centre's tenants are from various retail segments such as fashion, electronics, hypermarket, food and entertainment. As at 31 December 2017, 95% of the shopping centre's GLA was leased.

The average base rent for the shopping centre was €18.77 m^2 as of 31 December 2017.

The table below sets out the top five tenants of Samsun Piazza as at 31 December 2017.

Tenant	**GLA (m^2)**	**% of total leased GLA**	**Contract expires**
Boyner	4,521	7.6%	26.10.2027
Migros	4,426	7.4%	21.04.2026
Cine Maximum	4,072	6.8%	17.05.2027
Inditex	3,977	6.7%	28.03.2028
Playland	2,690	4.5%	12.04.2021
Total top five tenants	**19,686**	**33.0%**	

As at 31 December 2017, the shopping centre had a weighted average unexpired lease term of 6.85 years.

The table below shows Samsun Piazza's revenue and net profit, and our proportional share of that net profit, for each of 2017, 2016 and 2015.

	2017	**2016**	**2015**
		(*TRY million*)	
Revenue	77	69	64
Net profit	94	71	54
Our proportional share of the net profit	47	36	27

Hotel

Under the lease agreement, the hotel tenant is required to pay not less than the specified minimum annual rent for each year.

Legal rights

Mel 2 owns the parcel on which the hotel building and the shopping centre are built which is subject to (i) a first degree mortgage dated 22 August 2013 in the amount of €195,000,000 and (ii) a second degree mortgage dated 17 September 2014 in the amount of €34,000,000, both in favour of Türkiye İş Bankası A.Ş. There is a first degree share pledge over the shares in Mel 2 in favour of Türkiye İş Bankası A.Ş. (Baskent Corporate/Ankara Branch).

Kahramanmaraş Piazza

Overview

Kahramanmaraş Piazza is a shopping centre located in Kahramanmaraş with GLA of 48,103 m^2. The shopping centre had a footfall of 9.3 million in 2017. The property consists of 36,029 m^2 of land and a shopping centre. Kahramanmaraş Piazza includes 152 stores and 1,027 parking spaces. The shopping centre was designed by 5+ Design and opened in April 2013.

History and ownership

Kahramanmaraş Piazza is a freehold property, 100% owned by Mel 3, which was incorporated in Turkey. Prior to 26 January 2018, the Company held a 50% interest in Mel 3. The Company acquired all of its joint venture partner's (namely Fervonia Holding B.V.) shares in Mel 3 on 26 January 2018, making Mel 3 a wholly-owned subsidiary.

Location and accessibility

Kahramanmaraş Piazza is the only shopping centre in Kahramanmaraş (which has a population of 1.1 million). It has easy access conditions from the main roads and a strong catchment. There are no metro or train stations in Kahramanmaraş. Kahramanmaraş city has a population of 1.1 million.

Tenants and yield status

The shopping centre's tenants are from various retail segments such as fashion, electronics, hypermarket, food and entertainment. As at 31 December 2017, 94% of the shopping centre's GLA was leased.

The average base rent for the shopping centre was €14.36 m^2 as of 31 December 2017.

The table below sets out the top five tenants of Kahramanmaraş Piazza as at 31 December 2017.

Tenant	**GLA (m^2)**	**% of total leased GLA**	**Contract expires**
Migros	3,921	8.7%	21.04.2026
Tekzen	3,013	6.7%	4.05.2029
LCW	2,647	5.9%	19.06.2027
Cine Maximum	2,337	5.2%	17.05.2027
Playland	2,150	4.8%	12.04.2021
Total top five tenants	**14,068**	**31.2%**	

As at 31 December 2017, the shopping centre had a weighted average unexpired lease term of 7.39 years.

The table below shows Kahramanmaraş Piazza's revenue and net profit, and our proportional share of that net profit, for each of 2017, 2016 and 2015.

	2017	**2016**	**2015**
		(*TRY million*)	
Revenue	44	39	37
Net profit	16	30	32
Our proportional share of net profit	8	15	16

Legal rights

Mel 3 owns the parcel on which the shopping centre is built which is subject to (i) a first degree mortgage in the amount of €110,000,000 and (ii) a second degree mortgage in the amount of €20,000,000, both in favour of Türkiye İş Bankası A.Ş. There is a first degree share pledge over the shares in Mel 3 in favour of Türkiye İş Bankası A.Ş. (Baskent Corporate/Ankara Branch).

Şanlıurfa Piazza

Overview

Şanlıurfa Piazza is a shopping centre located in Şanlıurfa with GLA of 42,645 m^2. The shopping centre had a footfall of 7.4 million in 2017. The property consists of 79,989 m^2 of land and a shopping centre. Şanlıurfa Piazza includes 163 stores and 1,790 parking spaces. The shopping centre was designed by 5+ Design and opened in October 2013.

History and ownership

Şanlıurfa Piazza is a freehold property, 100% owned by Mel 4, which was incorporated in Turkey and is a joint venture 50% owned by the Company and 50% owned by Fervonia Holding B.V. and controlled by Amstar.

Location and accessibility

Şanlıurfa Piazza is the largest shopping centre in Şanlıurfa (which has a population of 2.0 million). It is located in the city centre and has a strong catchment. The catchment for the property within 30 minutes drive time is approximately 671,000 inhabitants, reflecting easy access to the shopping centre by main road. There are no metro or train stations in Şanlıurfa. Şanlıurfa city has a population of 2.0 million.

Tenants and yield status

The shopping centre's tenants are from various retail segments such as fashion, electronics, hypermarket, food and entertainment. As at 31 December 2017, 97% of the shopping centre's GLA was leased.

The average base rent for the shopping centre was €13.59 m^2 as of 31 December 2017.

The table below sets out the top five tenants of Şanlıurfa Piazza as at 31 December 2017.

Tenant	**GLA (*m*^{2})**	**% of total leased GLA**	**Contract expires**
Migros	3,262	7.9%	21.04.2026
Mediamarkt	3,058	7.4%	7.04.2021
LCW	2,923	7.1%	19.06.2027
Cine Maximum	2,681	6.5%	17.05.2027
Boyner	2,255	5.5%	26.10.2027
Total top five tenants	**14,179**	**34.5%**	

As at 31 December 2017, the project had a weighted average unexpired lease term of 7.01 years.

The table below shows Şanlıurfa Piazza's revenue and net profit, and our proportional share of that net profit, for each of 2017, 2016 and 2015.

	2017	**2016**	**2015**
		(*TRY million*)	
Revenue	38	36	33
Net profit	12	17	22
Our proportional share of net profit	6	9	11

Legal rights

Mel 4 owns the parcel on which the shopping centre was built, which is subject to a first degree mortgage dated 30 June 2014 in favour of Akbank T.A.Ş. in the amount of €19,500,000. There is a first degree share pledge over the shares in Mel 4 in favour of Akbank T.A.Ş. (Şişli Commercial Branch).

RönesansBiz Mecidiyeköy

Overview

Mecidiyeköy is an office project in the Şişli district in the centre of Istanbul. The office comprises 13,282 m^2 of leasable Class A office space and 167 parking spaces in a building. The property was designed by MuuM Architecture and constructed by Rönesans Construction. The office opened in March 2013.

History and ownership

The RönesansBiz Mecidiyeköy office, with an area of 3,917 m^2, is owned by our subsidiary, Mecidiyeköy. The property gained a LEED Gold certificate in November 2012.

Location and accessibility

The RönesansBiz Mecidiyeköy office is located between the large and densely populated neighbourhoods of Mecidiyeköy and Esentepe. The Cevahir shopping centre, residential and commercial buildings, class B and class C offices and some more recent constructions such as Trump Tower and Kempinski Astoria are also in close proximity to the property.

The property is located close to Büyükdere Street, the most important thoroughfare in the city, which connects the residential and commercial districts of Mecidiyeköy and Şişli with the central business districts of Gayrettepe, Esentepe, Levent, Maslak and the second bridge spanning the Bosphorus, further north, and adjacent to the E-5 highway. The RönesansBiz Mecidiyeköy office is accessible by car or public transport - it is located very close to Mecidiyeköy underground station (900 metres from the closet underground station), and it is also situated on the bus and metrobus lines which connect it with the city centre. The property is 4.2 kilometres from Bosphorus Bridge, 4 kilometres from Taksim and 19 kilometres from Atatürk Airport. The city's only underground metro system passes through Şişli with stations at Osmanbey, Şişli-Mecidiyeköy, Gayrettepe-Zincirlikuyu and Levent. The area is also accessible by municipal bus and car as many of the city's roads converge in the district due to its proximity to the connecting bridges. Istanbul city has a population of 15.0 million.

Tenants and yield status

The building's tenants are from various segments such as retail, insurance, consulting, chemicals and infrastructure. As at 31 December 2017, 89% of the building's GLA was leased.

The average base rent for the office space was €16.55 m^2 as of 31 December 2017.

The table below sets out the top three tenants of RönesansBiz Mecidiyeköy as at 31 December 2017.

Tenant	**GLA (m^2)**	**% of total leased GLA**
Adidas	4,455	37.7%
George (ASDA)	2,546	21.5%
Axa Insurance	2,434	20.6%
Total top three tenants	**9,435**	**79.8%**

As at 31 December 2017, the project had a weighted average unexpired lease term of 3.99 years.

The table below shows the revenue and gross profit from RönesansBiz Mecidiyeköy for each of 2017, 2016 and 2015.

	2017	2016	2015
		(*TRY million*)	
Revenue	13	13	12
Gross profit	9	9	8

Legal rights

We own 100% of the project land through our subsidiary, Mecidiyeköy. The subsidiary owns the parcel on which the office was built, which is subject to a first degree mortgage dated 25 July 2011 in favour of TSKB A.Ş. in the amount of €32,250,000 and a second degree mortgage dated 25 July 2011 in favour of TSKB A.Ş. in the amount of TRY 750,000. There is a first degree share pledge over the shares in Mecidiyeköy in favour of Türkiye Sınai Kalkınma Bankası A.Ş.

Hilltown shopping centre and office

Overview

Hilltown shopping centre is located in Istanbul with GLA of 63,022 m^2. The shopping centre had a footfall of 1.9 million in 2017 (since its opening). The property consists of 48,958 m^2 of project land and a shopping centre. Hilltown shopping centre includes 206 stores and 2,222 parking spaces. The shopping centre was designed by Elkus Manfredi and the construction was managed by Rönesans Construction. The shopping centre opened in October 2017 and the offices are expected to open in late 2018.

History and ownership

The Hilltown shopping centre and offices are held by Tarabya, a wholly-owned subsidiary of the Company, through a lease agreement for 49 years starting from 14 April 2010 from the General Directorate of Trusts, acting on behalf of the Atik Valide Sultan Trust. The lease agreement covers the entire 100,252 m^2 of land on which the mixed use project is located.

Location and accessibility

The Hilltown shopping centre and offices are located between the large and densely populated neighbourhoods of Kadıköy and Ataşehir. It is also in close proximity to a mass military housing zone, Istanbul Ticaret University and Bosch and Turkcell head offices.

The Hilltown shopping centre and offices are located approximately 13 kilometres to the east of the first Bosphorus Bridge link on the E-5 highway and 19 kilometres east of the second Bosphorus Bridge link on the TEM highway. Hilltown is accessible by car or public transport which includes public buses and minibuses. It is located approximately 300 metres from the closest underground station. Istanbul city has a population of 15.0 million.

Shopping centre tenants and yield status

The shopping centre's tenants are from various retail segments such as fashion, electronics, hypermarket, food and entertainment. As at 31 December 2017, 95% of the shopping centre's GLA was leased.

The average base rent for the shopping centre was €30.71 m^2 as of 31 December 2017.

The table below sets out the top five tenants of Hilltown shopping centre as at 31 December 2017.

Tenant	**GLA (m^2)**	**% of total**	**Contract expires**

		leased GLA	
Inditex	6,468	10.8%	26.10.2037
Boyner	4,913	8.2%	26.10.2027
Cine Maximum	4,283	7.2%	17.05.2027
H&M	3,116	5.2%	31.08.2021
LCW	2,441	4.1%	19.06.2027
Total top five tenants	**21,221**	**35.4%**	

As at 31 December 2017, the project had a weighted average unexpired lease term of 10.93 years.

Between its opening and 31 December 2017, the Hilltown shopping centre generated revenue of TRY 17 million and a gross profit of TRY 10 million.

Offices

The office component of Hilltown, which is expected to open in late 2018, has a GLA of 9,216 m^2. New build office accommodation is generally not pre-let in Turkey.

Legal rights

Atik Valide Sultan Trust owns the freehold of the lands and buildings of the project. Tarabya holds the lands and buildings through a lease agreement for 49 years starting from 14 April 2010 annotated with the land registry on 9 July 2015. Therefore, in the event that the Atik Valide Sultan Trust were to sell the freehold, the new owner would be bound by the lease agreement.

The parcel, on which the shopping centre and the office building are built, was declared as a hazardous land on 19 March 2014 pursuant to the Law on Transformation of Lands with Disaster Risk (Law. No. 6306) which means that the pre-existing structures on the parcel were subject to a particular regime regarding their evacuation and demolishment. There is an easement right established in favour of TEDAŞ for 49 years commencing on 19 June 2017.

There is a first degree share pledge over the shares in Tarabya in favour of Odeabank A.Ş.

Küçükyalı office and school

Overview

Küçükyalı is an office building in Maltepe, on the Asian side of Istanbul, near Kadıköy and Ataşehir. The office comprises 53,567 m^2 of leasable Class A office space. The property was designed by A Tasarım Architecture and opened in December 2014.

The TED Rönesans College, established by Rönesans Holding and Rönesans Educational Foundation in cooperation with the Turkish Educational Association (TED), accepted its first students in the 2014-2015 academic year. The college has a 1,200 student capacity and was established on an area of 26,744 m^2. The College has an 11,804 m^2 indoor area and a 7,689 m^2 outdoor game area. The TED Rönesans College was the first private school in Turkey to gain a LEED (Leadership in Energy and Environment Design) Gold Certificate.

History and ownership

Küçükyalı Office is held by Bostancı, a wholly-owned subsidiary of the Company, through a lease agreement for 49 years starting in June 2010 from the General Directorate of Trusts, acting on behalf of the Atik Valide Sultan Trust. The lease agreement covers the entire 48,958 m^2 parcel of land on which the mixed use project was constructed.

Location and accessibility

The Küçükyalı office and school project is located between the large and densely populated neighbourhoods of Kadıköy and Ataşehir. It is also in close proximity to a mass military housing zone, Istanbul Ticaret University and Hilltown shopping centre.

The Küçükyalı office and school project is located approximately 13 kilometres to the east of the first Bosphorus Bridge link on the E-5 highway and 19 kilometres east of the second Bosphorus Bridge link on the TEM highway. Küçükyalı is accessible by car or public transport which includes public buses, minibuses and metro. It is located approximately 500 metres from the closest underground station. Istanbul city has a population of 15.0 million.

Office tenants and yield status

Bosch and Turkcell both have their head offices in the Küçükyalı office building. As at 31 December 2017, 15,680 m^2 GLA was occupied by Bosch (29.3%) and the remaining 37,886 m^2 GLA was leased to Turkcell (70.7%). As at 31 December 2017, the project had a weighted average unexpired lease term of 5.24 years.

The average base rent for the office space was €12.23 m^2 as of 31 December 2017.

The table below shows the revenue and gross profit from the Küçükyalı office building for each of 2017, 2016 and 2015.

	2017	**2016**	**2015**
		(TRY million)	
Revenue	48	42	28
Gross profit	36	30	16

Küçükyalı school

The TED Rönesans College pays rent to the Company in accordance with its lease agreement. It also pays a royalty amount to the Turkish Educational Association.

Legal rights

Atik Valide Sultan Trust owns the freehold of the lands and buildings of the project, which is held by Bostancı through a lease agreement for 49 years starting from 22 June 2010, as annotated on 13 March 2014. The parcel is also subject to an easement right in favour of TEDAŞ for 49 years starting from 19 February 2014.

There is a first degree share pledge over the shares in Bostancı in favour of T. Garanti Bankası A.Ş.

Properties under development

We currently have two properties under development.

Maltepe mixed use

Stage of development

This shopping centre and residential spaces of this mixed use project are expected to be completed in the second quarter of 2018 and the office space is expected to be completed in late 2018.

Overview

Maltepe is a modern mixed use project including a shopping centre, office and residential units in Istanbul. Located on land with an area of 30,617 m^2, the project comprises 55,612 m^2 GLA for the shopping centre and 35,887 m^2 GLA for the offices. In addition, there are 230 residential units with a total gross sellable area of 22,534 m^2. The project was designed by 5+ Design and is being constructed by Rönesans Construction.

History and ownership

Maltepe is a freehold project, 100% owned by Salacak, a wholly-owned subsidiary of the Company. The project's construction commenced in 2014.

Location and accessibility

The project is located in the neighbourhood of Cevizli in the Maltepe district, on the Asian side of Istanbul. Maltepe is one of the major districts in the city, with around 500,000 inhabitants. The project is accessible from the E-5 highway, the main artery which runs through Istanbul. It is accessible by car, metro and public bus. The property has also direct access to the Kadıköy-Tavşantepe metro route, which is the main metro route on the Asian side.

Maltepe is located between two large and densely populated neighbourhoods, Kadıköy and Kartal. It is also in close proximity to various office projects in Kozyatağı and Maltepe. The vicinity also includes a shopping centre called Maltepe Park and Anatolian Justice Palace. Istanbul city has a population of 15.0 million.

Pre-let tenants and pre-sold residential units

Currently, approximately 95% of the expected GLA of the shopping centre has been pre-let to tenants (89% have executed lease agreements and 6% have executed letters of intent), including Inditex, H&M, Levi's and CGV. In addition, 81% of the residential units were pre-sold as at 31 December 2017. New build office accommodation is generally not pre-let in Turkey.

Expected rental rates

The average base rent for the shopping centre is expected to be €30.30 / m^2. We believe the average base rent for the office space is expected to be €14.50 / m^2 based on our knowledge of the market. We expect the Maltepe mixed-use project to have gross profit of €26 million once it is fully occupied and operational. The residential units are for sale not for rent.

Project costs

Total project costs (including financing costs) amount to €362.8 million, and the estimated remaining capital expenditures are €35.3 million.

Legal rights

Salacak owns the parcel which is subject to a first degree mortgage dated 13 September 2017 in the amount of €315,000,000 and a second degree mortgage dated 15 September 2017 in the amount of TRY 6,000,000, both in favour of QNB Finansbank A.Ş. There is a first degree share pledge over the shares in Salacak in favour of Finansbank A.Ş. (Ankara Branch).

The parcel is subject to a subject to an easement right in favour of TEDAŞ, starting from 31 October 1985.

Karşıyaka

Stage of development

The Karşıyaka project is under construction, with completion expected in the second quarter of 2019.

Overview

The Karşıyaka project is a modern shopping centre project in Izmir, located on land with an area of 87,727 m^2. The total GLA of the project is expected to be 62,885 m^2. The project aims to combine traditional street shopping with the modern residential area while offering more luxurious lifestyle brands and features. Karşıyaka shopping centre was designed by T-Concept and is being constructed by Rönesans Construction.

History and ownership

The Karşıyaka project is a freehold project, 100% owned by Altunizade which is, in turn, a wholly-owned subsidiary of the Company. In 2015, Carrefour SA Karşıyaka was acquired from Carrefour and subsequently demolished in order to develop a new shopping centre. The project's construction commenced in late 2016.

Location and accessibility

The project is located in the neighbourhood of Mavişehir in the Karşıyaka district of Izmir. The project is in the centre of a high-end residential district of Izmir, easily accessible by major road and rail transport. The property is also in the vicinity of the Mavişehir station on the İzban metro route.

The project is located between two large and densely populated neighbourhoods, Bayraklı and Çiğli. It is also in close proximity to the Soyak project and Karşıyaka Arena Sports Complex. The vicinity also includes a shopping centre called Mavibahçe. Izmir city has a population of 4.3 million.

Pre-let tenants

Currently 30% of the expected GLA of the project has been pre-let to tenants.

Expected rental rates

The average base rent for the shopping centre is expected to be €35/ m^2. We expect Karşıyaka to have gross profit of €23.5 million once it is fully occupied and operational.

Project costs

Total project costs (including financing costs) amount to €254.1 million, and the estimated remaining capital expenditure is €125.7 million.

Legal rights

Altunizade owns the parcel which is subject to a first degree mortgage dated 20 November 2017 in favour of Akbank T.A.Ş. in the amount of €232,500,000. The parcel was annotated as a hazardous land as of 10 August 2015 pursuant to the Law on Transformation of Lands with Disaster Risk (Law. No. 6306) which means that if there are existing structures on the parcel they would be subject to a particular regime regarding their evacuation and demolishment.

There is a first degree share pledge over the shares in Altunizade in favour of Akbank T.A.Ş.

Land bank

We have 11 properties in our land bank, three of which we consider to be core properties which means that we plan to start construction once a building permit has been obtained. These three properties are briefly described below.

Antalya Konyaaltı

We plan to develop a shopping centre in Konyaaltı district of Antalya on a land plot of 147,885 m^2. The property consists of two parcels, with a land area of 134,555 m^2 and 13,330 m^2, respectively. Also Antalya

Aquarium is located in the northeast area of the parcel which is owned by Antalya Metropolitan Municipality. This part, which is 26,557 m^2, is separated from the main parcel and buildings may not be constructed on it.

Subject to the granting of the necessary construction permit, the project is expected to be completed in 2020.

Konak

We plan to develop a mix-use project in Izmir on a land plot with an area of 48,770 m^2. The property consists of two parcels and is located in Mersinli, within the Konak district of Izmir. The Company owns 50% of the shares in Florya, which owns 91.02% of the property (100% of the parcel with an area of 43,770 m^2, and 621 m^2 of the adjacent 5,000 m^2 parcel). Our joint venture partner in Florya is Tekfen Group.

This is a free hold property; we are not committed to any capital expenditure. Subject to the granting of the necessary construction permit, the project is expected to be completed in 2022.

Optimum Antalya

We plan to develop a shopping centre in Antalya on a land plot of 36,904 m^2. The property is located in Muratpaşa district of Antalya. A wholly-owned subsidiary of the Company, Kuzguncuk, owns 73.6% of the property and the Antalya Metropolitan Municipality owns the remainder of the land.

This is a free hold property; we are not committed to any capital expenditure. The project is expected to be completed in 2022.

COMPETITION

We face competition in multiple aspects of our business. For example, at the land acquisition stage we compete with major contractors and other real estate developers for land opportunities. In relation to our developed shopping centres and offices, we compete with other similar and proximately located properties for tenants.

We consider our primary competitors in the retail sector to be Blackstone Group, Torunlar, Klepierre, Bainbridge and Metro Group. Although some of these competitors may have a greater GLA than we do, individually strong assets, key locations or a wider geographical presence, we believe that we are well placed to compete with them through our modern portfolio, significant land bank and strong focus on the Turkish market.

As at 31 December 2017, there were 429 operational shopping centres in Turkey. At the same date, our portfolio of nine operational shopping centres made us the second largest operator of shopping centres in the country.

See also "*Risk Factors—Risks related to our business and industry generally—We operate in a highly competitive industry, which could negatively impact our profitability*".

ENVIRONMENTAL MATTERS

We believe that we are in material compliance with all applicable environmental laws and regulations. We are not subject to any pending or, to our knowledge, threatened legal or administrative proceedings or private claims involving environmental matters. See "*Risk Factors—Risks relating to the regulatory environment—Our real estate development activities are subject to numerous environmental regulations*".

INSURANCE

We believe that we maintain adequate insurance in respect of our investment properties and our properties under development. For example, our investment property coverage includes property damage, business interruption (with a 24-month indemnity period), machinery breakdown, electronic equipment, third party liability, employers' liability and excess liability for tenants' insurance in relation to each property. However, certain of our insurance policies may set limits on claims that are below the replacement cost of the asset they insure.

We maintain construction all risks and employers' liability insurance in respect of our properties under development. We do not insure our land bank properties. Our policies are maintained with Turkish insurance companies (including Yapı Kredi Sigorta, Aviva Sigorta, Eureko Sigorta, Allianz Sigorta, Ak Sigorta, Anadolu Sigorta and Güneş Sigorta) which generally, in turn, reinsure their risks in the international markets. We also maintain earthquake insurance as part of our property insurance. In 2017, our insurance premiums amounted to €1.3 million. We have not experienced any material disputes with our insurance companies in respect of insurance claims made by us. See "*Risk Factors—Other risks—We may suffer losses not covered by insurance*".

INTELLECTUAL PROPERTY

We do not own any patents or copyrights. As of the date of this document, we have 61 registered trademarks and two trademark registration applications filed with the Turkish Patent and Trademark Office. Our registered trademarks include, among others, OPTIMUMAVM and a shape trademark used for the letter "O" of Optimum, Hilltown and variations, PIAZZA, PLAZZA and variations and RÖNESANSBIZ and variations. RGY is also one of our registered trademarks.

In addition, "COZZY" and "KOZZY ALIŞVERIŞ MERKEZI" are registered in the name of Kozyatağı.

The trademarks Rönesans Gayrimenkul and Rönesans Gayrimenkul Yatırım are owned by our parent company, Rönesans Holding.

INFORMATION TECHNOLOGY

We use SAP enterprise resource planning and the two servers used for this are located in an isolated system room. We use REM, an in-house software programme, for leasing and facility management. We also use Windows 10 Enterprise operating system and Microsoft Office 2016 applications; Adobe Photoshop CS6, Sketch Up Pro and 3-D Max for architectural drawing and AutoCAD for visual applications. We have all necessary licenses required for our use of third party software.

We have established a disaster recovery centre, which provides backup for our services offsite. Back up of the software and data used by our users are made on a daily, weekly and monthly basis through back up units located in the system rooms.

Rönesans Holding has an information security team. All information technology processes are operated in accordance with ISO 27001 procedures. Regular observations and inspections are carried out by the information security team.

Two separate system rooms are integrated with each other and protected by firewalls and monitoring systems. Penetration tests are undertaken on a regular basis and improvements are made in line with the results of those tests.

MANAGEMENT AND EMPLOYEES

BOARD OF DIRECTORS

Pursuant to the Turkish Commercial Code numbered 6762, as amended and our articles of association, our board of directors (the "**Board**") is responsible for our management. According to our articles of association, the Board consists of nine members appointed by our shareholders. Board members are elected for three-year terms and may be re-elected.

Rönesans Holding (which is controlled by members of the Ilıcak Family) indirectly holds 74.24% of our shares. GIC indirectly holds 21.44% of our shares and has the right to appoint two directors. GIC also has certain rights in relation to certain matters to be considered at Board and shareholder meetings, see "—*Shareholders' agreement rights*" below. Accordingly, these shareholders have the power to direct our management. See "*Risk Factors—Risks relating to our shareholding structure*".

Members of the Board

The table below shows certain information regarding each member of our Board as at the date of this document.

Name	Year of birth	Position	Year first elected	Year term ends
Kamil Yanıkömeroğlu	1966	Chairman	2011	2020
Murat Özgümüş	1966	Vice Chairman	2011	2020
İpek Ilıcak Kayaalp	1978	Board member	2012	2020
Özgür Canbaş	1973	Board member	2013	2020
Hasan Şimşek	1972	Board member	2014	2020
Sercan Yüksel	1984	Board member	2016	2020
Christopher David Morrish	1959	Board member	2014	2020
Tracy Lynn Stroh	1974	Board member	2016	2020

Kamil Yanıkömeroğlu, Chairman

Kamil Yanıkömeroğlu has a Master's degree in Civil Engineering from the Middle East Technical University, Turkey. Kamil Yanıkömeroğlu worked as a worksite manager in Başkanlar Endüstriyel Tesisler A.Ş. between 1988 and 1989; a project manager in Setan Mühendislik and Gibbs Joint Venture between 1989 and 1993; a deputy project manager in BHIC between 1993 and 1994; a partner in Vera Mühendislik A.¸Ş. between 1994 and 1996; and a shopping centres general coordinator in Tepe Inşaat between 1996 and 2003. He joined the Rönesans Group in 2003. He has been our Chairman since 2011 and was Chairman of our predecessor business since 2003. Since 2011, he has also been the Chairman of Rönesans Sağlık Yatırım A.Ş., an investor and operator in Turkish public private partnership projects.

Murat Özgümüş, Vice Chairman

Murat Özgümüş was born in Ankara in 1966. He was educated at TED Ankara college and then graduated from Istanbul Technical University Faculty of Architecture in 1990. He worked as an architect in Gümüşlü

Inşaat Ltd. Şirketi between 1992 and 1994, was a partner of MRT Mimarlık ve Inşaat Ltd. Şirketi between 1994 and 2002 and was a partner of MRT Yapı ve Proje Ÿonetim Ltd. Şirketi between 2002 and 2005. Mr. Özgümüş joined the Company in 2005 where he worked for our predecessor business. He is currently in charge of our project developments. He has been our Vice Chairman since 2011.

İpek Ilıcak Kayaalp, Board Member

Ipek Ilıcak Kayaalp graduated from the Economics Department of the Middle East Technical University in 2000. She worked in the field of asset management and finance at various international companies until 2006. Ipek Ilıcak Kayaalp has been an Executive Board member of Rönesans Holding and the Head of Treasury of Rönesans Holding since 2006. Since 2014, she has been the Chairwoman of the Board of Directors of Rönesans Holding.

Özgür Canbaş, Board Member

Özgür Canbaş holds a Bachelor's degree in Mechanical Engineering from ITU and a Master's degree in Business Administration ("**MBA**") from Koc University. He worked as Corporate and Investment Banker at Deutsche Bank in Istanbul, London and Singapore from 1998 to 2009. He then joined the Rönesans Group, where he held various executive positions. He is currently a Board member at various companies within the Rönesans Group.

Hasan Şimşek, Board Member

Hasan Şimşek has a Bachelor's degree in Architecture from the Middle East Technical University, Turkey. He has over 25 years' design, construction and development experience in Turkey, Russia, Ukraine and Ireland. He served as the Deputy Managing Director and Technical Director at Multi Development in Ukraine. He joined the Company in 2010 and he is currently our Chief Executive Officer ("**CEO**").

Sercan Yüksel, Board Member

Sercan Yüksel holds a Bachelor's degree in Economics from Istanbul University with a minor degree in Banking. Previously, he worked in the corporate finance department of Ernst & Young as a financial analyst. He joined the Company in 2010 and he is currently our Chief Financial Officer ("**CFO**").

Christopher David Morrish, Board Member

Chris Morrish graduated from Pembroke College, Cambridge University and completed his MBA at City University and the Executive Program at Stanford University. Chris has more than 35 years' experience in the real estate industry. He was Managing Director/Regional Head, Europe of GIC Real Estate, the real estate investment arm of GIC, a role from which he retired in 2016 after more than 16 years with GIC. Based in London, he was responsible for GIC's real estate investments across Europe. He was also a member of GIC Real Estate's Global Investment Committee and represented GIC on a number of investee company Boards. Chris was previously Strategic Planning Director at Hammerson plc, a major UK Real Estate Investment Trust and Associate Director at Greycoat PLC specialising in Central London office development, after training at Hillier Parker (now CBRE). He was a Fellow of the RICS and a former member of the Management Board of INREV and the Supervisory Board of the IPF. He now acts as a consultant and is a Director on a number of real estate company Boards and acts as an adviser on a small number of Fund Management Supervisory Boards.

Tracy Lynn Stroh, Board Member

Tracy Stroh holds a Bachelor's degree in Economics from the University of California. Before joining GIC, Tracy worked in the Investor Relations Department at CWS Capital Partners for two years and as a financial analyst at Catellus Development Corporation. She joined GIC in 2001 and she is currently Senior Vice President at GIC Real Estate.

There are no potential conflicts of interest between the private interests or other duties of the members of the Board and their duties to the Issuer.

SHAREHOLDERS' AGREEMENT RIGHTS

In connection with its investment in the Company, GIC, through its subsidiary Euro Efes S.à r.l. as the direct shareholder, entered into a shareholders' agreement with the Company, Rönesans Emlak Geliştirme Holding A.Ş., Murat Özgümüş and Kamil Yanıkömeroğlu as existing shareholders and Rönesans Holding. This agreement set out certain rights that GIC has in relation to matters referred to as either Strategic Board Matters or Strategic Shareholder Matters. These rights are also reflected in the Company's constitutional documents.

Strategic Shareholder Matters

Strategic Shareholder Matters require the vote of GIC before they can be approved in a general meeting of the Company's shareholders. Strategic Shareholder Matters include:

- any modification of the nature and scope of our business;
- any modification of the investment criteria, see "*Business—Operations—Investment criteria*";
- certain changes in the Company's share capital;
- the Company's liquidation, dissolution or winding-up or related steps;
- any amendments to the Company's constitutional documents that will adversely affect GIC's rights, including amending the Board structure or strategic matters; and
- amendments to the rights attached to the shares.

Strategic Board Matters

Strategic Board Matters require the approval of at least one GIC director before they can be approved in a Board meeting. Strategic Board Matters include:

- investment decisions outside the investment criteria and investments exceeding certain defined thresholds;
- any acquisition of unzoned land of more than €50,000,000 per project;
- disposals of assets (including shares in other companies) within a defined period that exceed a defined threshold;
- disposing of the shareholding of the Company in Rönesans Yönetim unless the Company maintains operational control over Rönesans Yönetim;
- entering into any agreements whereby an encumbrance is created over any of our assets in order to secure indebtedness or other obligations of any member of the Rönesans Group;
- our entering into, terminating or amending the terms of one or a series of agreements exceeding a defined monetary threshold with any member of the Rönesans Group (other than the Permitted Related Party Transactions (as to which, see "*Shareholders and Related Party Transactions*")) or amending certain Permitted Related Party Transactions for an amount in excess of a defined threshold;
- the Company guaranteeing obligations of, or assuming other liabilities for or on behalf of, any third party, subject to certain exceptions; and

- the Company requesting or repaying any Shareholder loans by or modifying any Shareholder loan extended to it other than those extended to prevent any potential covenant breach or to cure any default under any of our financing arrangements.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our company in accordance with the instructions, policies and operating guidelines set by our Board. Pursuant to our articles of association, our Board may delegate some of its powers to one or more of its members or to other senior managers.

The table below shows certain information regarding each member of senior management as at the date of this document.

Name	Year of birth	Position	Year first appointed
Hasan Şimşek	1972	CEO	2013
Sercan Yüksel	1984	CFO	2015
Salim Can Kirişçi	1961	Deputy General Manager	2014
Mehmet Kozlu	1983	Leasing Director	2015
Ali Alper	1978	Facility Director	2016
Ayberk Akçal	1981	Concept Design Director	2017
Aykut Bülbül	1982	Design Coordinator	2017
Burak Rıza Toraman	1977	Technical Coordinator	2017
Evren Billur	1978	Health, Safety And Environment Manager	2015
Gökhan Karaca	1981	Electrical Works Coordinator	2017
Kaan Tüfekçi	1986	Shopping Centre Management Director	2017
Nihat Kalfazade	1979	Leasing Manager	2015
Özgür Yalçınkaya	1978	Budget and Planning Coordinator	2017
Özlem Songur	1980	Deputy Legal Counsel	2017
Yağmur Yaşar	1969	Asset Management Director	2018
Emrah Mustafa Arıcan	1979	Accounting Coordinator	2016
Saadet Engin Sönmez	1985	Project and Corporate Finance Coordinator	2016
Özlem Uslu	1983	Reporting and Financial Operations Coordinator	2017
Kayhan Teyfik Okçuer	1977	Revenue Collection Director	2015

Hasan Şimşek, CEO

See "—*Members of the Board*" above.

Sercan Yüksel, CFO

See "—*Members of the Board*" above.

Salim Can Kirişçi, Deputy General Manager

Can Kirişçi graduated from Middle East Technical University, Turkey with a Bachelor's degree in Mathematics. He lectured in maths and geometry after he graduated from university. He joined the Company in 2009 and he is currently Deputy General Manager of the Company, responsible for retail leasings.

Mehmet Kozlu, Leasing Director

Mehmet Kozlu graduated from Bentley College in the United States with a Bachelor's degree in Marketing. After having worked for Akkök Holding's real estate development arm, Akiş G.Y., for three years as a Project Coordinator, he joined the Company in 2010 as the Commercial Development Manager responsible for research and concept development. After working for the development side of the business for three years he then moved to the Asset Management Department where he was responsible for a portfolio of operational shopping centres as an Asset Manager. Two years later, in 2015, he transferred to the Leasing Department and since then he has been in charge of all shopping centre leasing operations.

Ali Alper, Facility Director

Ali Alper graduated from Yıldız Technical University, Turkey with Bachelor's degree in Electrical Engineering. He has also two Master's degrees, in Electrical Engineering from Istanbul Technical University and in Economics from Yıldız Technical University. He has worked in various fields from budget to cash flow and from contract to facility management. He is also experienced in energy management, maintenance, investment and renovation. He served as Technical Executive at TEİAŞ, Energy Manager at Arçelik and Project Manager at İşbankası. He joined the Company in 2013 and is currently Facility Director, responsible for the management of all office buildings and the technical facility management of all shopping centres as well as the process of contract management.

Ayberk Akçal, Concept Design Director

Ayberk Akçal graduated from Bilkent University, Ankara with a Bachelor's degree in Interior Architecture and a Master's degree in Fine Arts and Architecture. He has 16 years' experience in the fields of interior design, industrial design, 3-D computer graphics design, construction and site inspection. He has been Concept Design Director of the Company since 2017. He has worked on Rönesans Group shopping centre projects, office buildings, residential and educational facilities and mixed-use projects in Turkey, Russia and Libya. He is responsible for design management and interior designs of development projects and renovation operations of all existing assets.

Aykut Bülbül, Design Coordinator

Aykut Bülbül graduated from Middle East Technical University, Turkey with a Bachelor's degree in Architecture and a Master's degree in Architecture. He has design, project management, budget/planning, construction, test and commissioning experience. He served as the Design Manager at Yapı Merkezi for six years. He joined the Company in 2013 and he is currently Design Coordinator, responsible for design processes and project coordination on all ongoing projects and assets.

Burak Rıza Toraman, Technical Coordinator

Burak Toraman graduated from Suleyman Demirel University, Turkey with a Bachelor's degree in Mechanical Engineering. He has mechanical, electrical and plumbing ("**MEP**") design, construction, test and commissioning and energy management experience. He served as the MEP Manager at AECOM. He joined the Company in 2012 and he is currently Technical Coordinator at the Company, responsible for mechanical design and renovation works on all assets.

Evren Billur, Health, Safety and Environment Manager

Evren Billur graduated from Middle East Technical University, Turkey with a Bachelor's degree in Food Engineering. He has a postgraduate degree in International Hospitality Management from Manchester

Metropolitan University. He has over 12 years' experience in Health, Safety, Environment and Emergency Management Systems in line with ISO 14001, OSHAS 18001 (ISO 45001), NFPA, OSHA and IOSH standards and regulations. He joined the Rönesans Group in 2015 and he is currently Health, Safety and Environment Manager at the Company, responsible for creating, executing and controlling policies, procedures and programmes aimed at maintaining the safe and sustainable operations of all assets.

Gökhan Karaca, Electrical Works Coordinator

Gökhan Karaca graduated from Istanbul Technical University with both a Bachelor's degree and a Master's degree in Electrical Engineering. He has MEP design, construction, test and commissioning and energy management experience. He joined Renaissance Construction in 2007 in Russia and worked in Moscow and St. Petersburg for eight years. He relocated to Istanbul in 2015 and is currently Electrical Works Coordinator at the Company.

Kaan Tüfekçi, Shopping Centre Management Director

Kaan Tüfekçi graduated from Baskent University, Ankara with a Bachelor's degree in Business Administration. He joined the Rönesans Group in 2012. He initially started in the Finance Department at Rönesans Construction and then served as an Executive Assistant to the President of Rönesans Group from 2013 to 2015. In 2015, he was appointed as Director of Operations to shopping centres. He became Shopping Centre Management Director at the Company in May 2017. Prior to joining the Rönesans Group, he gained construction budgeting, reporting and cost controlling experience at GAMA in Russia.

Nihat Kalfazade, Leasing Manager

Nihat Kalfazade graduated from Istanbul Technical University with a Bachelor's degree in Architecture and has a Master's degree in Architecture from Middle East Technical University, Turkey. He has worked on hotel and resort projects within Mesa Mesken, Prodesign, NKA, DCL, Kreatif and AECOM. He joined the Company in 2012 and he currently works as Leasing Manager at the Company, responsible for all office leasings.

Özgür Yalçınkaya, Budget and Planning Coordinator

Özgür Yalçınkaya graduated from Istanbul Technical University with a Bachelor's degree in Civil Engineering. He gained his Master's degrees from Boğaziçi University (in Civil Engineering) and Istanbul Technical University (in Industrial Engineering). He has procurement, logistics, cost control, budgeting and planning experience in the construction industry. He served as Logistics Engineer and Cost Control Lead Engineer at ENKA. He joined the Rönesans Group in 2009 and he is currently Budget and Planning Coordinator at the Company, responsible for the budgets and planning activities of all assets.

Özlem Songur, Deputy Legal Counsel

Özlem Songur graduated from Dokuz Eylul University Law School, Turkey. She has mergers and acquisitions, real estate, corporate and contracts law experience. She served as the Head of Legal at Corio/Klepierre. She joined the Company in 2016 and she is currently Deputy Legal Counsel at the Company, responsible for carrying out all legal processes.

Yağmur Yaşar, Asset Management Director

Yağmur Yaşar graduated from Middle East Technical University, Turkey with an MBA and a Bachelor's degree in Civil Engineering. He is a qualified member of RICS, and has 25 years' experience in managing, investing, financing and developing commercial properties. He has worked for banks, real estate investment trusts and international management companies active in Turkey. He joined the Company as Director of Asset Management at the start of 2018. He is responsible for overseeing the activities of the shopping centres and making strategic recommendations for maintaining and increasing the overall performance of the portfolio.

Emrah Mustafa Arıcan, Accounting Coordinator

Emrah Arıcan graduated from Gazi University, Department of Public Finance in 2004 with a Bachelor's degree in Finance. He has 14 years' accounting experience in various sectors and holds a CPA certificate. He joined Rönesans Group in 2007 and worked in the Accounting department in Rönesans Holding and other Rönesans Group companies. He is currently Accounting Coordinator at the Company.

Saadet Engin Sönmez, Project and Corporate Finance Coordinator

Saadet Sönmez graduated from the Department of Mathematical Engineering at Yıldız Technical University and holds an Executive MBA from Bilkent University. Before she joined the Rönesans Group in 2010 she worked as a SAP Senior Financial Consultant for three years. She worked in the Finance Department in Rönesans Holding before moving to the Company as Finance Coordinator in 2016, where she is responsible for project and corporate finance operations.

Özlem Uslu, Reporting and Financial Operations Coordinator

Özlem Uslu holds a Bachelor's degree in Business Administration and a Master's degree in Accounting Audit from Marmara University. She holds a CPA certificate and initially worked at PricewaterhouseCoopers as a senior auditor. She joined the Rönesans Group in 2010 where she worked in the reporting department at Rönesans Holding before serving as a Finance Executive in various Rönesans Group companies. She has been Reporting and Financial Operations Coordinator at the Company.

Kayhan Teyfik Okçuer, Revenue Collection Director

Kayhan Okçuer graduated from the Faculty of Economics and Administrative Sciences with a Bachelor's degree in Business Administration at Celal Bayar University. He gained management and operational finance experience at ARKAS and joined the Rönesans Group in 2012, where he held various positions including in the shopping centres, before transferring to the Company in 2015 as Director of Revenue Management to all our shopping centres.

BOARD COMMITTEES

In accordance with our articles of association, an adequate number of committees may be formed so as to enable the Board to execute its tasks in an efficient manner. The committees perform activities independently and submit proposals to the Board.

Audit Committee

The Audit Committee is responsible for reviewing the efficiency and transparency of our internal control systems, the efficiency of our accounting systems, as well as conducting a preliminary review in connection with the selection of our independent audit firm and the compliance of our financial statements with international accounting standards and applicable legislation. The current members of the Audit Committee are Özgür Canbaş and Tracy Lynn Stroh.

Remuneration Committee

The Remuneration Committee is responsible for establishing policies and strategies to determine the salaries of Board members and Senior Managers in accordance with our performance, general salary policies and human resources practices. The current members of the committee are İpek Ilıcak Kayaalp, Murat Özgümüş and Christopher David Morrish.

Risk Committee

The Risk Committee is responsible for analysing the risks we face, allocating responsibility for managing those risks on a departmental basis and monitoring the risk management process. The current members of the committee are Özgür Canbaş, Hasan Şimşek and Sercan Yüksel.

Quality and Health & Safety Committee

The Quality and Health & Safety Committee is responsible for preparing a draft internal health and safety guideline for the workplace, providing guidance to employees in the workplace on occupational health and safety issues and assessing the hazards and precautions related to occupational health and safety at work. The current members of the committee are Evren Billur and Orçun Bulut.

Executive Board Committee

The Executive Board Committee is responsible for identifying and directing our goals and policies, determining the most appropriate organisational structure that will enable our activities to be carried out efficiently and us to realise the targets we are set. The current members of the committee are Hasan Şimşek, Salim Can Kirişçi, Sercan Yüksel, Mehmet Kozlu and Eda Arıcıoğlu.

EMPLOYEES

We and our subsidiaries had 327, 328 and 379 permanent employees as of 31 December 2017, 31 December 2016 and 31 December 2015, respectively. The table below shows our employees as of 31 December in each of 2017, 2016 and 2015 by principal area of responsibility.

	As of 31 December		
	2017	**2016**	**2015**
Management	23	23	20
Finance and accounting	32	31	38
Marketing and sales	11	13	19
Legal	6	5	4
Project development	18	23	20
Asset management	4	4	3
Other	233	229	275
Total	**327**	**328**	**379**

None of our employees is a member of a trade union. We believe that our relations with our employees are good. In accordance with the provisions of applicable laws, an employer may assign a subcontractor a work only for (i) a specified portion of work that requires technological expertise based on the operational requirements of the work, or (ii) auxiliary works relating to the operations of the employer, such as cleaning, transportation, etc. Otherwise, the employer-subcontractor relationship could be deemed as a "simulation", in which case, the employees of the subcontractor may be treated as employees of the employer.

REGULATORY FRAMEWORK

The following is a summary of certain important Turkish laws and regulations relevant to our business. This description is not exhaustive and is intended only to provide general information to prospective investors. It is not designed to be a substitute for professional legal advice and is qualified in its entirety by reference to the applicable Turkish laws and regulations.

REGULATIONS RELATING TO REAL ESTATE IN TURKEY

Registration and records

Rights *in rem* relating to real estate, such as ownership or easement rights, or any kind of encumbrance to be established on a real estate, must be registered with the relevant land registry. The title deed registry is divided into directorates throughout Turkey and each property is registered with the authorised title deed registry directorate located within the relevant district where the property is situated.

Land registry records are public records and, therefore, the rights of a third party acquiring ownership or an interest in any form in real estate by relying, in good faith, on a land registry record are respected. Hence, a person who claims that a registration in the land title records is unlawful must pursue such claim before the authorised court and prove that the title was recorded in the absence of a legally valid ground.

Construction and occupancy permits

The Zoning Law No. 3194, published in the Official Gazette No. 18749 dated 9 May 1985, as amended from time to time, (the "**Zoning Law**") regulates the principles and procedures for the construction of buildings. Pursuant to the Zoning Law, buildings and structures must be shown in the relevant master plan. Master plans become effective upon their approval by the relevant municipal council, if no objection to the master plan is raised within one month from the master plan being announced to the public.

According to the applicable property legislation, certain permits and licenses must be obtained in order to construct a building on a particular land. First, a contractor must apply for a construction permit, before commencement of the construction, by submitting the required documents which include, among other documents, an architectural plan, to the relevant municipality or governorate. The architectural plan is reviewed by the municipality or the governorate, as the case may be, in accordance with the applicable zoning plan and the applicable legislation. A construction permit is granted within 30 days following the application in the event that the application documents are complete. Upon obtaining the construction permit from the municipality, the contractor must start construction within two years from the issuance of such permit. A construction permit is valid for five years and if construction is not completed within five years, the construction permit becomes null and void. The municipality monitors compliance with the construction permit at different stages of construction. Furthermore, any change or extension to an existing building is subject to the approval by the municipality and a new construction permit should be obtained accordingly.

Before or during construction of a project, the contractor may apply to the relevant land registry to establish a "servitude" status on the land and, once the condominium easement is established, the land is proportionately allocated to each unit that will be constructed according to the project plans.

If construction proceeds in breach of the terms and conditions provided under the then-valid construction permit, construction may be sealed and suspended immediately unless it can be brought into compliance with the construction permit within one month from the suspension date. If compliance is not assured within such time, the construction permit will be cancelled and the buildings constructed on the land in breach of the construction permit may be demolished by the municipality or governorate at the expense of the building owner. Separately, individuals who construct buildings without a construction permit, or in breach of the construction permit and approved plan, can be punished by imprisonment of between one and five years.

Following completion of construction in compliance with the terms of the approved plans and the construction permit, an occupancy permit must be obtained from the municipality or the governorate to use each building for the purpose for which it was built. This permit certifies that the building in question has been properly constructed in accordance with the construction license and the Zoning Law and is fully suitable for its purpose and therefore can be occupied. Utility contracts may be executed with the relevant administrative offices only after the receipt of the occupancy permit. The buildings for which an occupancy permit has not been obtained should not benefit from utilities such as electricity, water and sewage. Failure to obtain an occupancy permit may result in administrative fines to be imposed per meter square.

Municipalities are authorised to approve the architectural plans and issue construction and occupancy permits accordingly. A contractor is required to pay a construction fee to the municipality for the issuance of the construction permit, the basis of which is the construction area to be calculated from the approved architectural plan by the municipality. In practice, the calculation of the construction area by the municipality for the purposes of construction permit and occupancy permit may differ from the construction area calculated for the preparation of the approved project due to the fact that certain sections (for example, chimneys, columns and elevator shafts) may be excluded from or included in the construction area calculation by the municipality. Issuance of the occupancy permit by the municipality reaffirms that the building has been constructed in accordance with the architectural plans approved by and the construction permit issued by such municipality.

After completion of construction, the contractor should apply to the land registry to change the status of the real estate from "land" to "building". Where relevant, the contractor should then apply to the land registry to establish "condominium status" for the project and to register each unit independently, which enables each unit to be transferred independently.

Zoning regulations

The main legislation governing zoning plans is the Zoning Law. Zoning plans are categorised as: (i) environmental zoning plans with scales of 1/100,000 or 1/50,000 (which set forth the allocation of land between residential, industrial, agricultural, tourism and transportation areas in addition to achieving the balance between urban and rural developments and the use and protection of the natural and cultural assets), (ii) main zoning plans with a scale of 1/5,000, or in the case of metropolitan municipalities, a scale between 1/5,000 and 1/25,000 (evidencing general facility zones, types of eligible areas, future population density of zones, building densities, directions and size of various construction areas), and (iii) implementation plans with a scale of 1/1,000 (evidencing zoning blocks and their densities, roads and other information related to the implementation of main zoning plans). Within the hierarchy of the zoning plans, main zoning plans must be prepared in accordance with the environmental zoning plans and the implementation plans must be prepared in accordance with the main zoning plans.

According to the Zoning Law, third parties may object to the approved zoning plans within one month from the announcement of such plan to the public. Municipal councils examine such objections within 15 days following the objection date and deliver a final decision thereon. In case of rejection, third parties may bring a lawsuit before the administrative courts for the cancellation of the approved zoning plan. Each zoning plan may be subject to a separate cancellation lawsuit. Accordingly, if, as a result of a cancellation lawsuit, the main zoning plan is cancelled, , the relevant authority may be required to revise the main zoning plan and the implementation plan. That being said, cancellation of the main zoning plan does not automatically trigger cancellation of the implementation plans. The relevant authority may also revoke the implementation plans any time if so required, explicitly, by the cancellation decision in respect of the main zoning plan.

Two elements are of specific importance in respect of the cancellation lawsuits. Firstly, before the expiry of the suspension period, no action for cancellation of zoning plans (or amendments) may be brought. This is because the zoning plans would not be final and therefore applicable unless the suspension period is completed. Before the expiry of such 30-day suspension period, any action would be premature and rejected, since there would not yet be any final and applicable administrative act.

Secondly, unless an action is brought within the time periods indicated above, then no direct action may be brought with the request for cancellation of zoning plans or amendments. However, when an action is brought against the subsequent implementation acts by the administration, cancellation of zoning plans or amendments may be requested. In other words, when an action is intended to be brought against a zoning plan's implementation acts such as construction licence, zoning status, division into parcels, expropriation, etc., then cancellation of the zoning plan (which is the source of all implementation acts) and other upper level plans may be requested.

Once the relevant authority revises the plans and announces them to the public, a new 60-day period for filing a lawsuit commences (after consummation of 30-day suspension period) and any interested party may object to the plans along with the construction permit. Furthermore, even after all statute of limitation periods have lapsed and no further administrative acts have been taken, interested parties still may apply to the relevant authority for amendment of zoning plans, primarily to re-initiate the statute of limitations time period. If and when the authority rejects such application, the applicant may file a lawsuit: (i) to appeal such rejection; and (ii) to cancel the zoning plan on which the application is based.

Upon a cancellation decision, (i) the cancelled zoning plan has no effect and is not binding; (ii) ongoing construction is suspended; and (iii) a new zoning plan must be prepared.

Any construction actually completed should constitute an acquired right for its owner; that is, any buildings and facilities constructed on the real estate for which a construction permit has been subsequently cancelled, withdrawn or revised should not be demolished provided that: (i) such structures were constructed based on a validly obtained construction permit; (ii) the construction permit was obtained in accordance with then-valid zoning plans; and (iii) construction was completed in good faith without any fault or fraud on behalf of the owner. This principle may also grant the construction owner the right to seek compensation in court if its structures are demolished. The final decision regarding demolition would be made by the court after considering whether it would be against public benefit: (i) to allow the buildings and facilities to remain on the land; and (ii) to maintain the buildings/facilities on the land in their current condition.

Environmental regulations

Pursuant to applicable environmental laws, entities engaging in activities that may cause damage to the environment are required to prepare a project description report under the selection and election criteria (the "**SEC**") as stipulated under the Environmental Impact Assessment Regulation, published in the Official Gazette No. 29186 dated 25 November 2014, as amended from time to time (the "**EIA Regulation**"), or an environmental impact assessment report (an "**EIA Report**"), depending on the type of project or activity.

The EIA Regulation divides contemplated investments and operations that fall within its regime into two groups: (i) projects subject to environmental impact assessment (the "**EIA Projects**"); and (ii) projects subject to SEC (the "**SEC Projects**").

The EIA Projects are required to obtain an "EIA Affirmative Decision" through application to the Ministry of Environment and Urbanisation (the "**MoE**"), which requires a number of documents including an EIA Report setting out the potential environmental impacts of the project and the control and protection methods to be adopted for their elimination.

The SEC Projects must apply to the MoE with a project description report, which would result in either: (i) being required to obtain an EIA Affirmative Decision; or (ii) being granted an "EIA Not Required Decision".

According to the EIA Regulation, hotel projects with 500 or more rooms are considered as EIA Projects, and therefore, are required to prepare an EIA Report; whereas residential projects that comprise 200 residential units or more and hotel projects with 100 rooms or more and shopping centres with a surface of 10,000 square meters or more (including parking garages) are considered as SEC Projects, and therefore, must submit a project description report to the MoE to determine whether preparation of an EIA Report is required for the project. If the MoE decides that the project requires preparation of an EIA Report, an EIA Affirmative Decision must be obtained for the project following the examinations conducted by the MoE. If the MoE does not require an EIA Report to be prepared for the project, an authorisation (an "**EIA certificate**") is granted for the project within the scope of the EIA Regulation. This report, which is also known as the "EIA Not Required Decision", serves as a negative clearance with respect to the requirements under the EIA Regulation.

According to the EIA Regulation, projects that do not obtain either an EIA Affirmative Decision or an EIA Not Required Decision from the MoE are not granted any consent, approval, incentive or construction or occupancy permit and will not be subject to investment.

If an entity fails to fulfil its obligations and undertakings determined under the EIA Report after obtaining the EIA Affirmative Decision, the MoE or the authorised governorship may grant a grace period to remedy its deficiencies. If such non-compliance is not remedied within that time period, the operation of the project may be suspended until such entity complies with its obligations and undertakings. Failure to comply with the EIA Report may also result in an administrative monetary fine in an amount based on the characteristics of such failure.

Furthermore, Turkish laws provide for imprisonment and/or monetary fines for environmental pollution and civil liabilities in case of damage or losses arising from pollution or contamination.

Condominium ownership

The rights and liabilities of condominium owners are regulated by the Law No. 634 on Condominium Ownership, published in the Official Gazette No. 12038 dated 2 July 1965, as amended from time to time, (the "**Condominium Law**").

Following completion of construction and fulfilment of the requirements for an occupancy permit, condominium ownership may be established upon registration with the relevant land registry. Registration with the land registry is made *ex officio* by the land registry officers upon the written request of: (i) the owner of the main real estate; or (ii) all shareholders. When condominium ownership on units is established and registered with the land registry, each unit is subject to separate ownership rights.

Real estate owners or shareholders may also establish condominium easement on a building (*kat irtifakı*) which is being or will be constructed by registration with the land registry following the same procedures applicable to the condominium ownership.

The real estate subject to condominium easement will be regulated by condominium ownership provisions of the Condominium Law upon physical completion of the construction and the entry into use of two-thirds of its units.

Sale and transfer of real estate requires the *ex officio* execution of a deed of sale before the relevant title deed registry. In the Turkish market practice, the residential units in a construction project are generally sold by way of executing promise-to-sell agreements under which customers pay up front for the units they intend to receive after completion of construction. Although the purchase price is received from the customers, the title to the property is generally retained until after completion of construction and the establishment of condominium status. The title of the units shall thereafter transferred to the customers in accordance with the promise-to-sell agreements.

According to applicable legislation, a promise-to-sell agreement is valid when it is executed as an official deed before the title deed registry or executed before a notary in statutory form.

Promise-to-sell agreements can be annotated in the title deed registry. Annotation grants the right to claim the transfer of the title deed to new owners or other third parties who obtain *rights in rem* over the real estate. If the sale of real estate via transfer of title deed is not realised within five years after the annotation, the annotation shall be cancelled.

Upon complete payment of the purchase price, if the seller refrains from transferring the title deed before the registry the purchaser may pursue its rights before the courts and claim cancellation of the title deed and obligatory registration in its name. The applicable statute of limitations for obligatory registration is 10 years starting from the date on which the seller is able to perform his obligations under the agreement. However, according to established case law if the possession of real estate is transferred, meaning that real estate is physically delivered and used by the purchaser, raising a statute of limitations defence to bar registration will not be taken into account as it is contrary to the good faith principles.

If the real estate is sold to a third party prior to the execution of the title deed it shall be liable for breach of contract and the purchaser is entitled to claim compensation.

Under the Turkish Code of Obligations No. 6098, published in the Official Gazette No. 27836 dated 4 February 2011, as amended from time to time, and entered into force as of 1 July 2012 (the "**Turkish Code of Obligations**"), the seller shall be liable for defects existing as of the date of execution of the title deed for a period of five years. In order to rely on the seller's liability for ordinary defects, the purchaser shall examine the real estate and promptly notify the seller of such defects.

However, the seller's liability for latent defects which cannot be seen through reasonable examination is not required to be notified and can be pursued throughout the five-year period. In the case that the seller promises that the real estate has certain qualifications which induced the purchaser to enter into the agreement, it shall be liable if such qualifications are missing.

According to the Turkish Code of Obligations, defects for which the seller is liable grant the purchaser the right to claim either (i) termination of the contract and compensation for damages incurred due to defects; (ii) reduction in price; (iii) correction of the defect free of charge; or (iv) replacement with an identical good free of defect, which does not generally apply to real estate sales. In addition to these optional rights, consumers are entitled to claim compensation for damages incurred due to defects from the contractor.

A seller and a contractor of residential real estate remain severally liable for (i) failure to deliver the residential real estate and (ii) any defects in the residential real estate for a period of five years after the delivery of a property to the seller (in the case of the contractor) and to the customer (in the case of the seller) unless the parties have contractually agreed to extend this period of liability.

According to the Law No. 6502 on Protection of Consumers published in the Official Gazette No.28835 dated 28 November 2013 (the "**Consumer Protection Law**") individuals or legal entities purchasing real estate without pursuing any commercial or professional interest are deemed as "consumers" and benefit from extensive protections afforded under the consumer protection legislation mainly in respect of defective properties, consumer housing loans and certain delivery requirements in respect of pre-paid real estate contracts.

According to the Consumer Protection Law, if a defect is identified in respect of a real estate, a consumer has the following options:

(i) rescind the contract by notifying the seller (that is, the construction company) that it is ready to return the title to the property;

(ii) request for a reduction in the sale price in proportion to the value of the defect;

(iii) request the seller to repair the defect in the real estate without the consumer incurring any cost or expense provided that such cost or expense is not excessive;

(iv) if possible, ask the seller to exchange the real estate with an equivalent one.

If the implementation of the options mentioned in (iii) and (iv) above shall be disproportionate to the seller, the consumer may exercise either of its rights provided under (i) and (ii) above. Otherwise, the seller must take appropriate action and cure the defect in the real estate within 60 business days upon the consumer's request in line with option (i) or option (ii) above.

Further, if the purchaser of residential real estate obtains a loan or mortgage for the purchase of specific real estate, the bank or other financial institution is also severally liable for the failure of delivery and the defects in the property for a period of one year after the delivery of the property. The liabilities of the lending banks or other similar financial institutions are limited to the amount of loans granted.

Subject to the explanation under (iii) above, any costs associated with the implementation of an option shall be borne by the seller. Note that the consumers have the right to choose either the remedies under the Consumer Protection Law or those that are available under the Turkish Code of Obligations.

The statute of limitation applicable to the claims relating to defective properties is five years from the date of delivery of the property to the consumer, although if the defect is a latent defect or arises as a result of a fraudulent act or gross negligence, there is no specific time bar to raise a claim in respect of defective real estate.

If the customer undertakes to pay the price of real estates in parts or in installments, the agreement is classified as an "installment sale agreement" under the Consumer Protection Law. Installment sale agreements must be executed in written form and are otherwise not valid. The consumer is entitled to pay one or more installment amounts before maturity against a discount in the applicable interest. If the seller has preserved the right to claim an accelerated payment in the event of default, such right may be exercised only if: (i) the seller has fully and duly performed his obligations; (ii) the consumer has defaulted on the payment of (x) at least two consecutive installments, which constitutes, at least, one-tenth of the outstanding debt of the consumer, or (y) one installment, which constitutes, at least, one-fourth of the outstanding debt of the consumer; and (iii) the seller has served a maturity notice granting the consumer a grace period of at least thirty days.

The Consumer Protection Law provides that agreement terms that are unilaterally imposed by the seller without being negotiated with the consumer and cause disparity against good faith principles are considered unjust provisions, and such provisions are not binding upon the consumer and thus null and void. If a term in an agreement was prepared before and the consumer did not have any influence on its content, such term will be considered to not have been negotiated with the purchaser.

According to the Consumer Protection Law, pre-paid real estate sale contract shall be registered into deed registry and made before notary public. Sellers that intend to sell a real estate by entering into a pre-paid real estate contract with the consumers must obtain a construction license in advance. In addition to this requirement, the construction company must deliver either the title to the real estate to the relevant customer or register a condominium easement in the name of the customer within 36 months from the date of the execution of the relevant pre-paid real estate contracts. There are also certain information obligations applicable to sales made by way executing pre-paid real estate contracts.

Non-compliance with the provisions of the consumer protection legislation may result in monetary fines.

Common areas

Common areas are jointly owned by the unit owners in proportion to their land shares unless agreed otherwise.

Collective buildings

The Condominium Law defines "collective buildings" as more than one building located on one or more parcels (adjacent or neighbouring) which are connected to each other in terms of management, services, social facilities, common areas constructed or to be constructed in accordance with the approved plans.

The Condominium Law specifies different layers of associations for the management of collective buildings. A single management plan is prepared for all buildings within the scope of the collective buildings and is binding upon all individual unit owners. Amendment of the management plan requires the approval of four-fifths of the unit owners represented by the collective buildings association.

Unless otherwise agreed in the management plan, for each block, the unit owners residing in such block, and for the collective buildings, the collective buildings association choose a manager and an auditor. Each of the block manager and block auditor is appointed by the majority of the number and land share of the unit owners resident in such block; whereas the manager and the auditor of the collective buildings are appointed by the simple majority of the number of units represented by the managers and representatives attending the collective buildings association meeting.

The management plan may establish a temporary management to assume the duties of the collective buildings association. The term of the temporary management cannot exceed one year after the completion of the collective buildings, provided that such term expires, in any case, on the tenth anniversary of the receipt of the first construction permit obtained for the collective buildings. The management plan provisions relating to temporary management can be changed by four-fifths of the votes of the unit owners within the collective buildings.

Lease agreements

The Turkish Code of Obligations governs real estate lease agreements.

Under the Turkish Code of Obligations, provisions related to lease agreements are divided into two groups: (i) general provisions applicable to all lease agreements and (ii) special provisions applicable only to lease agreements related to residences and business places covered with a roof. The general provisions of the Turkish Code of Obligations on lease agreements are applicable where there exists no special regulation under the special provisions, in terms of residence and business place leases.

If a real estate occupied by a lessee based on a lease agreement is sold to a third party, the new owner of the premises automatically becomes a party to the lease agreement. The new owner must comply with the terms and conditions of the lease agreement that enables the lessee to occupy the premises for the term specified under the lease agreement.

However, the new owner has a right to file a lawsuit for the eviction of the lessee. In order to prevent the eviction risk and secure the premises under the usage of the lessee, a lease agreement may be annotated to the relevant land registry on the title deed records of such real estate.

Once a lease agreement is annotated, the new owner will be deemed to have acquired the real estate together with the lease, and therefore, will not be entitled to evict the tenant until the expiration of the lease term.

The primary obligations of a lessor under Turkish law are the delivery and maintenance of real estate in usable condition for its intended purposes through the term of the lease contract without any defects. Liability of the lessor for defects is regulated under different provisions of the Turkish Code of Obligations which grants several rights to the lessee. Accordingly, if the leased premise is delivered to the lessee with immaterial defects, the lessee is entitled to claim liability of the lessor under the provisions applicable to the events when the leased premise subsequently becomes defective. Alternatively, if the leased premise is delivered to the lessee with material defects, the lessee may invoke its rights in connection with the lessor's default or otherwise claim liability of the lessor under the provisions applicable to the events when the leased premise subsequently becomes defective.

In the event that the leased premise subsequently becomes defective, the lessee shall be entitled to (i) request the removal of the defect within an appropriate term or remove the defect itself at the expense of the lessor, if the lessor does not fulfil this request, (ii) terminate the agreement if the defect eliminates the prescribed availability of the leased property for use or significantly restricts such availability, and the defect is not removed within the due term as set forth in (i) above, (iii) request a reduction in the rent amount pro rata with the defect, or (iv) request compensation unless the lessor proves that it does not have any fault or omission. A claim for compensation shall not prevent the use of the other optional rights. Unless otherwise agreed between the parties, the costs of material maintenance and repair and real estate taxes are borne by the lessor whereas daily and ordinary maintenance is borne by the lessee.

The primary obligation of the lessee is timely payment of rent in accordance with the lease contract and using the leased premises diligently in accordance with the intended purpose of use. Under the Turkish Code of Obligations, unless otherwise agreed by the parties or envisaged by local custom, payment of the subsidiary costs related to the leased premises is also considered as an additional obligation of the lessee. Moreover, the Turkish Code of Obligations requires the lessee to diligently use the leased premises and show necessary respect to the neighbours in the same real estate. The lessee is obliged to return the leased premises in the same conditions in which the leased premises were delivered by the lessor. If the lessee does not fulfil these obligations, the lessor shall grant a period of at least thirty days in writing for residence and business place leases and if the situation is not cured within that period, the lessor shall be entitled to terminate the agreement. However, if (i) the lessee intentionally damages the leased property, (ii) it is understood that the term to be given to the lessee would be futile, or (iii) the lessor or the neighbours are unable to stand such behaviour of the lessee, the lessor shall be entitled to immediately terminate the agreement by serving a written notice. The Turkish Code of Obligations provides that that a lessor may ask for a security payment such as a deposit amount from a lessee to secure the damages which may be caused by the lessee. According to Article 342 of the Turkish Code of Obligations, the amount of the deposit cannot exceed three months' rent. These rules in relation to security payment will not apply until 1 July 2020 where the tenant is a merchant or a company.

According to the Turkish Code of Obligations, if one party defaults in performing its obligations, then the other may claim specific performance and delay damages, waive its right to claim performance and claim positive damages or terminate the contract and claim negative damages.

Article 334 of the Turkish Code of Obligations provides that agreement of the parties on the rent amounts to be applied in the following lease term is valid provided that it does not exceed the increase rate in the producer price index of the previous lease year. However, if the parties have not reached an agreement on the rent amount to be applied in the future lease periods, the rent amount will be determined by a judge taking into account the status of the leased premise and in accordance with the equitable principles, provided that it does not exceed the increase rate in the producer price index of the previous lease year. With respect to the lease agreements with a term of more than five years or renewed after five years; the rent amount to be applied in the year following the fifth year will be determined by a judge, in accordance with the increase rate in the producer price index, the status of the leased premise and the similar rent amounts, regardless of whether the parties have reached an agreement on the rent amount. The rent amount determined by a judge in the lease year following each five years may be changed provided that it does not exceed the increase rate in the producer price index. Most importantly, if the rent amount is determined in a foreign currency under the lease agreement, the rent amount cannot be changed for a term of five years. Upon the expiry of the five years, an application will be made to the court for the determination of the rent amount and it will be determined in accordance with the changes in the value of the foreign currency, the increase rate in the producer price index, the status of the leased property, the similar rent amounts and the equitable principles. However, as an exemption, the regulation regarding the excessive performance difficulty set forth in Article 138 of the Turkish Code of Obligations will apply. The rules described above in relation to rent amount will not apply until 1 July 2020 where the tenant is a merchant or a company.

The Turkish Code of Obligations also places further restrictions related to the content of the lease agreements to be reached by the parties of the residence and business place leases. Accordingly, if the lessee is obliged to provide security under the lease agreement, such security will not exceed the amount of three months' rent. Moreover, payment obligations other than the payment of the rent amount and subsidiary expenses cannot be imposed on the lessee, such as penalty payment or acceleration clauses to be applied the event of default of the lessee in making payments. These rules in relation to further restrictions will not apply until 1 July 2020 where the tenant is a merchant or a company

Article 347 of the Turkish Code of Obligations governs the termination of agreements for residential and roofed workplaces. According to the Turkish Code of Obligations, in the case of lease agreements with a fixed term, unless the tenant gives 15 days' prior written notice of termination before the expiry date of the lease contract, the contract will be deemed extended with the same terms for an additional one year term. However, the lessor of a residence or business place is entitled to terminate such automatically extended agreement without cause following ten years of extension by giving a written notice three months in advance. Agreements with indefinite terms may be terminated by the lessee at any time and by the lessor upon the expiry of ten years, pursuant to the termination notice given in accordance with the general terms of the Turkish Code of Obligations. Pursuant to Article 348 of the Turkish Code of Obligations, the termination notice for the lease of residential and roofed workplace is valid only if it is made in writing. The lessor's ability to terminate a lease agreement is more restricted under the Turkish Code of Obligations, notwithstanding the lessor's ability to terminate a lease agreement which has been renewed for more than ten years. The reasons for termination that may be claimed by the lessor are limited to the reasons set forth in the law. Other reasons for termination may be stipulated in lease agreements, however the validity of these provisions is questionable. Accordingly, as per the Turkish Code of Obligations, the lessor may terminate a lease agreement only if the lessor needs the leased premises for its own use, that of its lineal kins or persons that the lessor is obliged to look after, or if the lease premises need to be reconstructed. In addition, as mentioned above, the non-payment of the rent two times in one rental year is a reason for termination by the lessor, but the lessor may terminate and evict the lessee only if the lessor notifies the lessee in writing regarding the failure to pay rent. Other reasons for termination under the Turkish Code of Obligations include the bankruptcy and death of the lessee.

Further, the lessee of a residence or business place cannot sub-lease the real estate nor transfer the lease agreement to another party without the written consent of the lessor. However, with respect to transfer of the lease agreement, such consent cannot be unreasonably withheld by the lessor in the case of business place leases. In case of such transfers, the transferor lessee will be jointly liable with the transferee until the expiry of the lease agreement and at most for two years.

REGULATIONS RELATING TO SHOPPING CENTRES IN TURKEY

Workplace Opening and Operation Permit

Pursuant to Workplace Opening and Operation Permits Regulation, published in the Official Gazette dated August 10, 2005 and numbered 25902, it is mandatory to obtain a workplace opening and operation permit in order to open up and operate any workplace. Workplaces that start their businesses without a workplace opening and operation permit may be closed by the authorized administrations. The regulation makes a distinction between sanitary, non-sanitary facilities and public rest and amusement places. Shopping centres are categorised as sanitary facility.

In current practice, the shopping centres usually do not hold a workplace opening and operation permit. The Retail Trade Law ("the **Retail Law**") published in the Official Gazette on January 29, 2015 and numbered 29251 provides that the construction permits, occupancy permits and workplace opening and operation permits of shopping centres are granted by metropolitan municipalities. The Regulation on Shopping Centres published in the Official Gazette on February 26, 2016 and numbered 29636 ("the **Regulation on Shopping Centres**"), however, provides that occupancy permits granted to shopping centres which satisfy the conditions stipulated thereunder also stand for the workplace opening and operation permits; therefore, there is no requirement to obtain an additional workplace opening and operation permit for such shopping centres.

Retail Legislation

Shopping centres are included within the definition of retail business pursuant to the Retail Law. In that respect, any business which bear a building or area integrity with centralized management and communal areas and which also has big stores or places where nourishment, dressing, entertainment, resting, cultural or similar needs can be fulfilled, shall be qualified as a "shopping centre". Businesses in the service sector which are subject to special regulations regarding opening and/or operating processes are excluded from this scope.

The Retail Law introduces a retail information system ("**PERBIS**") which will be established within Turkish Ministry of Customs and Trade. Under the Retail Law, retail businesses will be able to submit workplace opening and operation permit applications, either directly to administrations which are authorized to grant such license, or through the PERBIS system. Authorized administrations will pass on direct applications they receive to the PERBIS system and conduct a pre-assessment of whether the application file is appropriate. Authorized administrations will accordingly issue workplace opening and operation permits to retail businesses that have the required qualifications via the PERBIS system. Metropolitan municipalities will be competent to grant the required construction permits, occupation permits and workplace opening and operation permits for shopping centres located in metropolitan cities. Current workplace opening and operation permits will remain valid under the system. Information about current retail businesses will be transferred into this PERBIS system by authorized institutions. The information must be transferred within one year as of the establishment of PERBIS system.

Article 11 of the Retail Law provides that shopping centres to allocate at least 0.5% of the sales areas of a shopping centres for social and cultural activities. Non-compliance with this provision entails administrative fine of TRY 20,000 per m^2; and this fine will be doubled if the incompliance is not cured within the period granted by the Ministry of Customs and Trade which will not be less than 30 days. Article 11/2 further provides that shopping centres must form common areas such as emergency units, prayer rooms, baby care rooms and playgrounds. Non-compliance with this provision entails administrative fine of TRY 50,000 for each event of non-compliance; and this fine will be doubled if the incompliance is not corrected within the grace period granted by the Ministry of Customs and Trade which will not be less than 30 days.

Shopping centres are required to allocate at least 5% of the available rental area to the businesses of tradesmen and craftsmen at the market rental rate and 0.3% of the available rental area to persons that conduct rare businesses, holding traditional, cultural or artistic value pursuant to Article 12 of the Retail Law. The rental price cannot exceed 25% of the market rental rate. The area reserved for tradesmen and craftsmen may be rented to other businesses if a sufficient demand does not exist, or a vacancy announcement is not responded to within 20 days. For shopping centres which do not currently meet the above listed requirements, available places must be leased to the respective business owners until the percentages are met. Non-compliance with this provision entails administrative fine of market value of the rent per m^2 which had to be allocated but not allocated; and this fine will be doubled if the incompliance is not cured within the grace period granted by the Ministry of Customs and Trade which will not be less than 30 days.

Article 13 of the Retail Law states that working hours of retail businesses shall be determined by the governor with the joint proposal of professional organizations. However, such determination at regional or national levels shall be made by the Ministry upon the proposal of supreme professional organizations. Non-compliance of these working hours is subject to administrative fine of TRY 1,000.

The criteria of shopping centres, the principles of using common areas and charging expenses and the licensing of shopping centres are set forth under the Regulation on Shopping Centres.

Pursuant to the Regulation on Shopping Centres, shopping centres should; (i) comprise of a building or an integrated group of buildings, (ii) have a minimum 5,000 m^2 sales area, (iii) contain at least: 10 stores including one large anchor store (i.e. a retail store with a minimum four hundred square meter sales area); or 30 stores (without including any large anchor store), which either sell or provide food, clothing, leisure, entertainment, cultural activities or similar goods and services, (iv) have common areas and (v) have a central management.

Shopping centres shall include common areas use of which should be free of charge, such as social and cultural activity areas, emergency medical units, prayer rooms, nurseries, playgrounds and leisure areas for children. The use of car parks in shopping centres may be subject to certain fees to limit their use by individuals that are not customers or staff of the shopping centre in question.

As per the Regulation on Shopping Centres, periodic common area expenses such as electricity, water, heating, maintenance, repair excluding renovations, security and cleaning will be calculated in accordance with the parameters set forth in the Regulation and will be charged to each of the stores pro rata to the area used by the particular store. Other common expenses such as expenses related to the management of the shopping centre and marketing expenses may also be charged to each of the stores in accordance with the Regulation on Shopping Centres. The allocation of common expenses may be varied as agreed between stores and the shopping centre management in each store's lease, however, the Regulation on Shopping Centres prohibits charging of "common expenses" other than those listed above, to any store. The common expenses shall be calculated and paid in Turkish Lira.

TAXATION

The following summary of certain Turkey and United States tax consequences of ownership of the Notes is based upon laws, regulations, decrees, rulings, income tax conventions (treaties), administrative practice and judicial decisions in effect at the date of this Offering Circular. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may be retroactive and could affect the tax consequences to Noteholders. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to Noteholders. Each prospective Noteholder is urged to consult its own tax advisers as to the particular tax consequences to such holder of the ownership and disposition of Notes, including the applicability and effect of any other tax laws or tax treaties, and of pending or proposed changes in applicable tax laws as at the date of this Offering Circular, and of any actual changes in applicable tax laws after such date.

Certain Turkish Tax Considerations

The following discussion is a summary of certain Turkish tax considerations relating to an investment by a person who is a non-resident of Turkey in notes issued abroad by a Turkish company. The discussion is based upon current laws and is for general information only. The discussion below is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership or disposition of the Notes that may be relevant to any decision to make an investment in the Notes. Furthermore, the discussion only relates to the investment by a person where the Notes will not be held in connection with the conduct of a trade or business through a permanent establishment in Turkey. Each investor should consult its own tax advisers concerning the tax considerations applicable to its particular situation. This discussion is based upon laws and relevant interpretations thereof in effect as of the date of this Offering Circular, all of which are subject to change, possibly with a retroactive effect. In addition, it does not describe any tax consequences: (a) arising under the laws of any tax jurisdiction other than Turkey or (b) applicable to a resident of Turkey or a permanent establishment in Turkey that is constituted either by the existence of a fixed place of business or appointment of a permanent representative.

For Turkish tax purposes, a legal entity is a resident of Turkey if its corporate domicile is in Turkey or its effective place of management is in Turkey. A resident legal entity is subject to Turkish taxes on its worldwide income, whereas a non-resident legal entity is only liable to the Turkish taxes for the trading income made through a permanent establishment or a permanent representative, or for the income sourced in Turkey otherwise.

A natural person or individual is a resident of Turkey if such person has established his/her domicile in Turkey or stays in Turkey for more than six months in a calendar year. On the other hand, foreigners who stay in Turkey for six months or more for a specific job or business or particular purposes that are specified in the Income Tax Law numbered 193 may not be treated as a resident of Turkey depending upon characteristics of the stay. A resident individual is liable for Turkish taxes on his or her worldwide income, whereas a non-resident individual is liable for Turkish tax only for the income sourced in Turkey.

Income from capital investment is sourced in Turkey when the principal is invested in Turkey. Capital gain is considered sourced in Turkey when the activity or transaction generating such income is performed or accounted for in Turkey. The term "accounted for" means that a payment is made in Turkey, or if the payment is made abroad, it is recorded in the books in Turkey or apportioned from the profits of the payer or the person on whose behalf the payment is made in Turkey.

Interest paid on notes (such as the Notes) issued abroad by Turkish corporates is subject to withholding tax. Through the Decree No. 2009/14592 dated 12 January 2009, which was amended by Decree No. 2010/1182 dated 20 December 2010 and Decree No. 2011/1854 dated 26 April 2011, the withholding tax rates are set according to the original maturity of notes (including the Notes) issued abroad as follows:

- 10 per cent. withholding tax for notes with a maturity of less than one year;

- 7 per cent. withholding tax for notes with a maturity of at least one year and less than three years;
- 3 per cent. withholding tax for notes with a maturity of at least three years and less than five years; and
- 0 per cent. withholding tax for notes with a maturity of at least five years.

Such withholding tax is the final tax for a non-resident person and no further declaration is required.

Interest income derived by a resident corporation or individual is subject to further declaration and the withholding tax paid can be offset from the tax calculated on the return. For resident individuals, the interest income is not required to be declared if the interest income derived does not exceed (or is equal to) TRY 34,000 for declarations for the year 2018 together with the gains from other marketable securities outside the scope of Provisional Article 67 of the Turkish Income Tax Law, rental income from immovable property and salaries (except for salaries referred to under Article 86/1 of the Turkish Income Tax Law), provided that they were all subjected to Turkish withholding tax at source. For resident corporations, the total interest income is subject to declaration.

In general, capital gains are not taxed through withholding tax and therefore any capital gain sourced in Turkey with respect to the Notes may be subject to declaration; *however*, pursuant to Provisional Article 67 of the Turkish Income Tax Law, as amended by the Law No. 6111, special or separate tax returns will not be submitted for capital gains from the notes of a Turkish corporation issued abroad when the income is derived by a non-resident. Therefore, no tax is levied on non-resident persons in respect of capital gains from the Notes and no declaration is required.

A non-resident holder will not be liable for Turkish estate, inheritance or similar tax with respect to its investment in the Notes, nor will it be liable for any Turkish stamp issue, registration or similar tax or duty relating thereto.

Reduced Withholding Tax Rates

Under current Turkish laws and regulations, interest payments on notes issued abroad by a Turkish corporate to a non-resident holder will be subject to a withholding tax at a rate between 10 per cent. and 0 per cent. in Turkey, as detailed above.

If a double taxation treaty is in effect between Turkey and the country of the holder of the notes (including the Notes) (in some cases, for example, pursuant to the tax treaties with the United Kingdom and the United States, the term "beneficial owner" is used), that provides for the application of a lower withholding tax rate than the local rate to be applied by the corporation, then the lower rate may be applicable. For the application of withholding tax at a reduced rate that benefits from the provisions of a double tax treaty concluded between Turkey and the country where the investor is a resident, an original copy of the certificate of residence signed by the competent authority referred to in Article 3 of the tax treaty is required, together with a translated copy translated by a translation office, to verify that the investor is subject to taxation over its worldwide gains in the relevant jurisdiction on the basis of resident taxpayer status, as a resident of the relevant jurisdiction to the related tax office directly or through the banks and intermediary institutions prior to the application of the withholding tax. In the event the certificate of residence is not delivered prior to the application of withholding tax, then upon the subsequent delivery of the certificate of residence to the relevant Turkish tax office, refunding of the excess tax shall be granted pursuant to the provisions of the relevant double taxation treaty and the Turkish tax legislation.

Value Added Tax

Note issuances and interest payments on notes are exempt from the Value Added Tax ("**VAT**") pursuant to the Article 17/4(g) of the Value Added Tax Law (Law No. 3065), as amended by the Turkish Tax Bill Regarding

Improvement of the Investment Environment (Law No. 6728), published in the Official Gazette dated 9 August 2016 and numbered 29796.

Certain United States Tax Considerations

The following discussion is a summary of certain U.S. federal income tax considerations relevant to the acquisition, ownership and disposition of the Notes. This discussion addresses only U.S. Holders and Non-U.S. Holders (each as defined below) who acquire the Notes at their initial issuance at their issue price (generally, the first price at which a substantial amount of such Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers, or similar persons or organisations acting in the capacity of underwriters, placement agents, or wholesalers) that will hold the Notes as capital assets (generally, property held for investment).

This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), final, temporary and proposed U.S. Treasury regulations, administrative and judicial interpretations, all of which are subject to change, possibly with retroactive effect.

This summary does not address aspects of U.S. federal income taxation that may be applicable to holders that are subject to special tax rules under U.S. federal income tax law, such as U.S. expatriates, "dual resident" companies, banks, thrifts, financial institutions, insurance companies, real estate investment trusts, regulated investment companies, grantor trusts, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations or investors, dealers or traders in securities, commodities or currencies, holders that will hold a Note as part of a position in a "straddle" or as part of a "synthetic security" or as part of a "hedging", "conversion", "integrated" or constructive sale transaction for U.S. federal income tax purposes or U.S. Holders that have a "functional currency" other than the U.S. dollar.

This discussion is not a complete description of all U.S. federal tax considerations relating to the Notes and does not address state, local, foreign or other tax laws. Moreover, this summary does not address the U.S. federal estate tax, the 3.8 per cent. Medicare contribution tax applicable to net investment income of certain non-corporate U.S. Holders, special rules for the taxable year of inclusion for accrual basis taxpayers under Section 451(b) of the Code, or gift or alternative minimum tax consequences of the acquisition, ownership, retirement or other disposition of Notes.

For purposes of this summary, a "**U.S. Holder**" is a beneficial owner of Notes that is, for U.S. federal income tax purposes:

(a) a citizen or individual resident of the United States;

(b) a corporation organised in or under the laws of the United States or any state thereof (including the District of Columbia);

(c) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

(d) a trust (1) that validly elects to be treated as a United States person within the meaning of section 7701(a) (30) of the Code for U.S. federal income tax purposes or (2) (a) over the administration of which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more United States persons have the authority to control.

A "**Non-U.S. Holder**" is a beneficial owner of Notes that is neither a U.S. Holder nor an entity or arrangement treated as a partnership for U.S. federal income tax purposes.

If a partnership (or any other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds Notes, the U.S. federal income tax treatment of the partnership and a partner in such partnership will generally depend on the status of the partner and the activities of the partnership. Such a partner or partnership should consult its own tax advisor as to the U.S. federal income tax consequences of acquiring, holding, retiring or other disposition of Notes.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL U.S. HOLDERS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCE TO THEM OF OWNING THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Payments of Interest

Interest on a Note generally will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on the holder's method of accounting for tax purposes. Interest paid by the Issuer on the Notes generally will constitute income from sources outside the United States. U.S. Holders should consult their tax advisors concerning the applicability of the foreign tax credit and source of income rules to income attributable to the Notes.

Disposition

Upon the sale, exchange, retirement, or other taxable disposition of a Note, a U.S. Holder generally will recognise gain or loss equal to the difference between the amount realised upon the sale, exchange, retirement, or other taxable disposition (less any accrued but unpaid interest not previously included in income, which will be taxable as such) and the U.S. Holder's adjusted tax basis of the Note. A U.S. Holder's adjusted tax basis in a Note will, in general, be the cost of the Note to such U.S. Holder.

Any gain or loss upon a taxable disposition of a Note generally will be treated as U.S. source capital gain or loss. Capital gains of non-corporate U.S. Holders derived in respect of capital assets held for more than one year are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. U.S. Holders should discuss the treatment of any gain or loss resulting from a sale or other disposition of a Note with their tax advisor.

Non-U.S. Holders

Subject to the backup withholding rules described below, a Non-U.S. Holder generally should not be subject to U.S. federal income or withholding tax on any payments on the Notes and gain from the sale, exchange, retirement or other taxable disposition of the Notes unless: (i) that payment and/or gain is effectively connected with the conduct by that Non-U.S. Holder of a trade or business in the U.S.; (ii) in the case of any gain realised on the sale, exchange, retirement or other taxable disposition of a Note by an individual Non-U.S. Holder, that Holder is present in the U.S. for 183 days or more in the taxable year of the sale, exchange, retirement or other taxable disposition and certain other conditions are met; or (iii) the Non-U.S. Holder is subject to tax pursuant to provisions of the Code applicable to certain expatriates.

Information Reporting and Backup Withholding

Payments of interest and proceeds from the sale, redemption, retirement or other disposition of a Note by a U.S. paying agent that are made within the United States or through certain U.S.-related financial intermediaries may be reported to the U.S. Internal Revenue Service ("**IRS**") unless the holder establishes a basis for exemption. U.S. backup withholding tax may apply to amounts subject to reporting if the holder fails to provide an accurate taxpayer identification number or certification of exempt status or otherwise comply with the applicable withholding requirements. Non-U.S. Holders may be required to comply with applicable certification procedures to establish that they are not U.S. Holders in order to avoid the application of such information reporting requirements and backup withholding. Backup withholding is not an additional tax. A holder can claim a credit against its U.S. federal income tax liability for amounts withheld under the backup withholding rules, and it can claim a refund of amounts in excess of its liability by timely providing required information to the IRS.

Foreign Financial Asset Reporting

Certain U.S. Holders that own "specified foreign financial assets" that meet certain U.S. dollar value thresholds generally are required to file an information report with respect to such assets with their tax returns.

The Notes generally will constitute specified foreign financial assets subject to these reporting requirements, unless the Notes are held in an account at certain financial institutions. U.S. Holders are urged to consult their tax advisors regarding the application of these disclosure requirements to their ownership of the Notes.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

BOOK-ENTRY, DELIVERY AND FORM

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together, the "**Clearing Systems**") currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither we nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

Pursuant to the Communiqué, we are required to notify the CRA Turkey within three business days from the issue date of the Notes of the principal amount, the issue date, the ISIN (if any), the interest commencement date, the maturity date, the interest rate, the name of the custodian and the currency of the Notes and the country of issuance.

Clearing Systems

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective accountholders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an accountholder of either system.

DTC

DTC has advised us that it is a limited purpose trust company organised under the New York Banking Law, a "banking organisation" within the meaning of the New York Banking Law, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants deposit with DTC. DTC also facilitates the settlement among its participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in participants' accounts. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly.

Registration and Form

Book-entry interests in the Regulation S Notes held through Euroclear and Clearstream, Luxembourg will be represented by the Unrestricted Global Certificate registered in the name of a nominee of, and held by, a common depositary for Euroclear and Clearstream, Luxembourg. Book-entry interests in the Rule 144A Notes held through DTC will be represented by the Restricted Global Certificate registered in the name of Cede & Co., as nominee for DTC, and held by a custodian for DTC. As necessary, the Registrars will adjust the amounts of Notes on each Register for the accounts of Euroclear, Clearstream, Luxembourg and DTC to reflect the amounts of Notes held through Euroclear, Clearstream, Luxembourg and DTC, respectively.

Beneficial ownership of book-entry interests in Notes will be held through financial institutions as direct and indirect participants in Euroclear, Clearstream, Luxembourg and DTC.

The aggregate holdings of book-entry interests in the Notes in Euroclear, Clearstream, Luxembourg and DTC will be reflected in the book-entry accounts of each such institution. Euroclear, Clearstream, Luxembourg or DTC, as the case may be, and every other intermediate holder in the chain to the beneficial owner of book-entry interests in the Notes, will be responsible for establishing and maintaining accounts for their participants and customers having interests in the book-entry interests in the Notes. The Registrar which maintains the register of Notes held through DTC will be responsible for maintaining a record of the aggregate holdings of Notes registered in the name of a nominee for DTC, and the Registrar which maintains the register of Notes held through Euroclear and Clearstream, Luxembourg will be responsible for maintaining a record of the aggregate holdings of Notes registered in the name of a common nominee for Euroclear and Clearstream, Luxembourg, and/or, in each case if individual Certificates are issued in the limited circumstances described under "*Summary of Provisions Relating to the Notes While in Global Form*", holders of Notes represented by those individual Certificates. The Principal Paying Agent will be responsible for ensuring that payments received by it from us for holders of book-entry interests in the Notes holding through Euroclear and Clearstream, Luxembourg are credited to Euroclear or Clearstream, Luxembourg, as the case may be, and the Principal Paying Agent will also be responsible for ensuring that payments received by the Principal Paying Agent from us for holders of book-entry interests in the Notes holding through DTC are credited to DTC.

We will not impose any fees in respect of holding the Notes; however, holders of book-entry interests in the Notes may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear, Clearstream, Luxembourg or DTC.

Clearing and Settlement Procedures

Initial Settlement

Upon their original issue, the Notes will be in global form represented by the two Global Certificates. Interests in the Notes will be in uncertified book-entry form. Purchasers electing to hold book-entry interests in the Notes through Euroclear and Clearstream, Luxembourg accounts will follow the settlement procedures applicable to conventional Eurobonds. Book-entry interests in the Notes will be credited to Euroclear and Clearstream, Luxembourg participants' securities clearance accounts on the business day following the Issue Date against payment (value the Issue Date). DTC participants acting on behalf of purchasers electing to hold book-entry interests in the Notes through DTC will follow the delivery practices applicable to securities eligible for DTC's Same Day Funds Settlement system. DTC participants' securities accounts will be credited with book-entry interests in the Notes following confirmation of receipt of payment to us on the Issue Date.

Secondary Market Trading

Secondary market trades in the Notes will be settled by transfer of title to book-entry interests in the Clearing Systems. Title to such book-entry interests will pass by registration of the transfer within the records of Euroclear or Clearstream, Luxembourg or DTC, as the case may be, in accordance with their respective procedures. Book-entry interests in the Notes may be transferred within Euroclear and within Clearstream, Luxembourg and between Euroclear and Clearstream, Luxembourg in accordance with procedures established for these purposes by Euroclear and Clearstream, Luxembourg. Book-entry interests in the Notes may be transferred within DTC in accordance with procedures established for this purpose by DTC. Transfer of book-entry interests in the Notes between Euroclear or Clearstream, Luxembourg and DTC may be effected in accordance with procedures established for this purpose by Euroclear, Clearstream, Luxembourg and DTC.

General

Neither Euroclear, Clearstream, Luxembourg nor DTC is under any obligation to perform or continue to perform the procedures referred to above, and such procedures may be discontinued at any time.

We, the Trustee and our respective agents will not have any responsibility for the performance by Euroclear, Clearstream, Luxembourg or DTC or their respective participants of their respective obligations under the rules and procedures governing their operations or the arrangements referred to above.

SUBSCRIPTION AND SALE

Each of BNP Paribas, HSBC Bank plc and J.P. Morgan Securities plc (together, the "**Joint Bookrunners**" and each a "**Joint Bookrunner**") and ING Bank N.V., London Branch and UniCredit Bank AG (together with the Joint Bookrunners, the "**Joint Lead Managers**" and each a "**Joint Lead Manager**"), has, pursuant to a subscription agreement entered into with us dated 24 April 2018 (the "**Subscription Agreement**"), severally agreed to subscribe or procure subscribers for the respective principal amount of Notes set out opposite its name below, subject to the provisions of the Subscription Agreement:

Name of Joint Lead Manager	**Amount of Notes**
BNP Paribas	U.S.$90,000,000
HSBC Bank plc	U.S.$90,000,000
ING Bank N.V., London Branch	U.S.$15,000,000
J.P. Morgan Securities plc	U.S.$90,000,000
UniCredit Bank AG	U.S.$15,000,000
Total	U.S.$300,000,000

The Subscription Agreement may be terminated in certain circumstances prior to payment to us of the issue price.

Certain of the Joint Lead Managers and their respective affiliates have performed certain investment and commercial banking or financial advisory services for us and our affiliates from time to time, for which they have received customary fees and commissions, and they expect to provide these services to us and our affiliates in the future, for which they expect to receive customary fees and commissions.

In addition, in the ordinary course of their business activities, the Joint Lead Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve our, or our affiliates', securities and/or instruments. If the Joint Lead Managers or their respective affiliates have a lending relationship with us, they routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, the Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Joint Lead Managers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

United States

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only (a) outside the United States to non-U.S. persons in reliance on, and in compliance with, Regulation S and (b to QIBs in connection with resales by the Joint Lead Managers, in reliance on, and in compliance with, Rule 144A.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of the Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

Prohibition of Sales to EEA Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered or sold and will not offer or sell any Notes to any retail investor in the EEA. For the purposes of this provision, the expression "**retail investor**" means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(b) a customer within the meaning of Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

Each Joint Lead Manager has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to us; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Turkey

The offering of the Notes has been authorised by the CMB only for the purpose of the issuance and sale of the Notes outside Turkey in accordance with Article 15(b) of Decree 32 and the Communiqué. The Notes (and any beneficial interests therein) must be offered or sold only outside Turkey, and the CMB has authorised the offering of the Notes on the basis that, following the primary sale of the Notes, no transaction that may be deemed as a sale of the Notes (or any beneficial interests therein) in Turkey by way of private placement or public offering may be engaged in. Pursuant to Article 15(d) (ii) of Decree 32, there is no restriction on the purchase or sale of the Notes (or beneficial interests therein) by residents of Turkey, provided that they purchase or sell such Notes (or such beneficial interests) in the financial markets outside Turkey and such sale or purchase is made through banks and/or licensed brokerage institutions authorised pursuant to CMB regulations. The issue of the Notes and the issuance certificate relating to the Notes were approved by the CMB on 15 March 2018 and the written approval of the CMB relating to the issue of the Notes (which may be in the form of a tranche issuance certificate (in Turkish: *tertip ihraç belgesi*) is expected to be obtained from the CMB on or before the Issue Date.

Each Joint Lead Manager has agreed that neither it, nor any of its affiliates, nor any person acting on behalf of such Joint Lead Manager or any of its affiliates, has engaged or will engage in any directed selling efforts within Turkey in connection with the Notes. Each Joint Lead Manager has further agreed that neither it nor any of its affiliates, nor any person acting on behalf of such Joint Lead Manager or any of its affiliates (i) has engaged or will engage in any form of general solicitation or general advertising in connection with any offer and sale of the Notes in Turkey, or (ii) will make any disclosure in Turkey in relation to us, the Notes or this Offering Circular without our prior consent, save as may be required by applicable law, court order or regulation.

Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal, that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), or section 1.1 of National Instrument 45-106 Prospectus Exemptions and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Circular (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal adviser.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Joint Lead Managers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

General

No action has been taken or will be taken in any jurisdiction by the Issuer or any of the Joint Lead Managers that would, or is intended to, permit a public offer of the Notes or possession or distribution of this Offering Circular or any other offering material in any country or jurisdiction where any such action for that purpose is required. Persons into whose hands this Offering Circular comes are required by the Issuer and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish this Offering Circular or any other offering material relating to the Notes, in all cases at their own expense.

SELLING AND TRANSFER RESTRICTIONS

Because the following restrictions will apply with respect to the Notes, purchasers of the Notes are advised to consult legal counsel prior to making an offer, resale, pledge or transfer of any of the Notes.

The offering of the Notes has been authorised by the CMB only for the purpose of the issuance and sale of the Notes outside Turkey in accordance with Article 15(b) of Decree 32 and the Communiqué. The Notes (and any beneficial interests therein) must be offered or sold only outside Turkey, and the CMB has authorised the offering of the Notes on the basis that, following the primary sale of the Notes, no transaction that may be deemed as a sale of the Notes (or any beneficial interests therein) in Turkey by way of private placement or public offering may be engaged in. Pursuant to Article 15(d)(ii) of Decree 32, there is no restriction on the purchase or sale of the Notes (or beneficial interests therein) in offshore transactions on an unsolicited basis by residents of Turkey, provided that such sale or purchase is made through banks authorised by the BRSA and/or licensed brokerage institutions authorised pursuant to CMB regulations. The issue of the Notes and the issuance certificate relating to the Notes were approved by the CMB on 15 March 2018 and the written approval of the CMB relating to the issue of the Notes (which may be in the form of a tranche issuance certificate (in Turkish: *tertip ihraç belgesi*) is expected to be obtained from the CMB on or before the Issue Date.

We have not registered the Notes under the Securities Act or the laws of any state or other jurisdiction of the United States and, therefore, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only (1) to QIBs, in compliance with Rule 144A and (2) outside the United States to non-U.S. persons in compliance with Regulation S.

By its purchase of Notes, each purchaser of Notes will be deemed to have acknowledged, represented and agreed with each of the Joint Lead Managers and us as follows:

1. that the Notes have not been, and will not be, registered under the Securities Act or any other applicable securities law and that the Notes are being offered for resale in transactions not requiring registration under the Securities Act or any other securities law, including sales pursuant to Rule 144A, and may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities law, or pursuant to an exemption therefrom or in a transaction not subject thereto, and in each case in compliance with the conditions for transfer set forth in paragraph (4) below;

2. that it is not an "affiliate" (as defined in Rule 144A) of ours and it is not acting on our behalf and it is either (i) a QIB and is aware that any sale of Notes to it will be made in reliance on Rule 144A and such acquisition will be for its own account or for the account of another QIB or (ii) it is not a U.S. person and it is purchasing Notes in an offshore transaction in accordance with Regulation S;

3. that neither we nor the Joint Lead Managers, nor any person representing us or the Joint Lead Managers, has made any representation to it with respect to us or the offer or sale of any of the Notes, other than the information contained in this Offering Circular, which has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes. It acknowledges that the Joint Lead Managers make no representation or warranty as to the accuracy or completeness of this Offering Circular. It has had access to such financial and other information concerning us and the Notes as it has deemed necessary in connection with its decision to purchase the Notes, including an opportunity to ask questions of and request information from us and the Joint Lead Managers;

4. that it is purchasing the Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act. It agrees on its own behalf and on behalf of any investor account for which it is purchasing Notes, and each subsequent holder of the Notes by its acceptance thereof will agree, to offer, sell or otherwise transfer such Notes

prior to (x) the date which is one year (or such shorter period of time as permitted by Rule 144A or any successor provision thereunder) after the later of the date of the original issue of the Notes and the last date on which we or any affiliate of ours was the owner of such Notes (or any predecessor thereto), or (y) such later date, if any, as may be required by applicable law (the "**Resale Restriction Termination Date**"), only (a) to us, (b) pursuant to a registration statement which has been declared effective under the Securities Act, (c) for so long as the Notes are eligible for resale pursuant to Rule 144A, to a person it reasonably believes is a QIB that purchases for its own account or for the account of another QIB to whom it gives notice that the transfer is being made in reliance on Rule 144A, (d) in an offshore transaction complying with Rule 903 or 904 of Regulation S, or (e) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to compliance with any applicable state securities laws. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date. It acknowledges that we reserve the right prior to any offer, sale or other transfer of the Notes pursuant to clause (d) or (e) above, to require the delivery of an opinion of counsel, certifications and/or other information satisfactory to us;

5. that each Rule 144A Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**")), (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES THAT IT WILL NOT PRIOR TO (X) THE DATE WHICH IS ONE YEAR (OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144A OR ANY SUCCESSOR PROVISION THEREUNDER) AFTER THE LATER OF THE ORIGINAL ISSUE DATE THEREOF (OR OF ANY PREDECESSOR OF THIS NOTE) OR THE LAST DAY ON WHICH WE OR ANY AFFILIATE (AS DEFINED IN RULE 144A) OF OURS WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF THIS NOTE), OR (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW (THE "**RESALE RESTRICTION TERMINATION DATE**"), OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTE EXCEPT (A) TO US, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**") OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND, IN EACH CASE, IN COMPLIANCE WITH THE RELEVANT SECURITIES LAWS OF ANY OTHER JURISDICTION, AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND; *PROVIDED THAT* WE SHALL HAVE THE RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) OR (E) ABOVE TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS AND/OR OTHER INFORMATION REASONABLY SATISFACTORY TO US. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE. AS

USED HEREIN, THE TERMS "OFFSHORE TRANSACTION" AND "UNITED STATES" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S.;

6. that if it purchases the Notes, it will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in the Notes as well as to holders of the Notes;

7. that the Registrars will not be required to accept for registration of transfer any Notes acquired by it, except upon presentation of evidence satisfactory to us and the Registrars that the restrictions set forth herein have been complied with;

8. that:

   (a) we, the Trustee, the Joint Lead Managers and others will rely upon the truth and accuracy of its acknowledgements, representations and agreements set forth herein and it agrees that if any of its acknowledgements, representations or agreements herein cease to be accurate and complete, it will notify us and the Joint Lead Managers promptly in writing; and

   (b) if it acquires any Notes as fiduciary or agent for one or more investor accounts, it represents with respect to each such account that:

      (i) it has sole investment discretion; and

      (ii) it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account and that each such investment account is eligible to purchase the Notes;

9. that it will give to each person to whom it transfers the Notes notice of any restrictions on the transfer of the Notes;

10. that no action has been taken in any jurisdiction (including the United States) by us or the Joint Lead Managers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Circular or any other material relating to us or the Notes in any jurisdiction where action for that purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth under "*Selling and Transfer Restrictions*" and "*Subscription and Sale*"; and

11. that until 40 days after the commencement of the offering, any offer or sale of the Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another exemption from registration under the Securities Act.

GENERAL INFORMATION

Authorisation

The issue of the Notes was duly authorised by (i) our first board resolution dated 1 March 2018 and numbered 2018/10 notarized by 38th Notary Public of Ankara on 6 March 2018 with the registration number 07845; and, (ii) our second board of directors resolution dated 24 March 2018 and numbered 2018/16.

Approval, admission to trading and listing

Application has been made to Euronext Dublin for the Notes to be admitted to the Official List and trading on the Main Securities Market, however, no assurances can be given that such application will be accepted.

We estimate the total expenses related to the admission of the Notes to the Official List and trading on the Main Securities Market to be approximately €7,000.

Listing Agent

Arthur Cox Listing Services Limited is acting solely in its capacity as our listing agent in relation to the Notes and is not itself seeking admission of the Notes to the Official List of Euronext Dublin or to trading on the Main Securities Market of Euronext Dublin.

Clearing Systems

The Regulation S Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. Application has been made for acceptance of the Rule 144A Notes into DTC's book-entry settlement system. The ISIN for the Regulation S Notes is XS1807502668 and for the Rule 144A Notes is US77634PAA49. The Common Code for the Regulation S Notes is 180750266 and for the Rule 144A Notes is 181002468 and the CUSIP number for the Rule 144A Notes is 77634P AA4.

No significant change

There has been no material adverse change in the prospects of the Issuer or the Issuer and its subsidiaries since 31 December 2017.

There has been no significant change in the financial or trading position of the Issuer or the Issuer and its subsidiaries since 31 December 2017.

Litigation

Neither the Issuer nor any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this Offering Circular which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Issuer and its subsidiaries.

Independent Auditors

Our auditors for each of the three financial years ended 31 December 2017, 2016 and 2015 were DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Deloitte Touche Tohmatsu Limited), who audited our accounts for the three financial years ended 31 December 2017, 2016 and 2015, without qualification, in accordance with International Standards on Auditing (ISAs).

DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. is authorised by the CMB, the BRSA, the Turkish Treasury, the Energy Market Regulatory Authority and the Public Oversight Accounting and Auditing Standards Authority (POA) to conduct independent audits in Turkey.

We maintain our financial books and records and prepare our financial statements in Turkish lira in accordance with IFRS. DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. has no interest in us.

Valuer

The Valuation Report was prepared by TSKB Gayrimenkul Değerleme Anonim Şirketi of Meclisi Mebusan Caddesi, Molla Bayırı Sokak, No:1, Fındıklı-Beyoğlu, Istanbul, Turkey (the "**Valuer**"). The Valuation Report is included in this Offering Circular, in the form and context in which it is included, with the consent of the Valuer and the Valuer has authorised the contents of this section.

TSKB is on the lists of companies allowed to offer appraisal services within the framework of the Capital Market Board ("**CMB**") legislation by CMB's letter dated 3 February 2003 and no. KYD-66/001347 of Capital Market Board of the Prime Ministry. TSKB is authorised to provide services of "Valuation of rights and benefits related to real estate, real estate project or a real estate" pursuant to decision no 34469 dated 17 December 2009 of the BRSA. TSKB has been awarded the "regulated by RICS" status by RICS (Royal Institution of Charted Surveyors). TSKB holds ISO 9001:2008 Quality Certificate issued by BSI Eurasia Management Systems Certification Ltd. Co.

The Valuer does not have a material interest in the Issuer.

Certain information about the Issuer

Rönesans Gayrimenkul Yatırım A.Ş. was incorporated in Turkey on 6 June 2006 with registration number 222720 in the Ankara Trade Register.

We operate under the Turkish Commercial Code. The address of our registered office is Aziziye Mahallesi, Portakal Çiçeği Sokak No:33, Y. Ayrancı, Çankaya, Ankara, Turkey and its telephone number is +90 216 430 6000.

Documents

For so long as the Notes are listed on the Official List and admitted to trading on the Main Securities Market, physical copies of the following documents will be available for inspection from our registered office and from the specified offices of the Trustee and the Paying Agents for the time being in London, United Kingdom and New York, United States of America:

(a) our constitutional documents (with an English translation thereof);

(b) the annual financial statements of the Issuer for the three years ended 31 December 2017, 2016 and 2015, together with the audit reports in connection therewith. The Issuer currently prepares audited consolidated accounts on an annual basis;

(c) the Trust Deed;

(d) the Agency Agreement; and

(e) this Offering Circular.

Post-issuance information

We do not intend to provide any post-issuance information in relation to this issue of Notes.

Yield

On the basis of the issue price of the Notes of 99.485 per cent. of their principal amount, the yield on the Notes is 7.375 per cent. on an annual basis. Such yield is not an indication of future yield.

Interest of natural and legal persons involved with the issue of the Notes

Save for any fees payable to the Joint Lead Managers, so far as we are aware, no person involved in the issue of the Notes has a material interest in the offer of the Notes.

FINANCIAL STATEMENTS

RÖNESANS GAYRİMENKUL YATIRIM ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2017 AND
INDEPENDENT AUDITOR’S REPORT

Deloitte.

DRT Bağımsız Denetim ve
Serbest Muhasebeci
Mali Müşavirlik A.Ş.
Maslak no1 Plaza
Eski Büyükdere Caddesi
Maslak Mahallesi No:1
Maslak, Sarıyer 34485
İstanbul, Türkiye

Tel : +90 (212) 366 6000
Fax : +90 (212) 366 6010
www.deloitte.com.tr

Mersis No: 0291001097600016
Ticari Sicil No : 304099

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Rönesans Gayrimenkul Yatırım A.Ş.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Rönesans Gayrimenkul Yatırım A.Ş. ("the Company") and its subsidiaries (together the "Group"), which comprise the consolidated balance sheets as at 31 December 2017, 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial positions of the Group as at 31 December 2017, 2016 and 2015, and its consolidated financial performances and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the periods. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Deloitte.

Key Audit Matter	How the matter was addressed in the audit
Fair value determination of Investment properties As at 31 December 2017, the carrying value of the Group's investment properties is TRY 6,299,142 thousand in the consolidated statement of financial position and TRY 908,252 thousand the fair value gain/(losses) is recognized in the consolidated statement of profit or loss related to these investment properties. The fair values are determined based on the Discounted Cash Flow method ("DCF") and Sales Comparison Approach. The Group uses independent valuers to determine the fair values of the investment properties. Considering that, the fair value determination of investment properties includes significant estimates and assumptions and the significance of these assets to the consolidated statement of financial position and profit or loss, this matter is determined as key audit matter. Explanations regarding accounting principles related to Investment Properties and the amounts are disclosed in Note 2 and Note 10.	The following audit procedures on the fair value determination of investment properties have been performed: • Assessment of the key controls implemented by the Management over the determination and accounting of fair values of investment properties; • The competence, capabilities and objectivity of independent valuers appointed by the Management are assessed and verified the qualifications of the valuers. In addition, we discussed the scope of their work with the Group management and reviewed their terms of engagement to determine that there were no matters that affected their objectivity or imposed scope limitation upon them. We questioned that the approaches they used are consistent with TAS and industry norms. • Significant assumptions and estimates used by the independent valuers and the Group management were assessed by the involvement of internal valuation experts in our audit firm and, where appropriate, the involvement of external valuation specialist (external expert). Market data and entity-specific historical information are compared in order to assess the appropriateness of these assumptions and estimates and held meeting with the independent valuers and discuss findings. • Furthermore, we tested a selection of data inputs underpinning the investment property valuation, including rental income, tenancy schedules and square meter details, against appropriate supporting documentation, to assess the accuracy, reliability and completeness thereof and recalculated the valuations of selected investment properties. In addition, the adequacy of disclosures in Note 10 Investment Properties is evaluated in accordance with IFRS.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Koray Öztürk.

DRT BAĞIMSIZ DENETİM ve S.M.M.M. A.Ş.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

İstanbul, 21 March 2018

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RÖNESANS GAYRİMENKUL YATIRIM ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

ASSETS	Notes	*(Audited)* 31 December 2017	*(Audited)* 31 December 2016	*(Audited)* 31 December 2015
Current Assets		**972,658**	**967,363**	**789,028**
Cash and cash equivalents	35	693,169	746,921	633,978
Trade receivables		44,349	56,551	16,476
- Trade receivables from related parties	*5-6*	*16,048*	*14,865*	*13,240*
- Trade receivables from third parties	*6*	*28,301*	*41,686*	*3,236*
Other receivables		55,921	46,228	21,717
- Other receivables from related parties	*5-7*	*55,509*	*45,972*	*21,683*
-Other receivables from third parties	*7*	*412*	*256*	*34*
Derivative instruments	28	-	23	23
Inventories	8	167,787	106,968	68,503
Prepaid expenses	9	3,820	4,381	38,724
Current tax assets	25	149	119	2,954
Other current assets	17	7,463	6,172	6,653
Non-Current Assets		**8,443,806**	**5,503,410**	**3,976,659**
Other receivables		55,843	82,760	79,377
- Other receivables from related parties	*5-7*	*50,842*	*82,530*	*79,199*
- Other receivables from third parties	*7*	*5,001*	*230*	*178*
Derivative instruments	28	3,100	-	-
Financial investments	29	-	1,001	-
Investments accounted for using the equity method	3	1,798,481	1,681,549	1,580,154
Investment properties	2.2(c)-10	6,299,142	3,544,988	2,141,155
Property, plant and equipment	11	3,008	4,205	4,929
Intangible assets		489	687	2,488
- Goodwill	*13*	-	-	*2,193*
- Other intangible assets	*12*	*489*	*687*	*295*
Prepaid expenses	9	7	77	56,044
Deferred tax assets	25	1,310	3,681	979
Other non-current assets	17	282,426	184,462	111,533
TOTAL ASSETS		**9,416,464**	**6,470,773**	**4,765,687**

RÖNESANS GAYRİMENKUL YATIRIM ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

LIABILITIES	**Notes**	***(Audited)*** **31 December 2017**	***(Audited)*** **31 December 2016**	***(Audited)*** **31 December 2015**
Current Liabilities		**567,556**	**353,561**	**147,422**
Short term portion of long term financial debts	29	261,649	188,711	53,220
Trade payables		161,056	106,816	38,516
- Trade payables to related parties	*5-6*	*145,515*	*98,355*	*33,256*
- Trade payables to third parties	*6*	*15,541*	*8,461*	*5,260*
Other payables		10,468	9,760	50,936
- Other payables to related parties	*5-7*	*45*	*279*	*41,951*
- Other payables to third parties	*2.2(c)-7*	*10,423*	*9,481*	*8,985*
Derivative instruments	28	1,168	176	956
Deferred revenue	9	124,366	30,584	737
Current tax liabilities	25	1,696	11,480	109
Payables related to employee benefits	15	2,880	2,369	2,397
Short term provisions		4,273	3,665	551
- Employee benefits	*15*	*2,284*	*2,057*	551
-Other short-term provisions	*26*	*1,989*	*1,608*	-
Non-Current Liabilities		**3,192,630**	**1,572,387**	**831,012**
Long term financial debts	29	2,174,752	975,973	531,716
Other payables		410,822	275,399	82,897
- Other payables to related parties	*5-7*	*314,605*	*210,744*	*30,629*
- Other payables to third parties	*2.2(c)-7*	*96,217*	*64,655*	*52,268*
Derivative instruments	28	7,101	11,627	1,234
Long term provisions		1,610	1,612	1,272
- Employee benefits	*15*	*1,610*	*1,612*	*1,272*
Deferred tax liabilities	25	598,345	307,776	213,893
SHAREHOLDERS' EQUITY		**5,656,278**	**4,544,825**	**3,787,253**
Paid in capital	18	303,717	303,717	303,717
Loss on remeasurement of defined benefit obligations	24	(678)	(463)	(411)
Premiums in capital stock	18	630,844	630,844	630,844
Restricted profit reserve	18	63,926	46,814	28,004
Retained earnings		4,658,469	3,563,913	2,825,099
TOTAL LIABILITIES		**9,416,464**	**6,470,773**	**4,765,687**

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	*(Audited)* **1 January - 31 December 2017**	*(Audited)* **1 January - 31 December 2016**	*(Audited)* **1 January - 31 December 2015**
- Revenue	4-19	169,263	114,357	87,558
- Cost of sales (-)	4-19	(63,536)	(62,829)	(54,440)
GROSS PROFIT		**105,727**	**51,528**	**33,118**
- Marketing expenses (-)	20	(1,740)	(895)	(766)
- General administrative expenses (-)	20	(18,799)	(17,747)	(17,022)
- Other operating income	21	967,339	604,673	304,015
- Other operating expense (-)	21	(603)	(3,823)	(14,801)
OPERATING PROFIT		**1,051,924**	**633,736**	**304,544**
- Income from investing activities	23	86,410	10,687	4
- Expenses from investing activities (-)	23	(89)	(15,886)	(2,643)
- Share on profit of investments valued using equity method	3	319,806	305,969	313,804
PROFIT BEFORE FINANCIAL EXPENSES		**1,458,051**	**934,506**	**615,709**
- Finance expenses (-)	22	(104,263)	(51,932)	(49,557)
PROFIT BEFORE TAXATION		**1,353,788**	**882,574**	**566,152**
Tax expenses		**(187,120)**	**(124,950)**	**(57,946)**
- Current tax expense	25	(8,114)	(33,756)	(30,994)
- Deferred tax expense	25	(179,006)	(91,194)	(26,952)
NET PROFIT FOR THE PERIOD		**1,166,668**	**757,624**	**508,206**
Earnings per share				
- Basic and diluted earnings per share	27	3.84	2.49	1.71

CONSOLIDATED STATEMENT OF OTHER COMPHERENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	*(Audited)* 1 January - 31 December 2017	*(Audited)* 1 January - 31 December 2016	*(Audited)* 1 January - 31 December 2015
PROFIT FOR THE YEAR		**1,166,668**	**757,624**	**508,206**
Other comprehensive expense:		**(215)**	**(52)**	**(411)**
Accumulated other comprehensive income or loss that will not be reclassified in profit or loss				
-Loss on remeasurement of defined benefit obligations	*15*	*(269)*	*(65)*	*(513)*
-Tax expense based on other comprehensive income	*25*	*54*	*13*	*102*
TOTAL COMPREHENSIVE INCOME		**1,166,453**	**757,572**	**507,795**

RÖNESANS GAYRİMENKUL YATIRIM ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

			Accumulated other comprehensive income or loss that will not be reclassified in profit or loss			
	Paid in capital	**Premiums in capital stocks**	**Loss on remeasurement of defined benefit obligations**	**Legal reserve**	**Retained earnings**	**Total**
Opening balance as of 1 January 2015	**264,647**	**252,623**	**-**	**26,358**	**2,361,609**	**2,905,237**
Changes in 2015:						
Profit for the year	-	-	-	-	*508,206*	*508,206*
Other comprehensive loss for the year, net of tax	-	-	*(411)*	-	-	*(411)*
Total comprehensive income	**-**	**-**	**(411)**	**-**	**508,206**	**507,795**
Transfer to legal reserves	-	-	-	1,646	(1,646)	-
Issuance of share capital (Note 18)	39,070	378,221	-	-	-	417,291
Dividend distribution (Note 18)	-	-	-	-	(43,070)	(43,070)
Balance as of 31 December 2015	**303,717**	**630,844**	**(411)**	**28,004**	**2,825,099**	**3,787,253**
Opening balance as of 1 January 2016	**303,717**	**630,844**	**(411)**	**28,004**	**2,825,099**	**3,787,253**
Changes in 2016:						
Profit for the year	-	-	-	-	*757,624*	***757,624***
Other comprehensive loss for the year, net of tax	-	-	***(52)***	-	-	***(52)***
Total comprehensive income	**-**	**-**	**(52)**	**-**	**757,624**	**757,572**
Transfer to legal reserves	-	-	-	18,810	(18,810)	-
Balance as of 31 December 2016	**303,717**	**630,844**	**(463)**	**46,814**	**3,563,913**	**4,544,825**
Opening balance as of 1 January 2017	**303,717**	**630,844**	**(463)**	**46,814**	**3,563,913**	**4,544,825**
Changes in 2017:						
Profit for the year	-	-	-	-	*1,166,668*	***1,166,668***
Other comprehensive loss for the year, net of tax	-	-	***(215)***	-	-	***(215)***
Total comprehensive income	**-**	**-**	**(215)**	**-**	**1,166,668**	**1,166,453**
Transfer to legal reserves	-	-	-	17,112	(17,112)	-
Dividends (Note 18)	-	-	-	-	(55,000)	(55,000)
Balance as of 31 December 2017	**303,717**	**630,844**	**(678)**	**63,926**	**4,658,469**	**5,656,278**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

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	References	*(Audited)* **1 January - 31 December 2017**	*(Audited)* **1 January - 31 December 2016**	*(Audited)* **1 January - 31 December 2015**
A. Cash Flows From Operating Activities				
Profit for the Period		1,166,668	757,624	508,206
Adjustments to reconcile net profit				
Adjustments related to depreciation and amortization expense	11-12	1,611	1,620	1,143
Adjustments related to doubtful receivables provisions	6	170	1,441	458
Adjustments related to provisions	15-26	876	3,923	950
Adjustments related to Group's share on net assets of investments in accounted for using the equity method	3	(319,806)	(305,969)	(313,804)
Adjustments related to interest expense / (income)	21-22	(7,367)	(12,532)	(1,665)
Adjustments related to fair value gains	10-21	(908,252)	(485,564)	(197,556)
Adjustments related to derivative instruments carried at fair value (gain) / loss	22	(3,104)	697	(7,930)
Adjustments related to tax expense	25	187,120	124,950	57,946
Adjustments related to sale of tangible assets		-	(381)	-
Adjustments related to sale of associate and joint ventures	23	-	15,886	2,643
Adjustments related to gain on acquisition of subsidiary	23	(86,266)	-	-
Other adjustments to related to profit and loss		101,016	57,416	33,281
Movements in Working Capital		**132,666**	**159,111**	**83,672**
Adjustments related to decrease in financial investments		1,001	(1,001)	-
Adjustments related to increase / (decrease) trade receivables		15,334	(41,516)	(5,056)
Adjustments related to change in other receivables related to operations		48,852	3,042	2,113
Adjustments related to (decrease) / increase inventories	8	(60,819)	(38,465)	(44,082)
Adjustments related to increase prepaid expenses		632	(2,940)	(3,640)
Adjustments related to increase trade payables		50,357	68,300	11,884
Adjustments related to increase / (decrease) payables related to employee benefits		511	(28)	32
Adjustments related to decrease other payables related to operations		28,999	12,883	21,194
Adjustments related to increase deferred income		93,782	29,847	201
Cash generated by operating activities		311,315	189,233	66,318
Retirement pay paid	15	(587)	(534)	(541)
Income tax paid	25	(17,898)	(22,385)	(27,621)
Net cash generated by operations		292,830	166,314	38,156

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

		(Audited) 1 January - 31 December 2017	*(Audited)* 1 January - 31 December 2016	*(Audited)* 1 January - 31 December 2015
B. Cash Flows From Investing Activities				
Net cash inflow on disposal of subsidiary	23-33	-	10,193	475,681
Net cash outflow on acquire of subsidiary	34	(78,859)	-	(97,494)
Net cash inflow on disposal of shares investments in accounted for using the equity method	33	-	183,038	-
Net cash outflow on issuance of shares investments in accounted for using the equity method		(29,635)	-	(27,680)
Proceeds on disposal of tangible and intangible assets	11-23	89	515	532
Payments for tangible and intangible assets		(305)	(1,422)	(4,536)
Net cash outflow on acquire of investment property and expenditures		(635,998)	(778,919)	(418,767)
Advances given and receivables from related parties	5	(9,487)	(24,296)	(3,996)
Change in advances given to land owner of the project	5	-	93,250	(35,800)
Dividend received		-	-	7,322
Interest received		50,553	20,635	14,180
Change in long term VAT receivables	17	(97,964)	(72,929)	(52,845)
Other cash outflow		(1,012)	-	-
Net cash used in investing activities		(802,618)	(569,935)	(143,403)
C. Cash Flows From Financing Activities				
Issuance of share capital	18	-	-	417,291
Proceeds from borrowings		1,270,400	648,187	299,775
Repayment of borrowings		(757,492)	(191,863)	(325,936)
Change in non-trade payables to related parties	5	102,672	138,443	(8,307)
Change in non-trade receivables from related parties	7	31,638	(3,324)	68,012
Dividends paid	18	(55,000)	-	(43,070)
Interest paid		(136,182)	(74,879)	(34,240)
Net cash generated by financing activities		456,036	516,564	373,525
Net (decrease)/ increase in cash and cash equivalents		(53,752)	112,943	268,278
D. Cash and cash equivalents at the beginning of the year	**35**	**746,921**	**633,978**	**365,700**
Cash and cash equivalents at the end of the year (A+B+C+D)	**35**	**693,169**	**746,921**	**633,978**

1. ORGANIZATION AND OPERATIONS OF THE GROUP

Rönesans Gayrimenkul Yatırım Anonim Şirketi ("the Company") was founded on 2 June 2006 in Ankara / Turkey. The registered address of the Company is Aziziye Mahallesi Portakal Çiçeği Sok. No: 33 Yukarı Ayrancı Çankaya/Ankara, Turkey. The ultimate controlling party and the major shareholder of the Company is Rönesans Emlak Geliştirme Holding A.Ş. ("Rönesans Emlak Geliştirme Holding").

The details of the Company's shareholders are disclosed in Note 18.

The principal activities of the Company and its subsidiaries and joint ventures ("the Group") consist of developing shopping malls, office buildings and other commercial real estate projects.

Euro Efes S.a.r.l is a Company which is under indirect control GIC's real estate department GIC Real Estate Pte. Ltd. of Singapore's government fund. As of 25 February 2015, Euro Efes S.a.r.l acquired 11.6% shares of Rönesans Gayrimenkul by capital increase for a total consideration for TRY 417,291. Amounting to TRY 39,070 has been classified as nominal capital increase and the remaining amounting to TRY 378,221 has been classified as share premium (Note 18). As a result of this transaction, partnership ratio of Euro Efes S.a.r.l. has increased from 9.8% to 21.4%.

As at 31 December 2017, the Group has 327 employees. (31 December 2016: 328, 31 December 2015: 379)

1. ORGANIZATION AND OPERATIONS OF THE GROUP (cont'd)

The subsidiaries of the Group, place of incorporation, the nature of business together with geographical segments are as follows:

Registered name of subsidiary	Short name	Place of incorporation and operation	Nature of business	Geographic segment
Akaretler Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Akaretler	Turkey, Ankara	Real Estate Development	Turkey
Akatlar Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Akatlar	Turkey, Ankara	Real Estate Development	Turkey
Altunizade Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Altunizade	Turkey, Ankara	Real Estate Development	Turkey
Ayazağa Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Ayazağa	Turkey, Ankara	Real Estate Development	Turkey
Bakırköy Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Bakırköy	Turkey, Ankara	Real Estate Development	Turkey
Bahariye Gayrimenkul Yatırım İnş. Turizm San. ve Tic. A.Ş.	Bahariye	Turkey, Ankara	Real Estate Development	Turkey
Balmumcu Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Balmumcu	Turkey, Ankara	Real Estate Development	Turkey
Bostancı Gayrimenkul Yatırım İnşaat Turizm Eğitim Sanayi ve Ticaret A.Ş.	Bostancı	Turkey, Ankara	Real Estate Development	Turkey
Göksu Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Göksu	Turkey, Ankara	Real Estate Development	Turkey
Kabataş Gayrimenkul Yatırım İnş Tur. San. ve Tic. A.Ş.	Kabataş	Turkey, Ankara	Real Estate Development	Turkey
Kavacık Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Kavacık	Turkey, Ankara	Real Estate Development	Turkey
Kuzguncuk Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Kuzguncuk	Turkey, Ankara	Real Estate Development	Turkey
Mecidiyeköy Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Mecidiyeköy	Turkey, Ankara	Real Estate Development	Turkey
Nakkaştepe Gayrimenkul Yatırım İnş. Yön. ve Tic. A.Ş.	Nakkaştepe	Turkey, Ankara	Real Estate Development	Turkey
Nisbetiye Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Nisbetiye	Turkey, Ankara	Real Estate Development	Turkey
Pendik Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Pendik	Turkey, Ankara	Real Estate Development	Turkey
Rönesans Yönetim A.Ş.	ROY	Turkey, Ankara	Asset Management	Turkey
Salacak Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Salacak	Turkey, Ankara	Real Estate Development	Turkey
Sancaktepe Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Sancaktepe	Turkey, Ankara	Real Estate Development	Turkey
Tarabya Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Tarabya	Turkey, Ankara	Real Estate Development	Turkey
Salacak Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.-Rönesans Gayrimenkul Yatırım A.Ş Adi Ortaklığı	Salacak-RGY	Turkey, Ankara	Real Estate Development	Turkey
Bahariye Gayrimenkul Yatırım İnşaat Turizm San. ve Ticaret A.Ş.-.Rönesans Gayrimenkul Yatırım A.Ş. Adi Ortaklığı	Bahariye-RGY	Turkey, Ankara	Real Estate Development	Turkey
Kabataş Gayrimenkul Yatırım İnşaat Turizm San. ve Ticaret A.Ş.-.Rönesans Gayrimenkul Yatırım A.Ş. Adi Ortaklığı(*)	Kabataş-RGY	Turkey, Ankara	Real Estate Development	Turkey

(*)Established in 2017.

1. ORGANIZATION AND OPERATIONS OF THE GROUP (cont'd)

Joint Ventures:

The Company's joint ventures, center, main business activities and geographic segments is as follows:

Registered name of joint ventures	Short name	Place of incorporation and operation	Nature of business	Geographic segment
Açim Çimento Sanayi A.Ş.(*)	Açim	Turkey, Ankara	Real Estate Development	Turkey
Esentepe Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Esentepe	Turkey, Ankara	Real Estate Development	Turkey
Feriköy Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Feriköy	Turkey, Ankara	Real Estate Development	Turkey
Florya Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Florya	Turkey, Ankara	Real Estate Development	Turkey
Kandilli Gayrimenkul Yatırımları Yönetim İnşaat ve Ticaret A.Ş.	Kandilli	Turkey, Ankara	Real Estate Development	Turkey
Kozyatağı Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Kozyatağı	Turkey, Ankara	Real Estate Development	Turkey
Kurtköy Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Kurtköy	Turkey, Ankara	Real Estate Development	Turkey
Mel2 Gayrimenkul Geliştirme Yatırım İnşaat ve Ticaret A.Ş.	Mel2	Turkey, Ankara	Real Estate Development	Turkey
Mel3 Gayrimenkul Geliştirme Yatırım İnşaat ve Ticaret A.Ş.	Mel3	Turkey, Ankara	Real Estate Development	Turkey
Mel4 Gayrimenkul Geliştirme Yatırım İnşaat ve Ticaret A.Ş.	Mel4	Turkey, Ankara	Real Estate Development	Turkey

Associates:

The Company's associates, center, main business activities and geographic segments is as follows:

Registered name of associates	Short name	Place of incorporation and operation	Nature of business	Geographic segment
Zeugma Alışveriş Merkezi A.Ş.(*)	Zeugma	Turkey, Gaziantep	Real Estate Development	Turkey

(*) Sold in 2016

Approval of consolidated financial statements:

Board of Directors has approved the consolidated financial statements and delegated authority for publishing it on 21 March 2018.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Adoption of New and Revised International Financial Reporting Standards

The following new and revised standards and interpretations are presented below.

a) Amendments to IFRSs that are mandatorily effective for the current year

- Amendments to IAS 7 'Statement of cash flows' on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.

- Amendments IAS 12 'Income Taxes', effective from annual periods beginning on or after 1 January 2017. The amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

- Annual improvements 2014–2016;

  – IFRS 12,'Disclosure of interests in other entities' regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017. This amendment clarifies that the disclosures requirement of IFRS 12 are applicable to interest in entities classified as held for sale except for summarized financial information.

b) New and revised IFRSs in issue but not yet effective:

- Amendment to IAS 28, 'Investments in associates and joint venture'; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using IFRS 9.

- IFRIC 23 Uncertainty over Income Tax Treatments This interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

  –Whether tax treatments should be considered collectively
  –Assumptions for taxation authorities' examinations
  –The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  –The effect of changes in facts and circumstances.

- Amendments to IFRS 2, 'Share based payments' on clarifying how to account for certain types of share-based payment transactions, effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

- IFRS 9 'Financial instruments', effective from annual periods beginning on or after 1 January 2018. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.1 Adoption of New and Revised International Financial Reporting Standards (cont'd)

b) New and revised IFRSs in issue but not yet effective: (cont'd)

- IFRS 15 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. IFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

  Amendment to IFRS 15, 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

- IFRS 16 'Leases', effective from annual periods beginning on or after 1 January 2019 with earlier application permitted if IFRS 15, 'Revenue from Contracts with Customers', is also applied. This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

- Amendments to IFRS 4, 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial Instruments', effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:
  - give all companies that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and
  - give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard— IAS 39.

- Amendment to IAS 40, Investment property' relating to transfers of investment property, effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

- The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

  The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Group anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.1 Adoption of New and Revised International Financial Reporting Standards (cont'd)

b) New and revised IFRSs in issue but not yet effective: (cont'd)

- Annual improvements 2014–2016;

  –IFRS 1,' First-time adoption of IFRS', regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10 effective 1 January 2018.

  –IAS 28,'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value effective 1 January 2018.

- IFRIC 22, 'Foreign currency transactions and advance consideration'; effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

- IFRS 17, 'Insurance contracts'; effective from annual periods beginning on or after 1 January 2021. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

2.2 Basis of representation

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Reporting and measurement currency

Reporting currency

For the purpose of the consolidated financial statements, the results and the consolidated financial position of the Group is expressed in TRY.

Functional currency

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. For the purpose of the consolidated financial statements, the results and financial position of each entity consolidated are expressed in Turkish Lira ("TRY"), which is the functional and presentation currency of the Group.

The exchange rates used for the preparation of consolidated financial statements as of 31 December 2017, 31 December 2016, 31 December 2015 as follows:

The exchange rates used for the preparation of consolidated financial statements as at 31 December 2017 1 US Dollars= 3.7719 TRY 1 EUR= 4.5155 TRY. (31 December 2016 1 US Dollars= 3.5192 TRY 1 EUR= 3.7099 TRY) (31 December 2015: 1 US Dollar = 2.9076 TRY, 1 EUR = 3.1776 TRY)

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.2 Basis of representation (cont'd)

Comparative information and reclassification of prior period consolidated financial statements

Consolidated financial statements of the Group have been prepared comparatively with the prior period in order to give information about financial position and performance. In order to maintain consistency with current year consolidated financial statement, comparative information is reclassed and significant changes are disclosed if necessary.

In the current year, the Group has reclassified certain comparative balances in order to conform to current year's presentation. The nature, amount and reasons for each of the reclassifications are described below:

a) "Foreign exchange loss from operations" amounting to TRY 2,692 presented under "other operating expense" in the consolidated financial statements for the year ended 31 December 2016 is netted off with "Foreign exchange gain from operations" in the current year.

b) "Corporate tax base increase" amounting to TRY 4,451 presented under "other operating expense" as tax base increase in the consolidated financial statements for the year ended 31 December 2016 is reclassified to "income tax expense" in the current year.

c) In accordance with IAS 40 Paragraph 50 The fair value of the Groups' investment property held by Group as a lessee as a right-of-use asset reflects expected cash flows (including variable lease payments that are expected to become payable). Accordingly, if a valuation obtained for a property is net of all payments expected to be made, it will be necessary to add back any recognised lease liability, to arrive at the carrying amount of the investment property using the fair value model. In the current year, the Group reassessed its non-cancellable operating lease payments and in accordance with IAS 8 "*Accounting Policies, Changes in Accounting Estimates and Errors*" increase its "other short term payables to third parties", "other long term payables to third parties" and "investment properties" amounting to TRY 2,433, TRY 36,724 and TRY 39,157 respectively (31 December 2015: TRY 1,321, TRY 21,784 and TRY 23,105) in the consolidated financial statements for the year ended 31 December 2016.

d) "Rent expense" amounting to TRY 1,185 (31 December 2015: TRY 1,524) presented under "finance expense" in the consolidated financial statements for the year ended 31 December 2016 is reclassed to "cost of sales" in the current year.

e) "Order advances received" amounting to TRY 1,528 presented under "long term deferred revenue" in the consolidated financial statements for the year ended 31 December 2016 is reclassed to "short term deferred revenue" in the current year.

f) "Interest expense of financial debts" amounting to TRY 10,239 presented under "other operating income" in the consolidated financial statements for the year ended 31 December 2015 is reclassed to "finance expense" in the current year.

g) "Additional consideration received from sale of subsidiary" amounting to TRY 10,193 presented under "Other cash outflow" in the consolidated statement of cash flows for the year ended 31 December 2016 is presented as "Net cash inflow on disposal of subsidiary" in the current year.

h) "Repayment of borrowings" amounting to TRY 44,290 presented under "Interest paid" in the consolidated statement of cash flows for the year ended 31 December 2016 is presented as "Repayment of borrowings" in the current year.

i) "Change in long term VAT receivables" amounting to TRY 34,077 presented under "Other cash outflow" in the consolidated statement of cash flows for the year ended 31 December 2015 is presented as "Change in long term VAT receivables" in the current year.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.2 Basis of representation (cont'd)

Basis of consolidation:

Subsidiaries included in consolidation as at 31 December 2017, 31 December 2016 and 31 December 2015 are as follows:

Subsidiaries	Effective ownership ratio (%)			Voting power held (%)		
	31 December 2017	31 December 2016	31 December 2015	31 December 2017	31 December 2016	31 December 2015
Akaretler	100.00	100.00	100.00	100.00	100.00	100.00
Akatlar	100.00	100.00	100.00	100.00	100.00	100.00
Altunizade	100.00	100.00	100.00	100.00	100.00	100.00
Ayazağa (2)	100.00	100.00	-	100.00	100.00	-
Bahariye	100.00	100.00	100.00	100.00	100.00	100.00
Bakırköy (2)	100.00	100.00	-	100.00	100.00	-
Balmumcu	100.00	100.00	100.00	100.00	100.00	100.00
Bostancı	100.00	100.00	100.00	100.00	100.00	100.00
Göksu (1)	100.00	50.00	50.00	100.00	50.00	50.00
Kabataş	100.00	100.00	100.00	100.00	100.00	100.00
Kavacık	100.00	100.00	100.00	100.00	100.00	100.00
Kuzguncuk	100.00	100.00	100.00	100.00	100.00	100.00
Mecidiyeköy	100.00	100.00	100.00	100.00	100.00	100.00
Nakkaştepe	100.00	100.00	100.00	100.00	100.00	100.00
Nisbetiye	100.00	100.00	100.00	100.00	100.00	100.00
Pendik	100.00	100.00	100.00	100.00	100.00	100.00
ROY	100.00	100.00	100.00	100.00	100.00	100.00
Salacak	100.00	100.00	100.00	100.00	100.00	100.00
Sancaktepe	100.00	100.00	100.00	100.00	100.00	100.00
Tarabya	100.00	100.00	100.00	100.00	100.00	100.00
Bahariye-RGY	100.00	100.00	-	100.00	100.00	-
Kabataş-RGY	100.00	-	-	100.00	-	-
Salacak-RGY	100.00	100.00	100.00	100.00	100.00	100.00

(1) After the Group has acquired 50% of the company shares on 16 August 2017, Göksu is reclassed as subsidiary.
(2) Established in 2016.

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.2 Basis of representation (cont'd)

Basis of consolidation (cont'd):

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.2 Basis of representation (cont'd)

Investments in associates and joint ventures:

			Proportion of ownership interest and voting power held by the Group		
Joint venture	Principle activity	Place of incorporation	31 December 2017	31 December 2016	31 December 2015
Açim [2]	Real Estate Development	Turkey, Ankara	-	-	50.00
Esentepe	Real Estate Development	Turkey, Ankara	50.00	50.00	50.00
Feriköy	Real Estate Development	Turkey, Ankara	50.00	50.00	50.00
Florya	Real Estate Development	Turkey, Ankara	50.00	50.00	50.00
Göksu [1]	Real Estate Development	Turkey, Ankara	-	50.00	50.00
Kandilli	Real Estate Development	Turkey, Ankara	50.00	50.00	50.00
Kozyatağı	Real Estate Development	Turkey, Ankara	50.00	50.00	50.00
Kurtköy	Real Estate Development	Turkey, Ankara	50.00	50.00	50.00
Mel 2	Real Estate Development	Turkey, Ankara	50.00	50.00	50.00
Mel 3	Real Estate Development	Turkey, Ankara	50.00	50.00	50.00
Mel 4	Real Estate Development	Turkey, Ankara	50.00	50.00	50.00
Associate					
Zeugma [3]	Real Estate Development	Turkey, Gaziantep	-	-	49.00

[1] After the Group has acquired 50% of company shares on 16 August 2017, Göksu is reclassed as subsidiary.
[2] The Group has sold 50% shares of the Company on 4 April 2016.
[3] The Group has sold 49% shares of the Company on 31 August 2016.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. . Under the equity method, an investment in associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or a joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or a joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or a joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or a joint venture.

Gains and losses resulting from transactions between the Group and its associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of unrelated investors' interests in the associate or joint venture. The Group's share in the associate's or joint venture's gains or losses resulting from these transactions is eliminated on consolidation.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.3 Significant Accounting Policies

Interests in joint operations:

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognizes in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly.

- Its liabilities, including its share of any liabilities incurred jointly.

- Its revenue from the sale of its share of the output arising from the joint operation.

- Its share of the revenue from the sale of the output by the joint operation.

- Its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRS applicable to the particular assets, liabilities, revenues and expenses.

Related parties

Related parties are individuals or entities that are related to the entity that is preparing its financial statements ("reporting entity").

a)An individual or a close family member is considered related party of the reporting entity when the following criteria are met: If a certain individual,

(i)has control or joint control over the reporting entity,
(ii)has significant influence over the reporting entity,
(iii)is a key management personnel of the reporting entity or a parent company of the reporting entity.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.3 Significant Accounting Policies (cont'd)

Related parties (cont'd)

b)An entity is considered related party of the reporting entity when the following criteria are met:

(i)if the entity and the reporting entity is within the same group. (meaning every parent company, subsidiary and other subsidiaries are considered related parties of others).
(ii)if the reporting entity is a subsidiary or a joint venture of another entity (or of another entity that the entity is within the same group).
(iii)if both of the entities are a joint venture of a third party.
(iv)if one of the entities are a joint venture of a third party while the other entity is a subsidiary of this third party.
(v)if entity has plans of post employment benefits for employees of reporting entity or a related party of a reporting entity.
(vi)if the reporting entity has its own plans, sponsor employers are also considered as related parties.
(vii)if the entity is controlled or jointly controlled by an individual defined in the article (a).
(viii)if an individual defined in the clause (i) of article (a) has significant influence over the reporting entity or is a key management personnel of this certain entity (or a parent company of the entity).

Related party transactions are transfers of resources, services or liabilities between related parties and the reporting entity, regardless of whether or not against remuneration.

Revenue

Rental income from real estate properties

Rental income generated from real estate development projects is recognized on an accrual basis. Revenue is recognised if it is probable that the economic benefit associated with these transactions will flow to the entity or the amount of revenue can be measured reliably.

Revenue generated from electricity, water and shared area expense reflecting

Electricity, water and shared area expense invoices related to shopping malls and offices owned by the Group, are reflected to the tenants as accrual basis according to the rental agreements between Group companies and tenants.

Revenues generated from sale flats or residential units

The Group sells flats or residential units. Revenue from the sale of these flats or residential units is measured at the fair value of the consideration received or receivable.

Revenue from sale of flats or residential units is recognized when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods,
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold,
- The amount of revenue can be measured reliably,
- It is probable that the economic benefits associated with the transaction will flow to the entity
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. Revenues from the sale of flats or residential units are recognised when the Group turnover the ownership of the flats or residential units to the buyer and upon acceptance of such by the buyer.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.3 Significant Accounting Policies (cont'd)

Revenue (cont'd)

Dividend and interest revenue

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably)

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued with weighted average method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of income/(loss) in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

Housing projects under construction; costs comprise direct costs, attributable direct costs, attributable indirect costs, raw materials related to projects. These inventories are stated at the lower of cost or net realizable value.

Lands to be developed for projects consist of lands for sale of residential real estates.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated and carried at cost less accumulated impairment.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.3 Significant Accounting Policies (cont'd)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (3-15 years).

Costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognized as assets are amortized over their estimated useful lives (not exceeding 3 years).

Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.3 Significant Accounting Policies (cont'd)

Impairment of Tangible and Intangible Assets Other Than Goodwill (cont'd)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Bonds

Bonds are recognized initially at their proceeds net of transaction costs incurred at the date of purchase or issue. Bonds are subsequently stated at amortised cost using the effective yield method in the consolidated financial statements. Any difference between the proceeds and redemption value (net of transaction costs) is recognized in the consolidated income statement over the period of the bonds.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The amount of borrowing costs eligible for capitalization for funds borrowed for the purpose of specific qualifying assets is the actual borrowing costs incurred during the period on such borrowed funds less any investment income on any amount of the borrowing that is temporary invested.

All other borrowing costs are recognized in the consolidated statement of income in the period in which they are incurred

Financial instruments

Financial assets

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.3 Significant Accounting Policies (cont'd)

Financial instruments (cont'd)

Available- for-sale financial assets

Quoted equity investments and quoted certain debt securities held by the Group that are traded in an active market are classified as being available- for-sale financial assets and are stated at fair value. The Group also has investments in unquoted equity investments that are not traded in an active market. As of 31 December 2011, the Group has begun to state these investments at their fair values and arising value increase is accounted under equity. In previous years these assets had been recognized with their investment cost values.

Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less any impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial liabilities

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.3 Significant Accounting Policies (cont'd)

Financial instruments (cont'd)

Derivative financial instruments and hedge accounting

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates.

The significant interest rate risk arises from bank loans. The Group's policy is to convert a proportion of its floating rate debt to fixed rates. The Group designates these as cash flow hedges of interest rate risk. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy.

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate risks

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Business combinations

The acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.3 Significant Accounting Policies (cont'd)

Business combinations (cont'd)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of the acquisition. Goodwill on acquisitions of associates is included in 'investments in associates' and is tested for impairment as part of the overall balance. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocations made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.3 Significant Accounting Policies (cont'd)

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of the acquisition. Goodwill on acquisitions of associates is included in 'investments in associates' and is tested for impairment as part of the overall balance. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocations made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Foreign currency transactions

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TRY, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than TRY (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.3 Significant Accounting Policies (cont'd)

Earnings per share

Earnings per share disclosed in the consolidated income statement are determined by dividing net income attributable to equity holders of the parent by the weighted average number of shares outstanding during the period concerned.

In Turkey, companies can increase their share capital through a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and inflation adjustment to equity. For the purpose of earnings per share computations, the weighted average number of shares in existence during the period has been adjusted in respect of bonus share issues without a corresponding change in resources, by giving them retroactive effect for the period in which they were issued and each earlier period as if the event had occurred at the beginning of the earliest period reported.

Events after balance sheet date

An explanation for any event between the balance sheet date and the publication date of the balance sheet, which has positive or negative effects on the Group (should any evidence come about events that were prior to the balance sheet date or should new events come about) will be explained in the relevant note.

The Group restates its consolidated financial statements if such subsequent events arise.

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Segmental reporting

In accordance with IFRS 8 "Operating Segments", an operating segment is a component of an entity: (a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and (c) for which discrete financial information is available. The Group's chief operating decision maker ("CODM") receives financial information and reviews assets, liabilities, deferred tax liabilities, value added tax, net operating income, operating expense, interest income from time deposit, interest expense, income tax expense and capital expenditures of its real estate projects on an individual basis for the purpose of determining resources to be allocated to segments and assessing the performance of each segment (Note 4).

Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

The fair value of the Group's investment properties has been arrived at on the basis of a valuation carried out at that date by valuers independent of the Group generally on sixth and twelfth months, and the fair value of the investment properties on third and ninth month, the Group makes their own valuation. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties and discounted cash flows and income capitalization approach. The fair values represent the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.3 Significant Accounting Policies (cont'd)

Investment properties (cont'd)

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

Reclassification to or from investment property are only made when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of transfer. If an owner occupied property is reclassified as investment property, the Group accounts for such property in accordance with the policy stated under Property and Equipment up to the date of the reclassification.

Investment properties under development

Property that is being constructed for future use as investment property is accounted for as investment property under development until construction or development is complete, at which time it is reclassified as investment property. Any gain or loss arising on remeasurement is recognised in the income statement.

Investment property under construction is measured at fair value (where that fair value is reliably determinable), with changes in fair value recognised in profit or loss. The Group had previously accounted for such assets at cost less accumulated impairment

The fair value of the Group's investment properties under development has been arrived at on the basis of a valuation carried out at that date by valuers independent of the Group generally on sixth and twelfth months, and the fair value of the investment properties under development on third and ninth month, the Group makes their own valuation. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties and discounted cash flows and income capitalization approach. The fair values are based on the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in arm's length transaction.

Income Taxes

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis according to the tax legislation of the country the entity operates.

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.3 Significant Accounting Policies (cont'd)

Income Taxes (cont'd)

Deferred tax (cont'd)

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Employee benefits

Termination and retirement benefits

The Group has operated in different countries and the local regulations and practices of the countries in question are applied in determination of defined benefit plan.

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard No. 19 (revised) "Employee Benefits" ("IAS 19").

The retirement benefit liability recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses through statement of other comprehensive income.

Statements of Cash Flows

Current period statements of cash flows are categorized and reported as operating, investing and financing.

Capital and Dividends

Common stocks are classified as equity. Dividends paid are recorded at the Board's payment decision date retained earnings balance less the dividend amount paid.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.4 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

2.4.1 Critical judgments in applying the entity's accounting policies

In the process of applying the entity's accounting policies, which are described in note 2.3, management has made the following judgments that have the most significant effect on the amounts recognized in the financial statements (apart from those involving estimations, which are dealt with below under notes).

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation on investment properties, the Group management has determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has recognized deferred taxes on changes in fair value of investment properties.

Deferred taxes

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities. In the subsidiaries of the Group, there are deferred tax assets resulting from tax loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realized. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset. As a result of the assessment made, the Group has recognized deferred tax assets in certain entities because it is probable that taxable profit will be available sufficient to recognize deferred tax assets in those entities.

2.4.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Determination of fair values of investment properties and investment properties under development

The fair value of investment property is based on valuations, performed by independent valuers, who hold recognized and relevant professional qualifications and who have recent experience in the location and category of the investment properties being valued. The valuations are based primarily on comparable rents, discount rates, yields and sales prices from recent market transactions on an arm's lengths basis, using the Discounted Cash Flow technique, Market comparison and income capitalization approach for investment properties.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.4 Critical Accounting Judgements and Key Sources of Estimation Uncertainty (cont'd)

2.4.2 Key sources of estimation uncertainty (cont'd)

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.3. The fair value of the Group's investment properties under development has been arrived at on the basis of a valuation carried out at that date by valuers independent of the Group generally on sixth and twelfth months, and the fair value of the investment properties on third and ninth month by the Group's own valuation. There is no impairment on goodwill (Note 13).

Estimated impairment of investment in associates

The Group tests annually whether investment in associates has suffered any impairment, in accordance with the accounting policy stated in Note 2.3. The Group's investment in associates presented with its fair value in the accompanying consolidated financial statements.

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. For each of the following financial instrument, valuation techniques and assumptions are used. Fair value of non-derivative financial instruments which is determined for disclosure purposes, is determined based on the present value of future principal and interest cashflows. These cashflows are calculated based on discount rate prevailing at the reporting date (Note 28).

3. INTERESTS IN OTHER ENTITIES

The details of Group's associates and joint ventures valued by using equity method as at 31 December 2017, 31 December 2016 and 31 December 2015 are as follows:

	Group's share on net asset of investments accounted for using the equity method		
Investment accounted for using the equity method	31 December 2017	31 December 2016	31 December 2015
Associates	-	-	99,837
Joint ventures	1,798,481	1,681,549	1,480,317
	1,798,481	1,681,549	1,580,154

	Group's share on profit/(loss) of investments accounted for using the equity method for the period		
Investment accounted for using the equity method	1 January-31 December 2017	1 January-31 December 2016	1 January-31 December 2015
Associates	-	3,344	12,270
Joint ventures	319,806	302,625	301,534
	319,806	305,969	313,804

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

3. INTERESTS IN OTHER ENTITIES (cont'd)

a) Associates

Details of each of the Group's associates as of 31 December 2017, 2016 and 2015 are as follows:

On 31 August 2016, the Group sold 49% of the issued shares of capital of Zeugma.

			Proportion of ownership interest		
Associate	Principle activity	Place of incorporation and operation	31 December 2017	31 December 2016	31 December 2015
Zeugma (*)	Real Estate Development	Turkey, Gaziantep	-	-	49

(*) Depending on the shareholder contract, the Group has 49% voting right in general assembly meetings of Zeugma.

	31 December 2017	31 December 2016	31 December 2015
Current assets	-	-	21,820
Non-current assets	-	-	310,140
Current liabilities	-	-	(20,627)
Non-current liabilities	-	-	(107,584)

	1 January- 31 December 2017	1 January- 31 December 2016	1 January- 31 December 2015
Revenue	-	22,997	45,192
Profit for the year	-	6,823	25,041
Share of Group on net income of joint ventures (*)	-	3,344	12,270

	31 December 2017	31 December 2016	31 December 2015
Net assets of the joint venture	-	-	203,749
Proportion of Group's ownership interest in the joint venture	-	-	49%
Carrying amount of the Group's interest in the joint venture	-	-	99,837

(*) Share of group on net assets of joint venture until the date of sale.

Associate	Project Name	Place of property	31 December 2017	31 December 2016	31 December 2015
Zeugma	Sankopark SHC [1]	Gaziantep, Turkey	-	-	149,112

[1]Amount presents the value of the projects multiplied with the Company's share.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

3. INTERESTS IN OTHER ENTITIES (cont'd)

b) Joint ventures

			Proportion of ownership interest and voting power held by the Group		
Joint venture	Principle activity	Place of incorporation	31 December 2017	31 December 2016	31 December 2015
Açim [(2)]	Real Estate Development	Turkey, Ankara	-	-	50.00
Esentepe	Real Estate Development	Turkey, Ankara	50.00	50.00	50.00
Feriköy	Real Estate Development	Turkey, Ankara	50.00	50.00	50.00
Florya	Real Estate Development	Turkey, Ankara	50.00	50.00	50.00
Göksu [(1)]	Real Estate Development	Turkey, Ankara	-	50.00	50.00
Kandilli	Real Estate Development	Turkey, Ankara	50.00	50.00	50.00
Kozyatağı	Real Estate Development	Turkey, Ankara	50.00	50.00	50.00
Kurtköy	Real Estate Development	Turkey, Ankara	50.00	50.00	50.00
Mel 2	Real Estate Development	Turkey, Ankara	50.00	50.00	50.00
Mel 3	Real Estate Development	Turkey, Ankara	50.00	50.00	50.00
Mel 4	Real Estate Development	Turkey, Ankara	50.00	50.00	50.00

(1) After the Group acquired 50% of company shares on 16 August 2017, Göksu is reclassed as subsidiary.
(2) On 4 April 2016, the Group sold the Açim shares.

The fair values of investment properties under development and investment property are given below:

Joint venture	Project Name	Place of property	31 December 2017	31 December 2016	31 December 2015
Açim	Ataşehir land [(1)]	İstanbul, Turkey	-	-	138,458
Esentepe	Optimum İzmir SHC [(1) (3)]	İzmir, Turkey	996,170	737,450	512,110
Feriköy	Optimum İstanbul SHC [(1) (3)]	İstanbul, Turkey	544,425	450,940	383,750
Florya	Konak [(1)]	İzmir, Turkey	160,060	151,135	132,457
Göksu	Optimum Adana SHC [(1) (2) (3)]	Adana,Turkey	-	421,170	366,834
Kandilli	Ümraniye Tepeüstü [(1)]	İstanbul, Turkey	76,153	70,295	61,300
Kozyatağı	Kozzy SHC [(1) (3)]	İstanbul, Turkey	94,737	84,307	71,232
Kurtköy	Optimum Ankara SHC [(1) (3)]	Ankara, Turkey	380,240	351,525	287,833
Mel 2	Samsun Piazza SHC and Anemon Hotel [(1) (3)]	Samsun, Turkey	478,500	399,800	342,500
Mel 3	Kahramanmaraş Piazza SHC [(1) (3)]	Kahramanmaraş, Turkey	249,715	227,075	200,172
Mel 4	Şanlıurfa Piazza SHC [(1) (3)]	Şanlıurfa, Turkey	216,015	195,845	176,879
			3,196,015	3,089,542	2,673,525

(1) Amount presents the value of the projects multiplied with the Company's share.
(2) After the Group has acquired 50% of company shares on 16 August 2017, Göksu is reclassed as subsidiary.
(3) Assets are secured with mortgage, charge, pledge, lien or other security interest to secure financial debts.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

3. INTERESTS IN OTHER ENTITIES (cont'd)

b) Joint ventures (cont'd)

31 December 2017	Esentepe	Feriköy	Florya	Kandilli	Kozyatağı	Kurtköy	Mel2	Mel3	Mel4	Göksu[1]	Total
Cash	43,956	86,396	294	1,640	5,000	34,504	23,916	3,490	1,626	-	200,822
VAT deductible	11,620	-	-	-	2,280	-	16,528	5,062	8,926	-	44,416
Other current assets	245	5,324	17	10	-	6,796	1,314	3,206	1,308	-	18,220
Current Assets	**55,821**	**91,720**	**311**	**1,650**	**7,280**	**41,300**	**41,758**	**11,758**	**11,860**	**-**	**263,458**
Investment properties	1,992,340	1,088,850	320,120	152,306	189,474	760,480	957,000	499,430	432,030	-	6,392,030
VAT deductible	-	-	6,530	-	14,800	-	-	-	-	-	21,330
Other non-current assets	244,562	286,864	43	17,080	48,590	55,388	3,579	-	2,456	-	658,562
Non-Current Assets	**2,236,902**	**1,375,714**	**326,693**	**169,386**	**252,864**	**815,868**	**960,579**	**499,430**	**434,486**	**-**	**7,071,922**
Total Assets (*)	**2,292,723**	**1,467,434**	**327,004**	**171,036**	**260,144**	**857,168**	**1,002,337**	**511,188**	**446,346**	**-**	**7,335,380**
Financial debts	18,062	1,944	-	-	7,621	9,089	40,527	22,535	24,017	-	123,795
Other current liabilities	27,894	9,207	593	22	3,706	5,682	3,704	4,033	5,765	-	60,606
Current Liabilities	**45,956**	**11,151**	**593**	**22**	**11,327**	**14,771**	**44,231**	**26,568**	**29,782**	**-**	**184,401**
Financial debts	888,923	587,015	-	-	99,973	396,803	319,923	168,067	156,816	-	2,617,520
Deferred tax liabilities	271,485	182,942	39,662	8,941	31,892	119,365	93,257	40,259	30,127	-	817,930
Other non-current liabilities	3,034	654	1	1	2,105	7,274	62,521	24,466	18,514	-	118,570
Non-Current Liabilities	**1,163,442**	**770,611**	**39,663**	**8,942**	**133,970**	**523,442**	**475,701**	**232,792**	**205,457**	**-**	**3,554,020**
Total Liabilities (*)	**1,209,398**	**781,762**	**40,256**	**8,964**	**145,297**	**538,213**	**519,932**	**259,360**	**235,239**	**-**	**3,738,421**
Net Assets of Joint Ventures	**1,083,325**	**685,672**	**286,748**	**162,072**	**114,847**	**318,955**	**482,405**	**251,828**	**211,107**	**-**	**3,596,959**
Proportion of the Group's share in the joint ventures	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	
Carriying amount of the Group's interest in joint ventures	**541,662**	**342,836**	**143,374**	**81,036**	**57,424**	**159,478**	**241,203**	**125,914**	**105,554**	**-**	**1,798,481**
Share of Group on VAT deductible	5,810	-	3,265	-	8,540	-	8,264	2,531	4,463	-	32,873
Share of Group on investment properties	996,170	544,425	160,060	76,153	94,737	380,240	478,500	249,715	216,015	-	3,196,015
Share of Group on total assets	1,146,362	733,717	163,503	85,518	130,072	428,584	501,169	255,594	223,173	-	3,667,692
Share of Group on deferred tax liabilities	135,743	91,471	19,831	4,471	15,946	59,683	46,629	20,130	15,064	-	408,968
Share of Group on total liabilities	604,700	390,882	20,129	4,483	72,650	269,108	259,968	129,682	117,621	-	1,869,223

(*) Non-trade receivables and non-trade payables disclosed in related party notes are shown in total asset and total liability
(1) After the Group has acquired 50% of company shares on 16 August 2017, Göksu is reclassed as subsidiary.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

3. INTERESTS IN OTHER ENTITIES (cont'd)

b) Joint ventures (cont'd)

31 December 2017	**Esentepe**	**Feriköy**	**Florya**	**Kandilli**	**Kozyatağı**	**Kurtköy**	**Mel2**	**Mel3**	**Mel4**	**Göksu[(1)]**	**Total**
Revenue	126,121	79,392	-	-	20,175	62,200	76,856	44,295	38,383	39,715	487,137
Cost	(27,615)	(18,706)	-	-	(7,363)	(15,056)	(18,010)	(13,324)	(12,633)	(10,883)	(123,590)
Operatıng expenses	(6,614)	(3,682)	-	-	(728)	(3,100)	(1,864)	(1,496)	(1,448)	(1,062)	(19,994)
Interest income from bank deposit	594	540	6	30	114	464	254	140	90	131	2,363
Interest expense financial debts	(18,708)	(14,458)	-	-	(5,054)	(14,532)	(18,246)	(12,372)	(11,554)	(12,502)	(107,426)
Other	263,630	133,184	8,210	11,672	10,210	23,292	77,234	1,787	1,470	29,040	559,729
Income tax expense	(67,174)	(35,262)	(1,658)	(2,340)	(4,934)	(10,034)	(22,674)	(3,340)	(2,316)	(8,876)	(158,608)
Net profit for the year	**270,234**	**141,008**	**6,558**	**9,362**	**12,420**	**43,234**	**93,550**	**15,690**	**11,992**	**35,563**	**639,611**
Proportion of the Group's share in the joint ventures	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	
Share of Group on revenue	63,061	39,696	-	-	10,088	31,100	38,428	22,148	19,192	19,858	243,571
Share of Group on cost	(13,808)	(9,353)	-	-	(3,682)	(7,528)	(9,005)	(6,662)	(6,317)	(5,442)	(61,797)
Share of Group on operatıng expenses	(3,307)	(1,841)	-	-	(364)	(1,550)	(932)	(748)	(724)	(531)	(9,997)
Share of Group on interest income from bank deposit	297	270	3	15	57	232	127	70	45	66	1,182
Share of Group on interest expense financial debts	(9,354)	(7,229)	-	-	(2,527)	(7,266)	(9,123)	(6,187)	(5,777)	(6,251)	(53,714)
Share of Group on other income / (expense)	131,815	66,592	4,105	5,836	5,105	11,646	38,617	894	735	14,520	279,865
Share of Group on income tax expense	(33,587)	(17,631)	(829)	(1,170)	(2,467)	(5,017)	(11,337)	(1,670)	(1,158)	(4,438)	(79,304)
Share of Group on profit for the year	**135,117**	**70,504**	**3,279**	**4,681**	**6,210**	**21,617**	**46,775**	**7,845**	**5,996**	**17,782**	**319,806**

(1) After the Group acquired 50% of company shares on 16 August 2017, Göksu is reclassed as subsidiary.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

3. INTERESTS IN OTHER ENTITIES (cont'd)

b) Joint ventures (cont'd)

31 December 2016	Esentepe	Feriköy	Florya	Kandilli	Kozyatağı	Kurtköy	Mel 2	Mel 3	Mel 4	Göksu	Açim[1]	Total
Cash	30,976	39,607	83	35	5,092	22,383	8,608	2,705	4,135	27,399	-	141,023
VAT deductible	7,652	-	-	-	-	-	15,528	-	8,122	-	-	31,302
Other current assets	17,971	10,604	989	1,783	2,325	5,092	986	10,624	293	4,212	-	54,879
Current Assets	**56,599**	**50,211**	**1,072**	**1,818**	**7,417**	**27,475**	**25,122**	**13,329**	**12,550**	**31,611**	**-**	**227,204**
Investment properties	1,474,900	901,880	302,270	140,590	168,615	703,050	799,600	454,150	391,690	842,340	-	6,179,085
VAT deductible	-	-	4,800	17,130	188	348	10,656	9,828	4,796	-	-	47,746
Other non-current assets	395	235,331	43	2	52,435	51,448	4,745	4,148	3,073	92,370	-	443,990
Non Current Assets	**1,475,295**	**1,137,211**	**307,113**	**157,722**	**221,238**	**754,846**	**815,001**	**468,126**	**399,559**	**934,710**	**-**	**6,670,821**
Total Assets (*)	**1,531,894**	**1,187,422**	**308,185**	**159,540**	**228,655**	**782,321**	**840,123**	**481,455**	**412,109**	**966,321**	**-**	**6,898,025**
Financial debts	45,683	1,597	-	-	6,278	8,825	28,443	19,281	19,286	22,412	-	151,805
Other current liabilities	41,928	10,762	75	207	3,427	9,791	5,332	5,099	3,918	10,276	-	90,815
Current Liabilities	**87,611**	**12,359**	**75**	**207**	**9,705**	**18,616**	**33,775**	**24,380**	**23,204**	**32,688**	**-**	**242,620**
Financial debts	386,731	482,289	-	-	88,148	378,665	293,269	156,395	148,256	396,588	-	2,330,341
Deferred tax liabilities	204,310	147,678	38,004	6,622	26,956	109,236	70,580	47,078	27,820	105,112	-	783,396
Other non-current liabilities	40,150	433	49,186	1	1,417	2,198	53,648	17,466	13,711	352	-	178,562
Non-Current Liabilities	**631,191**	**630,400**	**87,190**	**6,623**	**116,521**	**490,099**	**417,497**	**220,939**	**189,787**	**502,052**	**-**	**3,292,299**
Total Liabilities (*)	**718,802**	**642,759**	**87,265**	**6,830**	**126,226**	**508,715**	**451,272**	**245,319**	**212,991**	**534,740**	**-**	**3,534,919**
Net Assets of Joint Ventures	**813,092**	**544,663**	**220,920**	**152,710**	**102,429**	**273,606**	**388,851**	**236,136**	**199,118**	**431,581**	**-**	**3,363,106**
Proportion of the Group's share in the joint ventures	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%		
Carriying amount of the Group's interest in joint ventures	**406,546**	**272,332**	**110,460**	**76,355**	**51,215**	**136,803**	**194,426**	**118,068**	**99,559**	**215,785**	**-**	**1,681,549**
Share of Group on VAT deductible	3,826	-	2,400	8,565	93	174	13,092	4,914	6,459	-	-	39,523
Share of Group on investment properties	737,450	450,940	151,135	70,295	84,307	351,525	399,800	227,075	195,845	421,170	-	3,089,542
Share of Group on total assets	765,948	593,712	154,094	79,771	114,326	391,161	420,062	240,728	206,056	483,161	-	3,449,019
Share of Group on deferred tax liabilities	102,155	73,839	19,002	3,311	13,478	54,618	35,290	23,539	13,910	52,556	-	391,698
Share of Group on total liabilities	359,402	321,381	43,633	3,416	63,114	254,359	225,637	122,661	106,496	267,370	-	1,767,469

(*) Non-trade receivables and non-trade payables disclosed in related party notes are shown in total asset and total liability
(1) On 4 April 2016, the Group sold the Açim shares.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

3. INTERESTS IN OTHER ENTITIES (cont'd)

b) Joint ventures (cont'd)

31 December 2016	**Esentepe**	**Feriköy**	**Florya**	**Kandilli**	**Kozyatağı**	**Kurtköy**	**Mel2**	**Mel3**	**Mel4**	**Göksu**	**Açim[1]**	**Total**
Revenue	80,739	70,312	-	-	18,115	54,968	69,163	38,798	35,577	65,332	-	433,004
Cost	(19,451)	(18,692)	-	-	(6,715)	(14,657)	(17,911)	(13,052)	(12,425)	(18,816)	-	(121,719)
Operating expenses	(4,926)	(5,040)	-	-	(882)	(3,154)	(2,382)	(2,138)	(2,018)	(3,086)	-	(23,626)
Interest income from bank deposit	648	632	4	-	108	518	246	142	136	430	-	2,864
Interest expense from financial debts	(15,868)	(13,970)	-	-	(3,983)	(8,755)	(17,322)	(11,643)	(10,528)	(19,163)	-	(101,232)
Other	273,733	83,571	(2,106)	19,275	16,553	52,512	57,381	25,232	10,549	52,740	(16,584)	572,856
Income tax expense	(64,528)	(23,448)	414	(3,868)	(5,498)	(17,888)	(17,892)	(7,522)	(4,266)	(15,674)	3,266	(156,904)
Net profit/(loss) for the year	**250,347**	**93,365**	**(1,688)**	**15,407**	**17,698**	**63,544**	**71,283**	**29,817**	**17,025**	**61,763**	**(13,318)**	**605,243**
Proportion of the Group's share in the joint ventures	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	
Share on Group on revenue	40,370	35,156	-	-	9,058	27,484	34,582	19,399	17,789	32,666	-	216,504
Share on Group on cost	(9,726)	(9,346)	-	-	(3,358)	(7,329)	(8,956)	(6,526)	(6,213)	(9,408)	-	(60,862)
Share on Group on operating expenses	(2,463)	(2,520)	-	-	(441)	(1,577)	(1,191)	(1,069)	(1,009)	(1,543)	-	(11,813)
Share on Group on interest income from bank deposit	324	316	2	-	54	259	123	71	68	215	-	1,432
Share on Group on interest expense from financial debts	(7,934)	(6,985)	-	-	(1,992)	(4,378)	(8,661)	(5,822)	(5,264)	(9,582)	-	(50,618)
Share on Group on other income / (expense)	136,867	41,786	(1,053)	9,638	8,277	26,257	28,692	12,616	5,276	26,370	(8,292)	286,434
Share on Group on income tax expense	(32,264)	(11,724)	207	(1,934)	(2,749)	(8,944)	(8,946)	(3,761)	(2,133)	(7,837)	1,633	(78,452)
Share on Group on profit/(loss) for the year	**125,174**	**46,683**	**(844)**	**7,704**	**8,849**	**31,772**	**35,643**	**14,908**	**8,514**	**30,881**	**(6,659)**	**302,625**

[1] On 4 April 2016, the Group sold the Açim shares.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

3. INTERESTS IN OTHER ENTITIES (cont'd)

b) Joint ventures (cont'd)

31 December 2015	Esentepe	Feriköy	Florya	Kandilli	Kozyatağı	Kurtköy	Mel 2	Mel 3	Mel 4	Göksu	Açim	Nakkaştepe	Total
Cash	17,890	31,567	125	79	3,244	17,070	10,422	3,457	3,697	21,842	75	-	109,468
VAT deductible	-	-	-	-	-	-	12,524	6,072	-	2,196	-	-	20,792
Other current assets	9,695	3,666	-	7	3,057	2,390	1,041	1,301	2,787	3,999	87	-	28,030
Current assets	**27,585**	**35,233**	**125**	**86**	**6,301**	**19,460**	**23,987**	**10,830**	**6,484**	**28,037**	**162**	**-**	**158,290**
Investment properties	1,024,220	767,500	264,914	122,600	142,464	575,666	685,000	400,344	353,758	733,668	276,916	-	5,347,050
VAT deductible	-	-	2,268	17,448	1,706	-	22,408	8,172	16,838	-	5,836	-	74,676
Other non-current assets	382	28,262	2	3	43,817	96	2,829	341	5	17	-	-	75,754
Non current assets	**1,024,602**	**795,762**	**267,184**	**140,051**	**187,987**	**575,762**	**710,237**	**408,857**	**370,601**	**733,685**	**282,752**	**-**	**5,497,480**
Total Assets (*)	**1,052,187**	**830,995**	**267,309**	**140,137**	**194,288**	**595,222**	**734,224**	**419,687**	**377,085**	**761,722**	**282,914**	**-**	**5,655,770**
Financial debts	33,485	16,033	-	-	5,392	12,069	22,875	15,898	15,611	289,033	-	-	410,396
Other current liabilities	9,039	6,422	3,339	3	650	5,086	2,890	2,859	3,273	4,392	506	-	38,459
Current liabilities	**42,524**	**22,455**	**3,339**	**3**	**6,042**	**17,155**	**25,765**	**18,757**	**18,884**	**293,425**	**506**	**-**	**448,855**
Financial debts	274,879	232,601	-	-	80,646	250,419	276,055	150,271	143,481	-	-	-	1,408,352
Deferred tax liability	139,780	124,230	38,418	2,830	21,456	91,348	52,670	29,394	23,528	89,438	48,188	-	661,280
Other non-current liabilities	32,559	383	2,944	1	1,414	25,005	62,148	14,946	8,990	9,055	14,822	-	172,267
Non-Current Liabilities	**447,218**	**357,214**	**41,362**	**2,831**	**103,516**	**366,772**	**390,873**	**194,611**	**175,999**	**98,493**	**63,010**	**-**	**2,241,899**
Total Liabilities (*)	**489,742**	**379,669**	**44,701**	**2,834**	**109,558**	**383,927**	**416,638**	**213,368**	**194,883**	**391,918**	**63,516**	**-**	**2,690,754**
Net Assets of Joint Ventures	**562,445**	**451,326**	**222,608**	**137,303**	**84,730**	**211,295**	**317,586**	**206,319**	**182,202**	**369,804**	**219,398**	**-**	**2,965,016**
Proportion of the Group's share in the joint ventures	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%		
Goodwill (Note: 13)	-	-	-	-	-	-	-	-	-	-	2,193	-	2,193
Carriying amount of the Group's interest in joint ventures	**281,223**	**225,663**	**111,304**	**68,652**	**42,365**	**105,648**	**158,793**	**103,160**	**91,101**	**184,902**	**107,506**	**-**	**1,480,317**
Share of Group on VAT deductible	-	-	1,134	8,724	853	-	17,466	7,122	8,419	1,098	2,918	-	47,734
Share of Group on investment properties	512,110	383,750	132,457	61,300	71,232	287,833	342,500	200,172	176,879	366,834	138,458	-	2,673,525
Share of Group on total assets	526,094	415,498	133,655	70,070	97,145	297,611	367,113	209,845	188,544	380,862	139,265	-	2,825,702
Share of Group on deferred tax liabilities	69,890	62,115	19,209	1,415	10,728	45,674	26,335	14,697	11,764	44,719	24,094	-	330,640
Share of Group on total liabilities	244,873	189,836	22,351	1,418	54,779	191,965	208,320	106,685	97,443	195,960	31,758	-	1,345,388

(*) Non-trade receivables and non-trade payables disclosed in related party notes are shown in total asset and total liability.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

3. INTERESTS IN OTHER ENTITIES (cont'd)

b) Joint ventures (cont'd)

31 December 2015	**Esentepe**	**Feriköy**	**Florya**	**Kandilli**	**Kozyatağı**	**Kurtköy**	**Mel 2**	**Mel 3**	**Mel 4**	**Göksu**	**Açim**	**Nakkaştepe**	**Total**
Revenue	73,618	64,196			17,208	50,902	63,901	36,854	33,231	60,528	-	-	400,438
Cost	(16,909)	(18,385)	-	-	(6,443)	(13,777)	(14,735)	(11,658)	(10,713)	(17,444)	-	-	(110,064)
Operating expenses	(3,116)	(3,370)	-	-	(1,034)	(2,988)	(3,012)	(2,466)	(2,638)	(2,896)	-	-	(21,520)
Interest income from bank deposit	406	546	-	2	88	394	176	118	132	286	-	-	2,148
Interest expense from financial debts	(10,857)	(14,448)	-	-	(1,461)	(7,826)	(14,587)	(10,230)	(10,421)	(12,899)	-	-	(82,729)
Other	133,787	75,907	38,619	1,885	5,224	60,157	34,894	28,344	18,000	64,565	53,945	50,420	565,747
Income tax expense	(36,684)	(20,874)	(7,736)	(376)	(3,346)	(20,874)	(12,226)	(8,708)	(5,560)	(18,478)	(11,088)	(5,008)	(150,958)
Net profit for the year	**140,245**	**83,572**	**30,883**	**1,511**	**10,236**	**65,988**	**54,411**	**32,254**	**22,031**	**73,662**	**42,857**	**45,412**	**603,062**
Proportion of the Group's share in the joint ventures	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	
Share of Group on revenue	36,809	32,098	-	-	8,604	25,451	31,951	18,427	16,616	30,264	-	-	200,220
Share of Group on cost	(8,455)	(9,193)	-	-	(3,222)	(6,889)	(7,368)	(5,829)	(5,357)	(8,722)	-	-	(55,035)
Share of Group on operating expenses	(1,558)	(1,685)	-	-	(517)	(1,494)	(1,506)	(1,233)	(1,319)	(1,448)	-	-	(10,760)
Share of Group on interest income from bank deposit	203	273	-	1	44	197	88	59	66	143	-	-	1,074
Share of Group on interest expense from financial debts	(5,428)	(7,224)	-	-	(730)	(3,913)	(7,293)	(5,115)	(5,210)	(6,450)	-	-	(41,363)
Share of Group on other income / (expense)	66,894	37,954	19,310	943	2,612	30,079	17,447	14,172	9,000	32,283	26,973	25,210	282,877
Share of Group on income tax expense	(18,342)	(10,437)	(3,868)	(188)	(1,673)	(10,437)	(6,113)	(4,354)	(2,780)	(9,239)	(5,544)	(2,504)	(75,479)
Share of Group on profit for the year	**70,123**	**41,786**	**15,442**	**756**	**5,118**	**32,994**	**27,206**	**16,127**	**11,016**	**36,831**	**21,429**	**22,706**	**301,534**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

4. SEGMENTAL REPORTING

The Group identifies and presents segment reporting in accordance with IFRS 8, Operating Segments. The information on operating segments is based on internal reports which are periodically reviewed by the management of the Company.

The management of the Company reviews assets, liabilities, deferred tax liabilities, value added tax, net operating income, operating expense, interest income from time deposit, interest expense, income tax expense and capital expenditures real estate projects for the purpose of determining resources to be allocated to segments and assessing the performance of each segment.

The assets, liabilities, deferred tax liabilities, net operating income, operating expense, value added tax, interest income from time deposit, interest expense, income tax expense and capital expenditures of the Group's real estate projects are as follows:

a) Total Assets

Company Name	Project Name	2017	2016	2015
Balmumcu	Antalya	19,978	19,510	19,057
Kabataş Rönesans	Antalya Konyaaltı	313,028	-	-
Açim	Ataşehir land	-	-	141,457
Nakkaştepe	Bayraklı	280,757	258,060	246,210
Nisbetiye	Bursa	101,756	89,452	73,307
Tarabya	Hilltown SHC and Office	1,636,155	1,074,749	675,299
Pendik	İzmit	14,547	13,320	11,561
Mel3	Kahramanmaraş Piazza SHC	255,594	240,728	209,844
Altunizade	Karşıyaka	753,891	355,634	282,228
Florya	Konak	163,502	154,093	133,655
Kozyatağı	Kozzy SHC	130,072	114,328	88,662
Bostancı	Küçükyalı Office and School	559,075	471,982	405,436
Salacak	Maltepe Piazza	1,852,202	1,252,550	952
Kavacık	Mamak	64,162	57,707	52,567
Kuzguncuk	Optimum Antalya	115,850	104,663	54
Göksu[(1)]	Optimum Adana SHC	948,084	483,161	380,861
Kurtköy	Optimum Ankara SHC	428,584	391,161	297,611
Feriköy	Optimum İstanbul SHC	733,717	593,711	408,664
Esentepe	Optimum İzmir SHC	1,146,362	765,947	526,094
Mecidiyeköy	RönesansBiz Mecidiyeköy	208,075	190,826	160,076
Mel2	Samsun Piazza SHC and Anemon Hotel	501,169	420,062	367,112
Salacak Rönesans	Salacak Rönesans	426	3,787	482,859
Sancaktepe	Seyrantepe	38,052	34,376	30,202
Akatlar	Silivri	34,207	31,834	29,173
Mel4	Şanlıurfa Piazza SHC	223,173	206,055	188,543
Kandilli	Ümraniye Tepeüstü	85,518	79,770	70,069
Rönesans Gayrimenkul Yatırım	Rönesans Gayrimenkul Yatırım	475,130	666,014	762,915
Rönesans Yönetim	Rönesans Yönetim	14,742	13,631	7,205
Other	Other	537	186	129
	Combined	11,098,345	8,087,297	6,051,802
	Less : Joint ventures (Note 3)	(3,667,692)	(3,449,019)	(2,825,702)
	Less : Consolidation eliminations and adjustments	1,985,811	1,832,495	1,539,587
	Consolidated	9,416,464	6,470,773	4,765,687

[(1)] After the Group has acquired 50% of company shares on 16 August 2017, Göksu is reclassed as subsidiary
[(2)] On 4 April 2016, the Group sold the Açim shares.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

4. SEGMENTAL REPORTING (cont'd)

b) Total Liabilities

Company Name	Project Name	2017	2016	2015
Balmumcu	Antalya	6	3	1
Kabataş Rönesans	Antalya Konyaaltı	85,756	-	-
Açim[2]	Ataşehir land	-	-	27,916
Nakkaştepe	Bayraklı	21,004	17,035	15,671
Nisbetiye	Bursa	8,459	6,068	2,991
Tarabya	Hilltown SHC and Office	851,829	480,245	260,509
Pendik	İzmit	1,446	1,243	938
Mel3	Kahramanmaraş Piazza SHC	122,682	119,424	103,734
Altunizade	Karşıyaka	198,993	17,458	1,763
Florya	Konak	20,129	31,336	20,879
Kozyatağı	Kozzy SHC	72,650	52,769	54,779
Bostancı	Küçükyalı Office and School	246,775	270,215	215,991
Salacak	Maltepe Piazza	1,109,605	783,353	284
Kavacık	Mamak	10,842	9,564	8,536
Kuzguncuk	Optimum Antalya	810	586	2
Göksu[1]	Optimum Adana SHC	605,728	244,282	193,446
Kurtköy	Optimum Ankara SHC	269,108	241,416	185,010
Feriköy	Optimum İstanbul SHC	390,881	262,383	188,054
Esentepe	Optimum İzmir SHC	604,700	348,452	236,468
Mecidiyeköy	RönesansBiz Mecidiyeköy	81,734	75,143	67,163
Mel2	Samsun Piazza SHC and Anemon Hotel	243,968	212,536	193,849
Salacak Rönesans	Salacak Rönesans	12,793	4,561	204,925
Sancaktepe	Seyrantepe	1,619	1,325	512
Akatlar	Silivri	4,721	4,264	3,750
Mel4	Şanlıurfa Piazza SHC	110,392	102,421	95,635
Kandilli	Ümraniye Tepeüstü	4,483	3,415	1,417
Rönesans Gayrimenkul Yatırım	Rönesans Gayrimenkul Yatırım	352,606	245,588	175,310
Rönesans Yönetim	Rönesans Yönetim	8,341	7,364	5,013
Other	Other	18	15	8
	Combined	5,442,078	3,542,464	2,264,554
	Less : Joint ventures (Note 3)	(1,869,223)	(1,767,469)	(1,345,388)
	Less : Consolidation eliminations and adjustments	187,331	150,953	59,268
	Consolidated	3,760,186	1,925,948	978,434

(1) After the Group has acquired 50% of company shares on 16 August 2017, Göksu is reclassed as subsidiary
(2) On 4 April 2016, the Group sold the Açim shares.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

4. SEGMENTAL REPORTING (cont'd)

c) Deferred Tax Liabilities

Company Name	Project Name	2017	2016	2015
Balmumcu	Antalya	5	-	-
Kabataş Rönesans	Antalya Konyaaltı	53,782	-	-
Açim[2]	Ataşehir land	-	-	24,094
Nakkaştepe	Bayraklı	20,941	16,454	15,089
Nisbetiye	Bursa	8,377	5,940	2,830
Tarabya	Hilltown SHC and Office	147,067	122,387	91,272
Pendik	İzmit	1,445	1,238	931
Mel3	Kahramanmaraş Piazza SHC	20,130	23,539	14,697
Altunizade	Karşıyaka	58,694	9,298	1,028
Florya	Konak	19,831	19,002	19,209
Kozyatağı	Kozzy SHC	15,946	13,478	10,728
Bostancı	Küçükyalı Office and School	57,559	41,494	32,512
Salacak	Maltepe Piazza	93,604	70,835	-
Kavacık	Mamak	10,838	9,561	8,535
Kuzguncuk	Optimum Antalya	707	-	-
Göksu[1]	Optimum Adana SHC	111,274	52,556	44,719
Kurtköy	Optimum Ankara SHC	59,683	54,618	45,674
Feriköy	Optimum İstanbul SHC	91,471	73,839	62,115
Esentepe	Optimum İzmir SHC	135,743	102,155	69,890
Mecidiyeköy	RönesansBiz Mecidiyeköy	27,862	25,270	19,459
Mel2	Samsun Piazza SHC and Anemon Hotel	46,629	35,290	26,335
Salacak Rönesans	Salacak Rönesans	-	-	37,923
Sancaktepe	Seyrantepe	1,471	1,040	465
Akatlar	Silivri	4,719	4,259	3,749
Mel4	Şanlıurfa Piazza SHC	15,064	13,910	11,764
Kandilli	Ümraniye Tepeüstü	4,471	3,311	1,415
Rönesans Gayrimenkul Yatırım	Rönesans Gayrimenkul Yatırım	-	-	93
Other	Other	-	-	7
	Combined	1,007,313	699,474	544,533
	Less : Joint ventures (Note 3)	(408,968)	(391,698)	(330,640)
	Less : Consolidation eliminations and adjustments	-	-	-
	Consolidated	598,345	307,776	213,893

[1] After the Group has acquired 50% of company shares on 16 August 2017, Göksu is reclassed as subsidiary
[2] On 4 April 2016, the Group sold the Açim shares.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

4. SEGMENTAL REPORTING (cont'd)

d) Value Added Tax ("VAT") Deductible

Company Name	Project Name	2017	2016	2015
Balmumcu	Antalya	72	66	62
Kabataş Rönesans	Antalya Konyaaltı	1,764	-	-
Açim(2)	Ataşehir land	-	-	2,918
Nakkaştepe	Bayraklı	24,858	24,760	24,075
Nisbetiye	Bursa	487	480	411
Tarabya	Hilltown SHC and Office	93,868	43,690	15,071
Pendik	İzmit	68	59	51
Mel3	Kahramanmaraş Piazza SHC	2,531	4,914	7,122
Altunizade	Karşıyaka	42,403	28,529	25,797
Florya	Konak	3,265	2,400	1,134
Kozyatağı	Kozzy SHC	-	93	853
Bostancı	Küçükyalı Office and School	12,182	18,995	24,420
Salacak	Maltepe Piazza	98,754	57,311	-
Kavacık	Mamak	65	56	51
Kuzguncuk	Optimum Antalya	15,268	15,600	9
Göksu(1)	Optimum Adana SHC	-	-	1,098
Kurtköy	Optimum Ankara SHC	-	174	-
Esentepe	Optimum İzmir SHC	5,810	3,826	-
Mecidiyeköy	RönesansBiz Mecidiyeköy	45	924	2,602
Mel2	Samsun Piazza SHC and Anemon Hotel	8,264	13,092	17,466
Salacak Rönesans	Salacak Rönesans	-	-	25,102
Sancaktepe	Seyrantepe	-	-	90
Akatlar	Silivri	54	46	26
Mel4	Şanlıurfa Piazza SHC	4,463	6,459	8,419
Kandilli	Ümraniye Tepeüstü	8,540	8,565	8,724
Other	Other	1	118	127
	Combined	322,762	230,157	165,628
	Less : Joint ventures (Note 3)	(32,873)	(39,523)	(47,734)
	Less : Consolidation eliminations and adjustments	-	-	-
	Consolidated	289,889	190,634	117,894

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

4. SEGMENTAL REPORTING (cont'd)

e) Gross Profit

Company Name	Project Name	2017			2016			2015		
		Revenue	Cost	Gross Profit	Revenue	Cost	Gross Profit	Revenue	Cost	Gross Profit
Tarabya[2]	Hilltown SHC and Office	16,614	(6,995)	9,619	-	-	-	-	-	-
Mel3	Kahramanmaraş Piazza SHC	22,148	(6,662)	15,486	19,399	(6,526)	12,873	18,427	(5,829)	12,598
Altunizade	Karşıyaka	-	-	-	-	-	-	5,645	(2,547)	3,098
Kozyatağı	Kozzy SHC	10,088	(3,682)	6,406	9,058	(3,358)	5,700	8,604	(3,222)	5,382
Bostancı	Küçükyalı Office and School	48,241	(12,040)	36,201	42,466	(12,294)	30,172	27,731	(11,426)	16,305
Kuzguncuk	Optimum Antalya	-	-	-	2,243	(1,104)	1,139	-	-	-
Göksu[1]	Optimum Adana SHC	52,059	(14,219)	37,840	32,666	(9,408)	23,258	30,264	(8,722)	21,542
Kurtköy	Optimum Ankara SHC	31,100	(7,528)	23,572	27,484	(7,329)	20,155	25,451	(6,889)	18,562
Feriköy	Optimum İstanbul SHC	39,696	(9,353)	30,343	35,156	(9,346)	25,810	32,098	(9,193)	22,905
Esentepe	Optimum İzmir SHC	63,061	(13,808)	49,253	40,370	(9,726)	30,644	36,809	(8,455)	28,354
Mecidiyeköy	RönesansBiz Mecidiyeköy	13,173	(4,484)	8,689	13,153	(4,141)	9,012	11,723	(3,763)	7,960
Mel2	Samsun Piazza SHC and Anemon Hotel	38,428	(9,005)	29,423	34,582	(8,956)	25,626	31,951	(7,368)	24,583
Sancaktepe[3]	Seyrantepe	1,980	-	1,980	1,080	-	1,080	-	-	-
Mel4	Şanlıurfa Piazza SHC	19,192	(6,317)	12,875	17,789	(6,213)	11,576	16,616	(5,357)	11,259
Rönesans Gayrimenkul Yatırım	Rönesans Gayrimenkul Yatırım	21,126	(7,678)	13,448	1,951	(3,669)	(1,718)	2,824	(3,538)	(714)
Rönesans Yönetim	Rönesans Yönetim	18,867	(6,501)	12,366	33,924	(19,317)	14,607	21,605	(16,599)	5,006
	Combined	395,773	(108,272)	287,501	311,321	(101,387)	209,934	269,748	(92,908)	176,840
	Less : Joint ventures (Note 3)	(243,571)	61,797	(181,774)	(216,504)	60,862	(155,642)	(200,220)	55,035	(145,185)
	Less : Consolidation eliminations and adjustments	17,061	(17,061)	-	19,540	(22,304)	(2,764)	18,030	(16,567)	1,463
	Consolidated	169,263	(63,536)	105,727	114,357	(62,829)	51,528	87,558	(54,440)	33,118

(1) After the Group has acquired 50% of company shares on 16 August 2017, Göksu is reclassed as subsidiary.
(2) Hilltown SHC and Office has opened in October 2017.
(3) The amount includes storehouse rent income.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

4. SEGMENTAL REPORTING (cont'd)

f) Operating Expenses

Company Name	Project Name	2017	2016	2015
Tarabya	Hilltown SHC and Office	1,139	-	-
Mel3	Kahramanmaraş Piazza SHC	748	1,069	1,233
Altunizade	Karşıyaka	-	-	3
Kozyatağı	Kozzy SHC	364	441	517
Bostancı	Küçükyalı Office and School	729	593	639
Salacak	Maltepe Piazza	120	267	245
Kuzguncuk	Optimum Antalya	-	-	23
Göksu[1]	Optimum Adana SHC	2,247	1,543	1,448
Kurtköy	Optimum Ankara SHC	1,550	1,577	1,494
Feriköy	Optimum İstanbul SHC	1,841	2,520	1,685
Esentepe	Optimum İzmir SHC	3,307	2,463	1,558
Mecidiyeköy	RönesansBiz Mecidiyeköy	547	579	611
Mel2	Samsun Piazza SHC and Anemon Hotel	932	1,191	1,506
Salacak Rönesans	Salacak Rönesans	24	-	5
Akatlar	Silivri	-	20	-
Mel4	Şanlıurfa Piazza SHC	724	1,009	1,319
Rönesans Gayrimenkul Yatırım	Rönesans Gayrimenkul Yatırım	7,983	8,013	6,429
Rönesans Yönetim	Rönesans Yönetim	8,394	9,006	6,917
Other	Other	134	50	71
	Combined	30,783	30,341	25,703
	Less : Joint ventures (Note 3)	(9,997)	(11,813)	(10,760)
	Less : Consolidation eliminations and adjustments	(247)	114	2,845
	Consolidated	20,539	18,642	17,788

[1] After the Group has acquired 50% of company shares on 16 August 2017, Göksu is reclassed as subsidiary

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

4. SEGMENTAL REPORTING (cont'd)

g) Interest income from bank deposit

Company Name	Project Name	2017	2016	2015
Balmumcu	Antalya	1	-	-
Nakkaştepe	Bayraklı	1	2	5
Nisbetiye	Bursa	-	1	3
Tarabya	Hilltown SHC and Office	117	87	34
Mel3	Kahramanmaraş Piazza SHC	70	71	59
Altunizade	Karşıyaka	6	50	58
Florya	Konak	3	2	-
Kozyatağı	Kozzy SHC	57	54	44
Bostancı	Küçükyalı Office and School	244	323	62
Salacak	Maltepe Piazza	240	200	25
Kuzguncuk	Optimum Antalya	6	13	-
Göksu[(1)]	Optimum Adana SHC	250	215	143
Kurtköy	Optimum Ankara SHC	232	259	197
Feriköy	Optimum İstanbul SHC	270	316	273
Esentepe	Optimum İzmir SHC	297	324	203
Mecidiyeköy	RönesansBiz Mecidiyeköy	79	191	124
Mel2	Samsun Piazza SHC and Anemon Hotel	127	123	88
Sancaktepe	Seyrantepe	24	25	-
Akatlar	Silivri	1	-	-
Mel4	Şanlıurfa Piazza SHC	45	68	66
Kandilli	Ümraniye Tepeüstü	15	-	1
Rönesans Gayrimenkul Yatırım	Rönesans Gayrimenkul Yatırım	4,211	8,742	8,469
Rönesans Yönetim	Rönesans Yönetim	258	119	60
Other	Other	4	-	-
	Combined	6,558	11,185	9,914
	Less : Joint ventures (Note 3)	(1,182)	(1,432)	(1,074)
	Less : Consolidation eliminations and adjustments	-	-	-
	Consolidated	5,376	9,753	8,840

(1) After the Group has acquired 50% of company shares on 16 August 2017, Göksu is reclassed as subsidiary

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

4. SEGMENTAL REPORTING (cont'd)

h) Interest expenses of financial debts

Company Name	Project Name	2017	2016	2015
Mel3	Kahramanmaraş Piazza SHC	6,187	5,822	5,115
Kozyatağı	Kozzy SHC	2,527	1,992	730
Bostancı	Küçükyalı Office and School	8,812	9,969	7,668
Göksu[(1)]	Optimum Adana SHC	16,717	9,582	6,450
Kurtköy	Optimum Ankara SHC	7,266	4,378	3,913
Feriköy	Optimum İstanbul SHC	7,229	6,985	7,668
Esentepe	Optimum İzmir SHC	9,354	7,934	5,428
Mecidiyeköy	RönesansBiz Mecidiyeköy	1,972	1,871	2,006
Mel2	Samsun Piazza SHC and Anemon Hotel	9,123	8,661	7,293
Mel4	Şanlıurfa Piazza SHC	5,777	5,264	5,210
Rönesans Gayrimenkul Yatırım	Rönesans Gayrimenkul Yatırım	15,685	17,164	17,990
	Combined	90,649	79,622	69,471
	Less : Joint ventures (Note 3)	(53,714)	(50,618)	(41,363)
	Less : Consolidation eliminations and adjustments	6,251	4,934	-
	Consolidated	43,186	33,938	28,108

[(1)] After the Group has acquired 50% of company shares on 16 August 2017, Göksu is reclassed as subsidiary

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

4. SEGMENTAL REPORTING (cont'd)

i) Income tax expense

Company Name	Project Name	2017	2016	2015
Balmumcu	Antalya	(120)	(116)	(235)
Kabataş Rönesans	Antalya Konyaaltı	(53,781)	-	-
Açim	Ataşehir land	-	-	(5,544)
Nakkaştepe	Bayraklı	(4,486)	(1,377)	(7,382)
Nisbetiye	Bursa	(2,437)	(3,109)	(1,387)
Tarabya	Hilltown SHC and Office	(24,679)	(31,135)	(12,761)
Pendik	İzmit	(206)	(331)	(98)
Mel3	Kahramanmaraş Piazza SHC	(1,670)	(3,761)	(4,354)
Altunizade	Karşıyaka	(50,023)	(7,642)	(1,039)
Florya	Konak	(829)	207	(3,868)
Kozyatağı	Kozzy SHC	(2,467)	(2,749)	(1,673)
Bostancı	Küçükyalı Office and School	(16,065)	(8,981)	(5,411)
Salacak	Maltepe Piazza	(22,771)	(70,904)	96
Kavacık	Mamak	(1,277)	(1,025)	(1,026)
Kuzguncuk	Optimum Antalya	(2,616)	(1,789)	5
Göksu[(1)]	Optimum Adana SHC	(1,723)	(7,837)	(9,239)
Kurtköy	Optimum Ankara SHC	(5,017)	(8,944)	(10,437)
Feriköy	Optimum İstanbul SHC	(17,631)	(11,724)	(10,437)
Esentepe	Optimum İzmir SHC	(33,587)	(32,264)	(18,342)
Mecidiyeköy	RönesansBiz Mecidiyeköy	(2,591)	(5,810)	(5,766)
Mel2	Samsun Piazza SHC and Anemon Hotel	(11,337)	(8,946)	(6,113)
Salacak Rönesans	Salacak Rönesans	5	40,735	(5,966)
Sancaktepe	Seyrantepe	(852)	(833)	(578)
Akatlar	Silivri	(460)	(509)	(448)
Mel4	Şanlıurfa Piazza SHC	(1,158)	(2,133)	(2,780)
Kandilli	Ümraniye Tepeüstü	(1,170)	(1,934)	(188)
Rönesans Gayrimenkul Yatırım	Rönesans Gayrimenkul Yatırım	(6,585)	(27,465)	(30,535)
Rönesans Yönetim	Rönesans Yönetim	(908)	(981)	(335)
Other	Other	17	767	7,549
	Combined	(266,424)	(200,590)	(138,292)
	Less : Joint ventures (Note 3)	79,304	78,452	75,479
	Less : Consolidation eliminations and adjustments	-	(2,812)	4,867
	Consolidated	(187,120)	(124,950)	(57,946)

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

4. SEGMENTAL REPORTING (cont'd)

j) Capital Expenditures (*)

Company Name	Project Name	2017	2016	2015
Balmumcu	Antalya	19,771	19,681	19,602
Kabataş Rönesans	Antalya Konyaaltı	42,340	-	-
Açim[2]	Ataşehir land	-	-	51,827
Nakkaştepe	Bayraklı	150,957	150,322	146,046
Nisbetiye	Bursa	59,408	59,243	58,741
Tarabya	Hilltown SHC and Office	767,042	394,954	151,907
Pendik	İzmit	7,315	7,122	6,948
Mel3	Kahramanmaraş Piazza SHC	98,151	97,216	96,280
Altunizade	Karşıyaka	375,841	277,732	252,042
Florya	Konak	61,038	56,218	36,491
Kozyatağı	Kozzy SHC	21,819	21,108	19,512
Bostancı	Küçükyalı Office and School	209,761	209,355	193,181
Salacak	Maltepe Piazza	908,430	500,419	-
Kavacık	Mamak	9,979	9,901	9,853
Kuzguncuk	Optimum Antalya	88,734	86,412	-
Göksu[1]	Optimum Adana SHC	313,634	153,700	142,311
Kurtköy	Optimum Ankara SHC	47,392	45,274	41,052
Feriköy	Optimum İstanbul SHC	97,063	88,342	82,541
Esentepe	Optimum İzmir SHC	334,155	250,429	183,356
Mecidiyeköy	RönesansBiz Mecidiyeköy	62,206	62,058	61,882
Mel2	Samsun Piazza SHC and Anemon Hotel	319,413	318,746	317,452
Salacak Rönesans	Salacak Rönesans	-	-	182,824
Sancaktepe	Seyrantepe	28,116	27,858	27,587
Akatlar	Silivri	10,560	10,505	10,386
Mel4	Şanlıurfa Piazza SHC	100,460	99,612	98,678
Kandilli	Ümraniye Tepeüstü	54,435	54,353	54,280
	Combined	4,188,020	3,000,560	2,244,779
	Less : Joint ventures	(1,137,724)	(1,185,962)	(1,129,641)
	Less : Consolidation eliminations and adjustments	-	-	-
	Consolidated	**3,050,296**	**1,814,598**	**1,115,138**

(*) "Capital expenditures" include cumulative capital expenditures made for "Investment properties" and acquisition cost of lands to be developed for projects in the accompanying consolidated financial statements.
(1) After the Group has acquired 50% of company shares on 16 August 2017, Göksu is reclassed as subsidiary
(2) On 4 April 2016, the Group sold the Açim shares

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

5. RELATED PARTY DISCLOSURES

The ultimate controlling party of the Group is Rönesans Emlak Geliştirme Holding A.Ş. Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Details of balances and transactions between the Group and other related parties are disclosed below:

	31 December 2017							
	Receivables				Payables			
	Current		Non-current		Current		Non-current	
Balances with related parties	Trade	Non-trade	Trade	Non-trade	Trade	Non-trade	Trade	Non-trade
Associates & Joint ventures [1]								
Kozyatağı Gayrimenkul Yatırım İnşaat Turizm San. ve Tic. A.Ş.	1,522	14	-	-	-	-	-	26,514
Mel2 Gayrimenkul Geliştirme Yatırım İnş.ve Tic.A.Ş.	824	-	-	30,425	-	-	-	-
Mel3 Gayrimenkul Geliştirme Yatırım İnş.ve Tic.A.Ş.	1,633	-	-	11,403	-	-	-	-
Mel4 Gayrimenkul Geliştirme Yatırım İnş.ve Tic.A.Ş.	1,729	57	-	9,014	-	-	-	-
Esentepe Gayrimenkul Yatırım İnşaat Turizm San.ve Tic.A.Ş.	1,109	20	-	-	1,297	-	-	116,767
Kurtköy Gayrimenkul Yatırım İnşaat Turizm San.ve Tic.A.Ş.	1,105	8	-	-	-	-	-	27,708
Feriköy Gayrimenkul Yatırım İnşaat Turizm San.ve Tic.A.Ş.	1,174	-	-	-	-	-	-	143,616
Other companies managed by the parent company								
Rönesans Holding A.Ş. [4]	164	-	-	-	605	38	-	-
Rönesans Teknik İnşaat San. ve Tic.A.Ş.[2]	58	55,408	-	-	142,381	-	-	-
Rönesans Özel Okulları Eğitim Öğretim Hizmetleri A.Ş. [3]	1,493	-	-	-	-	-	-	-
Other[4]	5,237	2	-	-	1,232	7	-	-
	16,048	55,509	-	50,842	145,515	45	-	314,605

[1] Non- trade receivables and non-trade payables relate to funds provided to joint ventures for project financing and interest is charged at certain rates. Related receivables and payables are included in share of Group on Asset and Liability of joint ventures.
[2] Receivable is related with the subcontractor advances given for, Hilltown SHC and office, Maltepe Piazza Mix project and Karşıyaka project. POC adjustments amount to TRY 41,165 is included.
[3] The trade receivable is related with rent of Küçükyalı School & Office belong to Bostancı Gayrimenkul.
[4] The Group sub-leases to the group companies in accordance with its lease agreement with Allianz tower.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

5. RELATED PARTY DISCLOSURES (cont'd)

	31 December 2016							
	Receivables				Payables			
	Current		Non-current		Current		Non-current	
Balances with related parties	Trade	Non-trade	Trade	Non-trade	Trade	Non-trade	Trade	Non-trade
Associates & Joint ventures [1]								
Florya Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Tic. A.Ş.	-	-	-	24,594	-	-	-	-
Göksu Gayrimenkul Yatırım İnşaat Turizm San.ve Tic.A.Ş.	836	-	-	-	-	-	-	46,176
Kozyatağı Gayrimenkul Yatırım İnşaat Turizm San. ve Tic. A.Ş.	525	-	-	-	290	-	-	20,692
Mel2 Gayrimenkul Geliştirme Yatırım İnş.ve Tic.A.Ş.	723	-	-	25,476	-	-	-	-
Mel3 Gayrimenkul Geliştirme Yatırım İnş.ve Tic.A.Ş.	368	-	-	6,104	-	-	-	-
Mel4 Gayrimenkul Geliştirme Yatırım İnş.ve Tic.A.Ş.	188	-	-	7,962	-	-	-	-
Esentepe Gayrimenkul Yatırım İnşaat Turizm San.ve Tic.A.Ş.	3,503	-	-	18,394	-	-	-	-
Kurtköy Gayrimenkul Yatırım İnşaat Turizm San.ve Tic.A.Ş.	1,018	-	-	-	-	-	-	25,883
Feriköy Gayrimenkul Yatırım İnşaat Turizm San.ve Tic.A.Ş.	1,320	-	-	-	-	-	-	117,993
Kandilli Gayrimenkul Yatırımları Yön. İnş. ve Tic.A.Ş.	7	51	-	-	-	-	-	-
Other companies managed by the parent company								
Rönesans Holding A.Ş. [4]	246	-	-	-	310	227	-	-
Rönesans Teknik İnşaat San. ve Tic.A.Ş.[2]	33	45,921	-	-	96,577	33	-	-
Rönesans Özel Okulları Eğitim Öğretim Hizmetleri A.Ş.[3]	1,625	-	-	-	-	-	-	-
Other[4]	4,473	-	-	-	1,178	19	-	-
	14,865	45,972	-	82,530	98,355	279	-	210,744

[1] Non- trade receivables and non-trade payables are related to funds provided to joint ventures for project financing and interest is charged at certain rates. Related receivables and payables are included in share of Group on Asset and Liability of joint ventures.
[2] The receivable is related with the subcontractor advances given for Hilltown SHC and office, Maltepe Piazza Mix project.
[3] The trade receivable is related with rent of Küçükyalı School & Office belong to Bostancı Gayrimenkul.
[4] The Group sub-leases to the group companies where has been leased in accordance with the lease agreement with Allianz tower.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

5. RELATED PARTY DISCLOSURES (cont'd)

	31 December 2015							
	Receivables				Payables			
	Current		Non-current		Current		Non-current	
Balances with related parties	Trade	Non-trade	Trade	Non-trade	Trade	Non-trade	Trade	Non-trade
Shareholders [1]								
Rönesans Emlak Geliştirme Holding A.Ş.	-	-	-	-	2	31,975	-	-
Euro EFES S.a.r.l	-	-	-	-	-	8,311	-	-
Murat Özgümüş	-	-	-	-	-	719	-	-
Kamil Yanıkömeroğlu	-	-	-	-	-	863	-	-
Associates & Joint ventures [3]								
Açim Çimento Sanayi A.Ş.	272	-	-	7,412	-	-	-	-
Göksu Gayrimenkul Yatırım İnşaat Turizm San.ve Tic.A.Ş.	543	-	-	4,483	-	-	-	-
Kozyatağı Gayrimenkul Yatırım İnşaat Turizm San. ve Tic. A.Ş.	173	-	-	-	-	-	-	16,961
Mel2 Gayrimenkul Geliştirme Yatırım İnş.ve Tic.A.Ş.	665	-	-	28,274	-	-	-	-
Mel3 Gayrimenkul Geliştirme Yatırım İnş.ve Tic.A.Ş.	202	-	-	5,697	-	-	-	-
Mel4 Gayrimenkul Geliştirme Yatırım İnş.ve Tic.A.Ş.	199	-	-	3,414	-	-	-	-
Florya Gayrimenkul Yatırım İnş. Tur. San. ve Tic. A.Ş.	-	-	-	2,944	-	-	-	-
Esentepe Gayrimenkul Yatırım İnşaat Turizm San.ve Tic.A.Ş.	2,129	-	-	14,676	-	-	-	-
Kurtköy Gayrimenkul Yatırım İnşaat Turizm San.ve Tic.A.Ş.	1,609	-	-	12,299	-	-	-	-
Feriköy Gayrimenkul Yatırım İnşaat Turizm San.ve Tic.A.Ş.	3,562	-	-	-	-	43	-	13,668
Kandilli Gayrimenkul Yatırımları Yön. İnş. ve Tic.A.Ş.	1	-	-	-	-	-	-	-
Other companies managed by the parent company								
Rönesans Holding A.Ş.	-	-	-	-	856	40	-	-
Rönesans Teknik İnşaat San. ve Tic.A.Ş.[2]	211	21,676	-	-	31,435	-	-	-
Rönesans Özel Okulları Eğitim Öğretim Hizmetleri A.Ş.[4]	1,352	-	-	-	-	-	-	-
Other[5]	2,322	7	-	-	963	-	-	-
	13,240	21,683	-	79,199	33,256	41,951	-	30,629

[1] The payable is related with the dividend amount that paid in 2016.
[2] The receivable is related with the subcontractor advances given for Hilltown SHC and office and Maltepe mix project.
[3] Non- trade receivables and non-trade payables are related to funds provided to joint ventures for project financing and interest is charged at certain rates. Related receivables and payables are included in share of Group on Asset and Liability of joint ventures.
[4] The trade receivable is related with rent of Küçükyalı School & Office belong to Bostancı Gayrimenkul.
[5] The Group sub-leases to the group companies where has been leased in accordance with the lease agreement with Allianz tower.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

5. RELATED PARTY DISCLOSURES (cont'd)

	1 January-31 December 2017			
Transactions with related parties	Purchases	Sales	Interest received	Interest given
Associates & Joint ventures [3]	-	35,948	8,220	2,111
Other companies				
Rönesans Holding A.Ş. [1][4]	4,938	4,187	-	-
Rönesans Medikal Taahhüt İnşaat A.Ş. [4]	-	1,673	-	-
Rönesans MEA İnşaat A.Ş. [4]	-	2,129	-	-
Rönesans Elektrik Enerji Toptan Satış A.Ş. [5]	13,560	-	-	-
Rönesans Teknik İnşaat San. ve Tic. A.Ş. [2]	515,985	189	-	-
Rönesans Endüstri Tesisleri İnşaat Sanayi ve Ticaret A.Ş.[4]	-	2,530	-	-
Rönesans Özel Okulları Eğitim Öğretim Hizmetleri A.Ş.[6]	-	8,087	-	-
Other	381	371	35	-
	534,864	55,114	8,254	2,111

[1] Purchases from Rönesans Holding A.Ş. are composed of services given by Rönesans Holding A.Ş.
[2] Rönesans Teknik İnşaat Sanayi ve Ticaret A.Ş. is the contractor of Hilltown SHC and Office, Maltepe Pizza and Karşıyaka projects. Purchases in the year consist of construction services received for these projects.
[3] Sales to joint ventures consist of services given to investments accounted for using the equity method from Rönesans Yönetim A.Ş. and Rönesans Gayrimenkul Yatırım A.Ş.
[4] The Group sub-leases to the group companies where has been leased in accordance with the lease agreement with Allianz tower.
[5] The purchases consist of energy service fee for Optimum Adana, Küçükyalı Offiice&School and RönesansBiz office.
[6] Sales from related with rent of Küçükyalı School & Office belong to Bostancı Gayrimenkul.

	1 January-31 December 2016			
Transactions with related parties	Purchases	Sales	Interest received	Interest given
Associates & Joint ventures [3]	-	35,461	7,805	1,886
Other companies				
Rönesans Teknik İnşaat San. Ve Tic.A.Ş. [2]	185,449	196	-	-
Rönesans Elektrik Enerjisi Toptan Satış A.Ş.[5]	5,168	-	-	-
Rönesans Holding A.Ş. [1][4]	4,554	3,607	-	-
Rönesans Proje Mühendislik Mimarlık Dan. Yön. A.Ş.	2,111	-	-	-
Rönesans Sağlık Yatırım A.Ş.[4]	-	1,176	-	-
Rönesans MEA İnşaat A.Ş.[4]	95	1,935	-	-
Rönesans Özel Okulları Eğitim Öğretim Hizmetleri A.Ş.[6]	-	7,280	-	-
Other[4]	133	3,056	-	-
	197,510	52,711	7,805	1,886

[1] Purchases from Rönesans Holding A.Ş. are composed of services given by Rönesans Holding A.Ş.
[2] Rönesans Teknik İnşaat Sanayi ve Ticaret A.Ş. is the contractor of Küçükyalı Office & School, Maltepe Piazza and Rönesans Tower projects. Purchases in the year consist of construction services received for these projects.
[3] Sales to joint ventures consist of services given to investments accounted for using the equity method from Rönesans Yönetim A.Ş. and Rönesans Gayrimenkul Yatırım A.Ş.
[4] The Group sub-leases to the group companies where has been leased in accordance with the lease agreement with Allianz tower.
[5] The purchases consist of energy service fee for Optimum Adana, Küçükyalı Offiice&School and RönesansBiz office.
[6] Sales from related with rent of Küçükyalı School & Office belong to Bostancı Gayrimenkul.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

5. RELATED PARTY DISCLOSURES (cont'd)

	1 January-31 December 2015			
Transactions with related parties	Purchases	Sales	Interest received	Interest given
Associates & Joint ventures [(3)]	-	33,554	5,574	41
Other companies				
Rönesans Holding A.Ş. [(1)]	6,177	2,210	-	178
Rönesans Elektrik Enerjisi Toptan Satış A.Ş.[(4)]	2,295	-	-	-
Rönesans Teknik İnşaat San. ve Tic. A.Ş. [(2)]	132,180	728	-	-
Rönesans Özel Okulları Eğitim Öğretim Hizmetleri A.Ş.[(5)]	-	3,409	-	-
Other[(6)]	334	3,691	-	-
	140,986	43,592	5,574	219

(1) Purchases from Rönesans Holding A.Ş. are composed of services given by Rönesans Holding A.Ş.
(2) Rönesans Teknik İnşaat Sanayi ve Ticaret A.Ş. is the contractor of Küçükyalı Office & School, Maltepe and Rönesans Tower projects. Purchases in the year consist of construction services received for these projects.
(3) Sales to joint ventures consist of services given to investments accounted for using the equity method from Rönesans Yönetim A.Ş. and Rönesans Gayrimenkul Yatırım A.Ş.
(4) The purchases consist of energy service fee for Optimum Adana, Küçükyalı Offiice&School and RönesansBiz office.
(5) Sales from related with rent of Küçükyalı School & Office belong to Bostancı Gayrimenkul.
(6) The Group sub-leases to the group companies where has been leased in accordance with the lease agreement with Allianz tower.

Key management personnel consists of members of Board of Directors and other members. The compensation of key management personnel includes salaries, bonus, health insurance, communication and transportation and total amount of compensation is explained below. The remuneration of key management personnel during the year were as follows:

	1 January - 31 December 2017	1 January - 31 December 2016	1 January - 31 December 2015
Salaries and other short term benefits	4,471	4,428	3,261

6. TRADE RECEIVABLES AND PAYABLES

a) Trade receivables:

As at balance sheet date, details of trade receivables of the Group are as follows:

	31 December 2017	31 December 2016	31 December 2015
Current trade receivables			
Trade receivables	24,930	8,393	3,694
Notes receivables	10,881	35,192	-
Trade receivables from related parties (Note 5)	16,048	14,865	13,240
Allowance for doubtful receivables (-)	(7,510)	(1,899)	(458)
	44,349	56,551	16,476

Average maturity for receivables is approximately 30 days. (31 December 2016: 30 days 31 December 2015: 30 days).

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

6. TRADE RECEIVABLES AND PAYABLES (cont'd)

a) Trade receivables (cont'd):

The movement of the Group's provision for doubtful receivables as at 31 December 2017, 2016 and 2015 is as follows:

	1 January- 31 December 2017	1 January- 31 December 2016	1 January- 31 December 2015
Movement of allowance for doubtful receivables			
Balance at beginning of the year	(1,899)	(458)	-
Charge for the period (Note 21)	(524)	(1,879)	(458)
Transferred from joint venture to subsidiaries	(5,441)	-	-
Provision released (Note 21)	354	438	-
Balance at closing of the year	(7,510)	(1,899)	(458)

The provision for trade receivables is provided based on estimated irrecoverable amounts from the sale of services, determined by reference to past default experience.

b) Trade payables

As at balance sheet date, details of trade payables of the Group are as follows:

	31 December 2017	31 December 2016	31 December 2015
Current trade payables			
Trade payables	15,541	8,461	4,944
Trade payables to related parties (Note 5)	145,515	98,355	33,256
Expense accruals	-	-	316
	161,056	106,816	38,516

Average maturity for payables is approximately 30 days. (31 December 2016: 30 days 31 December 2015: 30 days).

Risk characteristics and levels in trade receivables and trade payables have been disclosed in Note 30.

7. OTHER RECEIVABLES AND PAYABLES

a) Other receivables:

	31 December 2017	31 December 2016	31 December 2015
Other short term receivables			
Non-trade receivables from related parties (Note 5)	55,509	45,972	21,683
Other receivables	412	256	34
	55,921	46,228	21,717

	31 December 2017	31 December 2016	31 December 2015
Other long term receivables			
Non-trade receivables from related parties (Note 5)	50,842	82,530	79,199
Deposits and guarantees given	485	230	178
Other	4,516	-	-
	55,843	82,760	79,377

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

7. OTHER RECEIVABLES AND PAYABLES (cont'd)

b) Other payables:

	31 December 2017	31 December 2016	31 December 2015
Other short term payables			
Taxes due and payables	4,486	3,811	3,912
Rental payables (Note 14)	5,109	5,037	4,115
Deposits and guarantees received	787	514	400
Non-trade payables to related parties (Note 5)	45	279	41,951
Other	41	119	558
	10,468	9,760	50,936

	31 December 2017	31 December 2016	31 December 2015
Other long term payables			
Non-trade payables to related parties (Note 5)	314,605	210,744	30,629
Rental payables (Note 14)	95,050	64,301	51,963
Deposits and guarantees received	1,167	354	305
	410,822	275,399	82,897

8. INVENTORIES

	31 December 2017	31 December 2016	31 December 2015
Housing project under construction[1]	167,787	106,968	68,503
	167,787	106,968	68,503

[1] Amount represents expenditures related to ongoing projects for Maltepe project.

9. PREPAID EXPENSES AND DEFERRED INCOME

	31 December 2017	31 December 2016	31 December 2015
Short term prepaid expenses			
Prepaid expenses	1,701	1,330	958
Order advances given	2,109	2,999	547
Advances given (*)	-	-	37,207
Other	10	52	12
	3,820	4,381	38,724

(*) Amounting to TRY 37,207 advances given consist of paid amount of land owner for Maltepe project as of 31 December 2015.

	31 December 2017	31 December 2016	31 December 2015
Long term prepaid expenses			
Advances given (*)	-	-	56,043
Prepaid expenses	7	77	1
	7	77	56,044

(*) Amounting to TRY 56,043 advances given consist of paid amount of land owner for Maltepe project as of 31 December 2015.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

9. PREPAID EXPENSES AND DEFERRED INCOME (cont'd)

	31 December 2017	31 December 2016	31 December 2015
Short term deferred revenue			
Order advances received (*)	124,366	30,584	737
	124,366	30,584	737

(*) Amounts included the price of the apartment that will be collected from the residence buyers.

10. INVESTMENT PROPERTIES

	31 December 2017	31 December 2016	31 December 2015
Investment properties	3,144,482	617,463	526,922
Investment properties under development	3,154,660	2,927,525	1,614,233
	6,299,142	3,544,988	2,141,155

a) Investment properties:

	2017	2016	2015
Opening balance at 1 January	617,463	526,922	194,021
Additions through subsequent expenditure	356	14,003	12,722
Transfer from investment property under development (1)	1,402,848	-	257,898
Transferred from joint venture to subsidiaries (2)	908,425	-	-
Net gain from fair value adjustments (Note 21)	215,390	76,538	62,281
Closing balance at 31 December	3,144,482	617,463	526,922

(1) Hilltown SHC and office project was transferred from investment property under development to investment properties in 2017 and Küçükyalı Office project was transferred in 2015.
(2) The Group acquired remaining 50 % of Göksu shares on 16 August 2017 and increased its shares to 100%.

The fair value of the Group's investment properties is TRY 3,144,482 as at 31 December 2017 (31 December 2016: TRY 617,463 and 31 December 2015: TRY 526,922).

The fair values of the Group's investment properties have been arrived at on the basis of a valuation carried out at that date by TSKB Gayrimenkul Değerleme A.Ş. which is independent valuers not connected with the Group. The valuation, which conforms to Capital Market Board legislation, was arrived at by reference to discounted cash flows approach.

The valuation reports of the investment properties prepared by reference to discounted cash flows approach are primarily based on the following key assumptions:

	31 December 2017	31 December 2016	31 December 2015
Discount rate (%)	9.5-10	9.5-10	9.5
Occupancy rate (%)	94-99	99-100	92-100
Rent increase rate (%)	2.0-3.5	3-4	3-4
Capitalization rate (%)	6.25-8	6.25-8.5	7.5-8.5

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

10. INVESTMENT PROPERTIES (cont'd)

a) Investment properties (cont'd):

The Group mortgages some real estates as collateral of the bank loans. The details of mortgages are disclosed in Note 14.

The property rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounted to TRY 110,229 (31 December 2016: TRY 55,619 and 31 December 2015: TRY 39,454). (Note 19) Direct operating expenses arising on the investment property in the year include maintenance and repair costs which amounted to TRY 31,943 (31 December 2016: TRY 16,435 and 31 December 2015: TRY 15,189) (Note 4).

As at 31 December 2017, 31 December 2016 and 31 December 2015, investment properties and their values are as follows:

Project Name	Company Name	Place of Property	31 December 2017	31 December 2016	31 December 2015
RönesansBiz Mecidiyeköy (3)(5)	Mecidiyeköy	İstanbul,Turkey	197,590	182,150	153,446
Küçükyalı Office & Ted Rönesans College (1)(3)(5)	Bostancı	İstanbul,Turkey	519,962	435,313	373,476
Adana Optimum SHC (3)(4)(5)	Göksu	Adana,Turkey	917,060	-	-
Hilltown SHC and Office (2)(3)(5)	Tarabya	İstanbul,Turkey	1,509,870	-	-
			3,144,482	617,463	526,922

(1) Non cancellable rental payables amount of TRY 25,972 which was deducted to arrive at fair values were added to the final fair value of Küçükyalı Office & School Projects as it is presented as a liability in the balance sheet.

(2) Non cancellable rental payables amount of TRY 42,249 which was deducted to arrive at fair values were added to the final fair value of Hilltown SHC and Office Projects as it is presented as a liability in the balance sheet.

(3) In the consolidated financial statements as of 31 December 2017, 2016 and 2015, based on the valuation reports issued by TSKB Gayrimenkul Değerleme A.Ş. an independent accredited valuer licenced by the Capital Market Board of Turkey.

(4) The Group acquired remaining 50 % of Göksu shares on 16 August 2017 and increased its shares to 100%.

(5) Assets are secured with mortgage, charge, pledge, lien or other security interest to secure financial debts.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

10. INVESTMENT PROPERTIES (cont'd)

b) Investment properties under development

	2017	2016	2015
Opening balance at 1 January	2,927,525	1,614,233	1,070,069
Additions through subsequent expenditure [(1)(2)]	937,121	904,266	429,988
Transfer to investment property [(4)]	(1,402,848)	-	(257,898)
Transferred from joint venture to subsidiaries [(3)]	-	-	236,799
Net gain from fair value adjustments (Note 21)	692,862	409,026	135,275
Closing balance at 31 December	3,154,660	2,927,525	1,614,233

[(1)] Addition to investment properties under development consist of capitalized foreign exchange loss and interest expense related with financial debts respectively amounting to TRY 211,035 and TRY 90,444 (1 January -31 December 2016: TRY 88,796, 1 January -31 December 2015: TRY 9,735 foreign exchange loss and 2016: TRY 50,554, 2015: TRY 14,208 interest expense).
[(2)] Additions consist of Konyaaltı land, Optimum Antalya land, Karşıyaka SHC and Seyrantepe land, which are acquired respectively in 2017, 2016 and 2015.
[(3)] As at 31 December 2014, Nakkaştepe Gayrimenkul was consolidated by using the equity method in the consolidated financial statements. The Group acquired remaining 50 % of company shares on 11 June 2015 and increased its shares to 100%.
[(4)] Hilltown SHC and Office is transferred from investment property under development to investment properties in 2017 and Küçükyalı Office & School is transferred from investment property under development to investment properties in 2015

The property rental income earned by the Group from its investment property under development, all of which is leased out under operating leases, amounted to TRY 1,980 (31 December 2016: TRY 3,323 31 December 2015: TRY 5,645). (Note 19)

Investment properties under development consist of two components: land and costs capitalized in connection with the development of the site. Costs capitalized related to development carried out on sites owned or partly owned by the Group or sites to which the Group holds lease titles and which will be acquired on completion of the development. Land and buildings that are being constructed for future use as investment property are classified under investment properties under development account until construction or development is complete, at which time they are reclassified as investment.

As of 31 December 2017, 2016 and 2015, the fair value of the Group's investment properties under development has been arrived at on the basis of a valuation carried out at that date by independent valuers not connected with the Group. The valuation, which conforms to Capital Market Board legislation, was arrived at by reference to market evidence of transaction prices for similar properties and discounted cash flows and income capitalization approach. The fair values are based on the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in arm's length transaction.

The fair value of the investment properties under development prepared by reference to discounted cash flows and income capitalization approach are primarily based on the following key assumptions:

	31 December 2017	31 December 2016	31 December 2015
Discount rate (%)	10-10.5	10.5-11	10-10.5
Occupancy rate (%)	85-90	90-100	90-100
Rent increase rate (%)	2.5-3	3-4	3-4
Capitalization rate (%)	8	8-9	8-9

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

10. INVESTMENT PROPERTIES (cont'd)

b) Investment properties under development (cont'd)

The fair value of the investment properties under development prepared by reference to sale comparison approach are primarily based on the following key assumptions:

	31 December 2017	31 December 2016	31 December 2015
Market comparable sqm value in TRY	480-24,000	440-24,000	380-23,000

Investment properties under development comprise of the following projects:

Project Name	Company Name	Place of Property	31 December 2017	31 December 2016	31 December 2015
Hilltown SHC and Office (1)(7)	Tarabya	İstanbul, Turkey	-	1,016,849	630,476
Mamak (1)(7)	Kavacık	Ankara, Turkey	64,095	57,650	52,500
Silivri (1)	Akatlar	İstanbul, Turkey	34,140	31,800	29,140
Antalya (1)	Balmumcu	Antalya, Turkey	19,715	19,070	18,422
İzmit (1)	Pendik	İzmit, Turkey	14,460	13,256	11,450
Maltepe (1)(5)(7)	Salacak	İstanbul, Turkey	1,548,510	1,026,580	293,280
Bursa (1)	Nisbetiye	Bursa, Turkey	101,265	88,910	72,860
Seyrantepe (1)(3)	Sancaktepe	İstanbul, Turkey	35,375	33,010	29,880
Turan (1)(2)	Nakkaştepe	İzmir, Turkey	255,375	232,310	221,561
Optimum Antalya (1)	Kuzguncuk	Antalya, Turkey	100,495	86,920	-
Antalya Konyaaltı (1)(6)	Kabataş-RGY	Antalya, Turkey	311,250	-	-
Karşıyaka (1)(4)(7)	Altunizade	İzmir, Turkey	669,980	321,170	254,664
			3,154,660	2,927,525	1,614,233

(1) In the consolidated financial statements as of 31 December 2017, 2016 and 2015, based on the valuation reports issued by TSKB Gayrimenkul Değerleme A.Ş. an independent accredited valuer licenced by the Capital Market Board of Turkey.

(2) As at 31 December 2014 Nakkaştepe Gayrimenkul was consolidated by using the equity method in the consolidated financial statements. The Group acquired remaining 50 % of company shares on 11 June 2015 and increased its shares to 100%.

(3) The Group has purchased land as at 31 March 2015.

(4) The Group has purchased land as at 11 February 2015.

(5) The Group purchased the Maltepe land to develop project in 2016.

(6) Non cancellable operating payables amount of TRY 31,938 which was deducted to arrive at fair values were added to the final fair value of Antalya Konyaaltı Projects as it is presented as a liability in the balance sheet.

(7) Assets are secured with mortgage, charge, pledge, lien or other security interest to secure financial debts.

As at 31 December 2017, 70% of total fair values of investment properties under development are arrived at by reference to discounted cash flow (2016: 70%, 2015: 57%), 30% by reference to sale comparison approach (2016: 30%, 2015: 43%).

As at 31 December 2017, 100% of total fair values of investment properties are arrived at by reference to discounted cash flow and income capitalization approach (2016: 100%, 2015: 100%).

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

10. INVESTMENT PROPERTIES (cont'd)

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2017, 2016 and 2015 are as follows:

		Fair value as at 31 December 2017		
	31 December 2017	Level 1 TRY	Level 2 TRY	Level 3 TRY
Investment properties	3,144,482	-	-	3,144,482
Investment properties under development	3,154,660	-	936,170	2,218,490

		Fair value as at 31 December 2016		
	31 December 2016	Level 1 TRY	Level 2 TRY	Level 3 TRY
Investment properties	617,463	-	-	601,733
Investment properties under development	2,927,525	-	884,096	2,043,429

		Fair value as at 31 December 2015		
	31 December 2015	Level 1 TRY	Level 2 TRY	Level 3 TRY
Investment properties	526,922	-	-	524,579
Investment properties under development	1,614,233	-	435,813	923,756

Sensitivity analysis of investment properties and investment properties under development are as follow:

		Change in fair value as at 31 December 2017	
		Investment properties	Investment properties under development
Rent increase rate			
	increase 1%	117,750	166,080
	decrease 1%	(107,230)	(153,870)
Discount rate			
	increase 1%	(90,660)	(152,500)
	decrease 1%	108,140	170,130
Occupancy rate			
	increase 1%	20,980	27,660
	decrease 1%	(22,100)	(24,540)
1 sq² land price			
	increase 10%	-	71,777
	decrease 10%	-	(84,658)
Capitalization rate			
	increase 1%	(27,140)	-
	decrease 1%	37,250	-

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

10. INVESTMENT PROPERTIES (cont'd)

Sensitivity analysis of investment properties and investment properties under development are as follow (cont'd):

		Change in fair value as at 31 December 2016	
		Investment properties	Investment properties under development
Rent increase rate			
	increase 1%	34,060	206,730
	decrease 1%	(31,770)	(192,260)
Discount rate			
	increase 1%	(40,190)	(219,160)
	decrease 1%	36,656	252,450
Occupancy rate			
	increase 1%	3,520	22,790
	decrease 1%	(3,520)	(22,680)
1 sq² land price			
	increase 10%	-	80,354
	decrease 10%	-	(80,354)
Capitalization rate			
	increase 1%	(23,720)	-
	decrease 1%	36,630	-

		Change in fair value as at 31 December 2015	
		Investment properties	Investment properties under development
Rent increase rate			
	increase 1%	29,058	71,606
	decrease 1%	(28,015)	(66,296)
Discount rate			
	increase 1%	(35,793)	(68,667)
	decrease 1%	43,366	85,306
Occupancy rate			
	increase 1%	3,002	14,859
	decrease 1%	(3,927)	(14,869)
1 sq² land price			
	increase 10%	-	24,382
	decrease 10%	-	(24,382)
Capitalization rate			
	increase 1%	(19,733)	-
	decrease 1%	26,565	-

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

11. PROPERTY, PLANT AND EQUIPMENT

Cost value	Buildings	Motor vehicles	Furniture and fixtures	Total
Opening balance as of 1 January 2017	3,581	1,433	2,469	7,483
Additions	-	-	105	105
Disposals	-	(156)	(10)	(166)
Closing balance as of 31 December 2017	3,581	1,277	2,564	7,422
Accumulated Depreciation				
Opening balance as of 1 January 2017	(1,168)	(726)	(1,384)	(3,278)
Charge for the year	(587)	(266)	(360)	(1,213)
Disposals	-	72	5	77
Closing balance as of 31 December 2017	(1,755)	(920)	(1,739)	(4,414)
Net book value as of 31 December 2017	1,826	357	825	3,008

Cost value	Buildings	Motor vehicles	Furniture and fixtures	Total
Opening balance as of 1 January 2016	3,339	1,877	2,106	7,322
Additions	242	160	374	776
Disposals	-	(604)	(11)	(615)
Closing balance as of 31 December 2016	3,581	1,433	2,469	7,483
Accumulated Depreciation				
Opening balance as of 1 January 2016	(502)	(903)	(988)	(2,393)
Charge for the year	(666)	(296)	(404)	(1,366)
Disposals	-	473	8	481
Closing balance as of 31 December 2016	(1,168)	(726)	(1,384)	(3,278)
Net book value as of 31 December 2016	2,413	707	1,085	4,205

Cost value	Buildings	Motor vehicles	Furniture and fixtures	Total
Opening balance as of 1 January 2015	299	2,057	1,462	3,818
Additions	3,040	447	715	4,202
Disposals	-	(627)	(71)	(698)
Closing balance as of 31 December 2015	3,339	1,877	2,106	7,322
Accumulated Depreciation				
Opening balance as of 1 January 2015	(81)	(811)	(728)	(1,620)
Charge for the year	(421)	(245)	(273)	(939)
Disposals	-	153	13	166
Closing balance as of 31 December 2015	(502)	(903)	(988)	(2,393)
Net book value as of 31 December 2015	2,837	974	1,118	4,929

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

11. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The following useful lives are used in the calculation of depreciation:

	Useful life
Buildings	14-50 years
Motor vehicles	5 years
Furniture and fixture	7 years

Depreciation expenses of TRY 250 (31 December 2016: TRY 355 and 31 December 2015: TRY 312) has been charged in cost of revenue, and TRY 963 (31 December 2016: TRY 1,011 and 31 December 2015: TRY 627) in administrative expenses.

12. INTANGIBLE ASSETS

Cost value	2017	2016	2015
Opening balance as of 1 January	1,484	838	504
Additions	200	646	334
Closing balance as of 31 December	1,684	1,484	838
Accumulated Amortization			
Opening balance as of 1 January	(797)	(543)	(339)
Charge for the year	(398)	(254)	(204)
Closing balance as of 31 December	(1,195)	(797)	(543)
Net book value as of 31 December	489	687	295

Intangible assets consist of computer software.

The following useful lives are used in the calculation of amortization:

	Useful life
Computer Software	3-15 years

Amortization expenses were wholly included in administrative expenses.

13. GOODWILL

	31 December 2017	31 December 2016	31 December 2015
Cost value			
Opening cost value	-	2,193	2,193
Disposal amount of sale subsidary in current period (Note 33)	-	(2,193)	-
Closing balance	-	-	2,193

Goodwill amount relate to the Açim which was acquired on 12 August 2011. Açim is real estate development company. Açim owns a land bank to be developed in Ataşehir. The fair value of investment property under development has been arrived at on the basis of evaluation carried out at that date by independent valuers not connected with the Group. There has not been an impairment regarding the goodwill amount.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

14. COMMITMENTS AND CONTINGENCIES

The Group's guarantee given, pledges and mortgages ("GPM") position as at 31 December 2017, 31 December 2016 and 31 December 2015 are as follows:

	31 December 2017	31 December 2016	31 December 2015
Mortgage	1,498,128	758,623	201,241
Letters of guarantees given	101,036	92,878	87,047
Surety and guarantees given	1,332,241	1,051,950	1,218,879
	2,931,405	1,903,451	1,507,167

TRY 2,582,426 balance specified in 'Mortgages' and Surety and guarantees given lines for 2017 are the guarantees given for the loans utilized by the Group and remaining amount is 348,979 (31 December 2016: TRY 1,313,676 remaining amount: TRY 589,775, 31 December 2015: TRY 735,178 remaining amount: TRY 771,989).

Operating lease commitments – Company as lessee

The Group has operating lease contracts for the projects of Hilltown SHC and office, Küçükyalı School & Office on land belonging to Atik Valide Sultan Vakfı in İstanbul, Maltepe and the Group has the usage right with a renewal option at the end of the lease period for 49 years. There are no restrictions placed upon the Group by entering into these leases.

The Group has an operating lease contract for the projects of Antalya Konyaaltı project on land belonging to Antalya Metropolitan Municipality in Antalya, Konyaaltı. The Group has the usage right with a renewal option at the end of the lease period for 30 years. There are no restrictions placed upon the Group by entering into these leases.

The minimum usufruct right rental payables under non-cancellable operating leases at 31 December 2017, 31 December 2016 and 31 December 2015 are as follows:

	31 December 2017	31 December 2016	31 December 2015
Within one year	5,109	5,037	4,115
After one year but no more than five years	30,147	18,573	16,005
More than five years	64,903	45,728	35,958
	100,159	69,338	56,078

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

15. EMPLOYEE BENEFITS

Payables related to employee benefits:

	31 December 2017	31 December 2016	31 December 2015
Payables to personnel	2,123	1,706	1,770
Social security premiums payables	757	663	627
	2,880	2,369	2,397

Short-term provisions for employee benefits:

	31 December 2017	31 December 2016	31 December 2015
Unused vacation liability	2,284	2,057	551
	2,284	2,057	551

The movement of the Group's liability for unused vacation as at 31 December 2017, 2016 and 2015 is as follows:

	2017	2016	2015
Provision at 1 January	2,057	551	388
Charge for the year	278	1,506	163
Payment (-)	(51)	-	-
Provision at 31 December	2,284	2,057	551

Long-term provisions for employee benefits:

	31 December 2017	31 December 2016	31 December 2015
Retirement pay provision	1,610	1,612	1,272
	1,610	1,612	1,272

<u>Provision for employment termination benefits for Turkish employees working in Turkey:</u>

Under Turkish Labor Law, the Group is required to pay termination benefits to each employee who has completed certain years of service and whose employment is terminated without due cause, who is called up for military service, dies or retires after completing 25 years of service and reaches the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of TRY 4,732.48 for each period of service at 31 December 2017 (2016: TRY 4,297.21 and 2015: TRY 3,828.37).

Retirement pay liability is not subject to any kind of funding legally. Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees. IAS 19 *Employee Benefits* stipulates the development of company's liabilities by using actuarial valuation methods under defined benefit plans. In this direction, actuarial assumptions used in calculation of total liabilities are described as follows:

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

15. EMPLOYEE BENEFITS (cont'd)

Provision for employment termination benefits for Turkish employees working in Turkey: (cont'd)

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying consolidated financial statements as at 31 December 2017, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated with the assumption of 4.67% real discount rate (31 December 2016 and 2015: 3.74% - 3.99%) calculated by using 7% annual inflation rate and 12% discount rate. Estimated amount of retirement pay not paid due to voluntary leaves is also taken into consideration as 9.46% (31 December 2016 and 2015: 8.49% - 10.50%) for employees with 0-15 years of service, and 0% for those with 16 or more years of service.Ceiling for retirement pay is revised semi-annually. Ceiling amount of TRY 5,001.76 which is in effect since 1 January 2018 is used in the calculation of Groups' provision for retirement pay liability (1 January 2017: TRY 4,426.16 1 January 2016: TRY 4,092.53).

The principal assumptions used in the calculation of retirement pay liability are discount rate and anticipated turnover rate.

- If the discount rate had been 1% lower/(higher), provision for employee termination benefits would increase/(decrease) by TRY 150 / TRY (161)
- If the anticipated turnover rate had been 1% higher/(lower) while all other variables were held constant, provision for employee termination benefits would decrease/(increase) by TRY 44 / TRY (37).

	2017	2016	2015
Provision at 1 January	1,612	1,272	513
Service cost	255	758	772
Interest cost	61	51	15
Termination benefits paid	(587)	(534)	(541)
Actuarial loss	269	65	513
Provision at 31 December	1,610	1,612	1,272

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

16. EXPENSES BY NATURE

	1 January - 31 December 2017	1 January - 31 December 2016	1 January - 31 December 2015
Personnel expenses	(21,915)	(34,207)	(35,940)
Rent expenses	(20,919)	(14,677)	(10,087)
Electricty expense	(12,751)	(5,960)	(4,776)
Office expenses	(9,459)	(5,356)	(2,965)
Maintenance expense	(2,972)	(1,134)	(571)
Consultancy expenses	(5,739)	(4,811)	(7,377)
Advertising expenses	(1,740)	(895)	(766)
Taxes and fees	(1,639)	(936)	(2,191)
Insurance expenses	(1,653)	(910)	(1,410)
Depreciation and amortization expenses	(1,611)	(1,620)	(1,143)
Lawsuit provision	(333)	(1,608)	-
Other	(3,344)	(9,357)	(5,002)
	(84,075)	(81,471)	(72,228)

17. OTHER CURRENT AND NON-CURRENT ASSETS

Other current assets	31 December 2017	31 December 2016	31 December 2015
VAT deductible	7,463	6,172	6,361
Advances given to subcontractors	-	-	255
Personnel advances	-	-	37
	7,463	6,172	6,653

Other non current assets	31 December 2017	31 December 2016	31 December 2015
VAT deductible	282,426	184,462	111,533
	282,426	184,462	111,533

18. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Share Capital

As of 31 December 2017, 2016 and 2015 the share capital held is as follows:

	%	31 December 2017	%	31 December 2016	%	31 December 2015
Rönesans Emlak Geliştirme Holding A.Ş	74.2	225,477	74.2	225,477	74.2	225,477
Euro EFES S.a.r.l	21.4	65,117	21.4	65,117	21.4	65,117
Kamil Yanıkömeroğlu	2.4	7,158	2.4	7,158	2.4	7,158
Murat Özgümüş	2.0	5,965	2.0	5,965	2.0	5,965
Nominal share capital in TRY	100	303,717	100	303,717	100	303,717

The total number of ordinary shares is 303,717 thousand (31 December 2016: 303,717 thousand shares and 31 December 2015: 303,717 thousand) with a par value of TRY 1 (31 December 2016: per share TRY 1 and 31 December 2015: per share TRY 1).

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

18. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (cont'd)

b) Restricted Reserves Appropriated from Profit

	31 December 2017	31 December 2016	31 December 2015
Legal reserves	63,926	46,814	28,004
	63,926	46,814	28,004

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions.

The special funds amount is TRY 2,156 which is consist of fund transfer from the shareholders in order to compensate the accumulated deficits (31 December 2016: TRY 2,156 31 December 2015: TRY 2,156)

Profit distribution:

Regarding the current year, in accordance with the Extraordinary General Assembly held on April 21, 2017, the Company is required to pay undistributed profits of the year 2015 on the remaining distributable amount after deducting the reserve funds which are required to be set aside according to the TCC and according to the articles of association as of 1 January 2016 - 31 December 2016, The Company decided to distribute a profit share of TRY 55,000 (profit per share is TRY 0.18).

The Company announced to make TRY 43,070 advance dividend payment after the allocation of legal reserves from the distributable profit for the period between 1 January 2015- 30 September 2015 in accordance with TCC and its articles of association (profit per share: TRY 0.14) with the Extraordinary General Assembly Meeting held at 30 December 2015.

Advances for dividend payments were paid to shareholders at 7 Januray 2016. (The Company paid dividend for TRY 0,26 per share (TRY 60,793 total dividend) at 2015.)

Resources that can be subject to profit distrubution:

After the deduction of the Group's previous years losses according to statutory books, remaining net profit for the year and other resources that may apply to profit distribution is TRY 780,328 (31 December 2016: TRY 841,527) (31 December 2015: TRY 673,883) .

c) Premiums in capital stock

	31 December 2017	31 December 2016	31 December 2015
Premiums in capital stocks	630,844	630,844	630,844
	630,844	630,844	630,844

As of 9 December 2014, Euro Efes S.a.r.l acquired 9.8% shares of Rönesans Gayrimenkul by capital increase for a total consideration for TRY 278,670. Amounting to TRY 26,047 has been classified as nominal capital increase and the remaining amounting to TRY 252,623 has been classified as share premium.

As of 25 February 2015, Euro Efes S.a.r.l acquired 11.6% shares of Rönesans Gayrimenkul by capital increase for a total consideration for TRY 417,291. Amounting to TRY 39,070 has been classified as nominal capital increase and the remaining amounting to TRY 378,221 has been classified as share premium.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

19. REVENUE

a) Revenue

	1 January - 31 December 2017	1 January - 31 December 2016	1 January - 31 December 2015
Rental revenue from investment properties [1]	112,209	58,942	45,099
Management and consulting revenue	35,371	34,874	30,246
Other rental revenue	21,683	20,541	12,213
	169,263	114,357	87,558

[1] This includes electricity, water and other common utility charges of the shopping malls and offices owned by the Group and charged to the tenants on an accrual basis in accordance with lease agreements. As at 31 December 2017 above mentioned charged revenues amount to TRY 26,913 (31 December 2016 and 2015: TRY 10,850 and TRY 7,015.)

b) Cost of revenue

	1 January - 31 December 2017	1 January - 31 December 2016	1 January - 31 December 2015
Cost of revenue related to investment properties	(32,296)	(17,539)	(17,736)
Cost of revenue related to management and consulting and other	(31,240)	(45,290)	(36,704)
	(63,536)	(62,829)	(54,440)

	1 January - 31 December 2017	1 January - 31 December 2016	1 January - 31 December 2015
Rent expense	(18,508)	(12,776)	(8,975)
Electricity expense	(12,751)	(5,960)	(4,776)
Employee benefit expenses	(11,851)	(25,713)	(24,894)
Office management expenses	(9,459)	(5,356)	(2,617)
Consultancy expenses	(3,327)	(2,526)	(4,659)
Maintenance expense	(2,972)	(1,134)	(571)
Insurance expenses	(1,475)	(779)	(1,285)
Taxes and fees	(1,209)	(726)	(1,632)
Depreciation expenses (Note 11)	(250)	(355)	(312)
Other	(1,734)	(7,504)	(4,719)
	(63,536)	(62,829)	(54,440)

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

20. GENERAL ADMINISTRATIVE EXPENSES / MARKETING EXPENSES

	1 Junuary 31 December 2017	1 January - 31 December 2016	1 January - 31 December 2015
Marketing expenses	(1,740)	(895)	(766)
General administrative expenses	(18,799)	(17,747)	(17,022)
	(20,539)	(18,642)	(17,788)

a) Detail of marketing expenses:

	1 January - 31 December 2017	1 January - 31 December 2016	1 January - 31 December 2015
Advertising expenses	(1,740)	(895)	(766)
	(1,740)	(895)	(766)

b) Detail of general administrative expenses:

	1 January - 31 December 2017	1 January - 31 December 2016	1 January - 31 December 2015
Employee benefit expenses	(10,064)	(8,494)	(11,046)
Rent expenses	(2,411)	(1,901)	(1,112)
Consultancy expenses	(2,412)	(2,285)	(2,718)
Lawsuit provision (Note 26)	(333)	(1,608)	-
Taxes and fees	(430)	(210)	(559)
Depreciation and amortization expenses (Note 11-12)	(1,361)	(1,265)	(831)
Insurance expenses	(178)	(131)	(125)
Other	(1,610)	(1,853)	(631)
	(18,799)	(17,747)	(17,022)

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

21. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

Other operating income	1 January - 31 December 2017	1 January - 31 December 2016	1 January - 31 December 2015
Change in fair value of investment properties under development (Note 10.b)	692,862	409,026	135,275
Change in fair value of investment properties (Note 10.a)	215,390	76,538	62,281
Foreign exchange gain from operations, net	46,064	94,000	90,926
Gain from scrap sales	-	2,885	-
Interest income (*)	10,829	20,635	14,180
Reversal of provision (Note 6)	354	438	-
Other	1,840	1,151	1,353
	967,339	604,673	304,015

(*) Interest income from bank deposit is TRY 5,376 thousand in 2017, TRY 9,753 thousand in 2016 and 8,840 thousand in 2015.

Other operating expense	1 January - 31 December 2017	1 January - 31 December 2016	1 January - 31 December 2015
Provision for doubtful receivables (Note 6)	(524)	(1,879)	(458)
Change in fair value of investment properties under development sold	-	-	(12,373)
Donations	-	-	(1,000)
VAT base increase	-	(766)	-
Other	(79)	(1,178)	(970)
	(603)	(3,823)	(14,801)

22. FINANCE EXPENSES

Finance costs	1 January - 31 December 2017	1 January - 31 December 2016	1 January - 31 December 2015
Interest expense of financial debts	(43,186)	(33,938)	(28,108)
Foreign exchange (loss) / gain of bank loan, net	(101,016)	(41,286)	(38,164)
Commission expenses	(2,338)	(1,731)	(6,789)
Realized gain on derivative instruments carried at fair value through profit and loss, net	39,724	25,835	15,593
Unrealized gain/(loss) on derivative instruments carried at fair value through profit and loss, net (1)	3,104	(697)	7,930
Other	(551)	(115)	(19)
	(104,263)	(51,932)	(49,557)

(1) The amount represents change in fair value of derivative instruments.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

23. INCOME / (EXPENSES) FROM INVESTING ACTIVITIES

Income from investing activities	1 January - 31 December 2017	1 January - 31 December 2016	1 January - 31 December 2015
Gain on acquisition of subsidiary (Note 34)	86,266	-	-
Effect of additional consideration received from sale of subsidiary	-	10,193	4
Gain on sale of fixed asset	-	381	-
Other	144	113	-
	86,410	10,687	4

Expenses from investing activities	1 January - 31 December 2017	1 January - 31 December 2016	1 January - 31 December 2015
Loss on diposal of property and equipment	(89)	-	-
Loss on sale of subsidiary (Note 33)	-	-	(2,643)
Loss on sale of associate and joint venture (Note 33)	-	(15,886)	-
	(89)	(15,886)	(2,643)

24. ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

Loss on remeasurement of defined benefit obligations

	1 January- 31 December 2017	1 January- 31 December 2016	1 January- 31 December 2015
Opening balance	(463)	(411)	-
-Loss on remeasurement of defined benefit obligations	(215)	(52)	(411)
Closing balance	(678)	(463)	(411)

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

25. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

Current tax assets	31 December 2017	31 December 2016	31 December 2015
Prepaid taxes and funds	149	119	2,954
	149	119	2,954

	31 December 2017	31 December 2016	31 December 2015
Current tax liability			
Current corporate tax provision	8,114	29,305	30,994
Less: prepaid taxes and funds	(6,418)	(17,825)	(30,885)
	1,696	11,480	109

Income tax recognized in profit or loss	1 January-31 December 2017	1 January-31 December 2016	1 January-31 December 2015
Current tax expense	(8,114)	(29,305)	(30,994)
Corporate tax base increase (*)	-	(4,451)	-
Deferred tax expense	(179,006)	(91,194)	(26,952)
	(187,120)	(124,950)	(57,946)

Income tax recognized in equity

Deferred tax	1 January-31 December 2017	1 January-31 December 2016	1 January-31 December 2015
Recognized in equity:			
-Loss on remeasurement of defined benefit obligations	54	13	102
Deferred tax recognized in equity	54	13	102

(*) In accordance with Law No. 6736, the Group has increased its corporate tax and value added tax for the years between 2012 and 2015. In 2016, TRY 4,451 corporate tax was paid related to this law.

Corporate Tax

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the years and periods. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective tax rate in 2017 is 20% (2016: 20%, 2015: 20%) for the Group.

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2017 is 20%. (2016: 20% 2015: 20%). Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

25. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

The Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts was published on the Official Gazette dated December 5, 2017 and numbered 30261. Article 5 entitled "Exceptions" of the Corporate Tax Law has been amended in Article 89 of the Law. In accordance with (a) clause in the first paragraph of the Article, the exemption of 75% applied to gains from the sales of lands and buildings held by the entities for two full years has been reduced to rate of 50% which will have no impact on the Group's consolidated financial statements. This regulation has been effective from 5 December 2017.

Deferred Tax:

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes and they are given below.

Tax rate used in the calculation of deferred tax assets and liabilities was %22 over temporary timing differences expected to be reversed in 2018, 2019 and 2020, and %20 over temporary timing differences expected to be reversed in 2021 and the following years.

In Turkey, the companies cannot declare a consolidated tax return, therefore subsidiaries that have deferred tax assets position were not netted off against subsidiaries that have deferred tax liabilities position and disclosed separately.

Deferred tax (assets) / liabilites:	31 December 2017	31 December 2016	31 December 2015
Change in fair values of investment properties under development	255,859	239,755	162,816
Change in fair values of investment properties	375,327	69,746	58,034
Depreciation / amortization differences of property, plant and equipment and other intangibles	8,002	6,258	129
Tax losses carried forward	(41,415)	(10,334)	(7,910)
Provision for retirement pay and unused vacation	(856)	(734)	(365)
Other temporary differences	118	(596)	210
	597,035	304,095	212,914

Reflected as:	31 December 2017	31 December 2016	31 December 2015
Deferred tax assets	(1,310)	(3,681)	(979)
Deferred tax liabilities	598,345	307,776	213,893
Net deferred tax liabilities	597,035	304,095	212,914

At the balance sheet date, the Group has unused tax losses of TRY 199,122 (31 December 2016: TRY 51,670 and 31 December 2015: TRY 39,550) available for offset against future profits and deferred tax asset have been recognized in respect of TRY 41,415 (31 December 2016: TRY 10,334 and 31 December 2015: TRY 7,910) of such losses.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

25. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Deferred Tax: (cont'd)

Expiration schedule of carry forward tax losses is as follows:

	31 December 2017	31 December 2016	31 December 2015
Expiring in 2016	-	-	84
Expiring in 2017	-	125	130
Expiring in 2018	113	51,545	39,336
Expiring in 2019	36,580	-	-
Expiring in 2020	42,842	-	-
Expiring in 2021	49,821	-	-
Expiring in 2022 and later	69,766	-	-
	199,122	51,670	39,550

The movement of deferred tax assets for years ended 31 December 2017, 2016 and 2015 as follows:

Movement of deferred tax liability:	1 January-31 December 2017	1 January-31 December 2016	1 January-31 December 2015
Opening balance	304,095	212,914	163,339
Charged to statement of profit or loss	179,006	91,194	26,952
Transferred from joint ventures to subsidiaries (*)(**)	113,988	-	19,068
Sale of subsidiary	-	-	3,657
Charged to equity	(54)	(13)	(102)
Closing balance	597,035	304,095	212,914

(*) The Group acquired the remaining 50 % of Nakkaştepe shares on 11 June 2015, reclassified as a subsidiary.
(**) The Group acquired the remaining 50 % percent of Göksu shares on 16 August 2017, Göksu is reclassified as a subsidiary

Reconciliation of taxation:	1 January-31 December 2017	1 January-31 December 2016	1 January-31 December 2015
Profit before taxation	1,353,788	882,574	566,152
Tax at the domestic income tax rate of 20%	20%	20%	20%
Tax at the domestic income	270,758	176,515	113,231
Tax effects of:			
- revenue exempt from taxation	(82,312)	(57,503)	(57,400)
- expenses that are not deductible in determining taxable profit	295	1,551	2,282
- Effect of tax base increase	-	4,451	-
- effect of increase in corporate tax rate in Turkey (from 20% to 22%)	(1,693)	-	-
- other	72	(64)	(167)
Income tax expense recognised in profit or loss	187,120	124,950	57,946

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

26. PROVISIONS

Short term provision	31 December 2017	31 December 2016	31 December 2015
Lawsuit provision	1,989	1,608	-
	1,989	1,608	-

	2017	2016	2015
Opening	1,608	-	-
Transferred from investment accounted for using equity method to subsidiaries	48	-	-
Charge for the year (Note 20)	333	1,608	-
	1,989	1,608	-

This amount represents the provisions set aside for certain lawsuits filed by the employees against the Group. Provision is recognized in the consolidated statement of profit or loss as general administrative expense. According to the Group management, with the adoption of appropriate legal opinions, such lawsuits will not lead to any significant loss beyond 31 December 2017.

27. EARNINGS PER SHARE

	1 January - 31 December 2017	1 January - 31 December 2016	1 January - 31 December 2015
Net profit for the year attributable to owners during the period	1,166,668	757,624	508,206
Average number of ordinary share outstanding during the year (in full)	303,717	303,717	297,814
Earning per share from operations (TRY)	3.84	2.49	1.71

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

28. DERIVATIVE INSTRUMENTS

	31 December 2017		31 December 2016		31 December 2015	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest rate swap	3,100	8,269	23	11,803	23	2,190
	3,100	8,269	23	11,803	23	2,190
Short term	-	1,168	23	176	23	956
Long term	3,100	7,101	-	11,627	-	1,234
	3,100	8,269	23	11,803	23	2,190

Interest rate swaps

The Group entered into interest rate swap contracts with total nominal amount of EUR 452,848. The Group, under the terms of the contracts, pays a respectively 0.98%+ 3M Euribor interest rate. Maturity date for the agreement amount of EUR 17,438 is 29 July 2019. Maturity date for the agreement amount of USD 139,200 is 31 December 2020. Maturity date for the agreement amount of USD 200,000 is 14 December 2022. Maturity date for the agreement amount of USD 96,210 is 24 May 2021.

	31 December 2017	31 December 2016	31 December 2015
Interest rate swap	(5,169)	(11,780)	(2,167)
	(5,169)	(11,780)	(2,167)

29. FINANCIAL INSTRUMENTS

Financial Investments

	31 December 2017	31 December 2016	31 December 2015
Long term financial investments			
Blocked deposits	-	1,001	-
	-	1,001	-

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

29. FINANCIAL INSTRUMENTS (cont'd)

Financial Debts

	31 December 2017	31 December 2016	31 December 2015
Current portion of long-term bank loans	160,305	187,518	52,098
Total bank loans - current	160,305	187,518	52,098
Short term portion of issued corporate bonds	101,344	1,193	1,122
Total current financial debt	261,649	188,711	53,220
Long-term bank loans	2,174,752	875,995	431,894
Corporate bonds	-	99,978	99,822
Total non-current financial debt	2,174,752	975,973	531,716
Total current and non current financial debt	2,436,401	1,164,684	584,936

On 25 February 2015, the Group has issued variable interest coupon corporate bonds with a nominal amount of TRY 100,000 and with a maturity of 3 years. Details of issued corporate bonds are as follows:

		31 December 2017	
Currency Type	Effective interest rate %	Current	Non-current
TRY	3%+GDS	101,421	22
Transaction costs		(77)	(22)
		101,344	-

		31 December 2016	
Currency Type	Effective interest rate %	Current	Non-current
TRY	3%+GDS	1,349	100,000
Transaction costs		(156)	(22)
		1,193	99,978

		31 December 2015	
Currency Type	Effective interest rate %	Current	Non-current
TRY	3%+GDS	1,278	100,000
Transaction costs		(156)	(178)
		1,122	99,822

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

29. FINANCIAL INSTRUMENTS (cont'd)

Financial Debts (cont'd)

The details of bank loans – current and non current are described below:

		31 December 2017	
Currency Type	Effective interest rate %	Current	Non-current
Euro	Euribor 3 M + 4.70% - 5.60%	107,455	2,090,425
Euro	Euribor 6 M + 3.75%	7,502	44,591
Euro	3.0% - 3.85%	45,348	39,736
		160,305	2,174,752

		31 December 2016	
Currency Type	Effective interest rate %	Current	Non-current
Euro	Euribor 3 M + 4.30% - 5.60%	162,769	763,459
Euro	Euribor 6 M + 3.75%	6,160	42,790
Euro	3.60%- 3.65%	-	69,746
US Dollar	5.00%	18,589	-
		187,518	875,995

		31 December 2015	
Currency Type	Effective interest rate %	Current	Non-current
Euro	Euribor 6 M + 3.75% - 4.85%	30,988	41,923
Euro	4.9%	3,325	-
Euro	Euribor 3 M + 4.30% - 5.60%	17,785	389,971
		52,098	431,894

The bank loans are repayable as follows:

	31 December 2017	31 December 2016	31 December 2015
Payable within 1 year	160,305	187,518	52,098
Payable between 1-2 years	235,073	484,915	63,791
Payable between 2-3 years	151,320	88,615	148,214
Payable between 3-4 years	558,606	49,849	39,401
Payable between 4-5 years	146,243	58,302	67,773
Payable after 5+ years	1,083,510	194,314	112,715
	2,335,057	1,063,513	483,992

The Group's major bank loans are as follows:

a) The balance of Bostancı's loan drawndown from April 2013 to March 2015 on various dates is EUR 34,875 thousands as at 31 December 2017. The loan is repayable until January 2022.

b) The balance of Mecidiyeköy's loan drawndown from July 2011 to December 2013 on various dates is EUR 11,534 thousands as at 31 December 2017. The loan is repayable until June 2019.

c) The balance of Tarabya's loan drawndown from March 2015 to December 2017 on various dates is EUR 140,482 thousands as at 31 December 2017. The loan is repayable until March 2025.

d) The balance of Salacak-refinancing loan drawndown from September 2017 to December 2017 on various dates in EUR 180,000 thousands as at 31 December 2017. The loan is repayable until June 2029.

e) The balance of Altunizade- loan drawndown from November 2017 to December 2017 on various dates in EUR 22,445 thousands as at 31 December 2017. The loan is repayable until May 2023.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

29. FINANCIAL INSTRUMENTS (cont'd)

Covenants:

The Group, in a number of its bank loans, are subject to a number of covenant whereby the Group is required to meet certain key performance indicators. The terms of these loans allows the lender to terminate the loan agreement, unless this circumstance is cured by equity injection which means Debt Service Coverage Ratio ("DSCR") and Loan to Value ("LTV") brought to required level, under the following situations:

a) For the loan drawn by Bostancı for the Küçükyalı Office and School Project, the DSCR falls below 115% and LTV should be less than 60%.

b) For the loan drawn by Mecidiyeköy for the RönesansBiz Mecidiyeköy Project, the DSCR falls below 115%.

c) For the loan drawn by Tarabya for the Hilltown SHC and Office, the DSCR falls below 105%.

d) For the loan drawn by Salacak for the Maltepe Project, the DSCR falls below 105% and LTV should be less than a percentage between 70% and 60% that varies over time.

e) For the loan drawn by Göksu for the Optimum Adana, the DSCR falls below 120% and LTV should below 65%.

The risk characteristics and levels in financial debts are disclosed in Note 30.

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non–cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2017	Financing cash flows	Foreign exchange Gain/ (loss)	Acquisition of Subsidiary (Note 34)	Other changes	31 December 2017
Bank loans	1,164,684	512,908	311,444	446,758	607	2,436,401
Non-trade payables to related parties	211,023	116,766	32,081	(46,175)	955	314,650
Non-trade receivables from related parties	128,502	(24,347)	(4,557)	-	6,753	106,351

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

30. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

a) Capital risk management:

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of debt, which includes bank loans disclosed in Note 29 and equity attributable to equity holders of the parent, premiums in capital stock, restricted profit reserves and retained earnings.

Within the framework of risk management activities, Group defines the undertaken risks, estimates the loss amounts caused by these risks and defines the capital base amount related to these loss amounts. Thus, Group aims to minimize its capital risk.

After the capital base is defined, the steadily management of funding structure is aimed by obtaining new debts, repayment of existing debts, and dividend payments.

The Group has to comply the ratios about bank loans covenant. As of 31 December 2017, the Group has comply the ratios.

Details of net debt for years ended 31 December 2017, 2016 and 2015 as follows:

	31 December 2017	31 December 2016	31 December 2015
Financial debts	2,436,401	1,164,684	584,936
Less: Cash and cash equivalents and financial investments	(693,169)	(747,922)	(633,978)
Net debt	1,743,232	416,762	(49,042)
Total equity	5,656,278	4,544,825	3,787,253
Total capital	7,399,510	4,961,587	3,738,211
Gearing ratio	24%	8%	-1%

b) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department under policies approved by the management of the Company. Financial risks are identified, evaluated and hedged in close co-operation with the group's operating units. The management of the Company provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

30. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial risk factors (cont'd)

b.1) Credit risk management

31 December 2017	Trade receivables Related party	Trade receivables Third party	Other receivables Related party	Other receivables Third party	Bank deposits	Financial invesments	Derivative instruments
Maximum credit risk exposure at balance sheet date (A+B+C) [1]	16,048	28,301	106,351	5,413	691,425	-	3,100
Secured portion of maximum credit risk by guarantee or etc. [2]	-	24,938	-	-	-	-	-
A. Net book value of nor due or nor impaired financial assets	16,048	26,992	106,351	5,413	691,425	-	3,100
B. Net book value of assets that are due but not impaired	-	1,309	-	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-	-	-
- Over due (gross book value)	-	7,510	-	-	-	-	-
- Impairment (-)	-	(7,510)	-	-	-	-	-
- Secured net value via guarentee or etc.	-	-	-	-	-	-	-
D. Off-balance sheet items include credit risk	-	-	-	-	-	-	-

[1] In determining the amounts, elements providing increase in loan credibility such as warrants received are not considered.
[2] Guarantees consist of collateral bills, letters of guarantees and mortgages.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

30. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial risk factors (cont'd)

b.1) Credit risk management (cont'd)

	Trade receivables		Other receivables		Bank	Financial	Derivative
31 December 2016	Related party	Third party	Related party	Third party	deposits	invesments	instruments
Maximum credit risk exposure at balance sheet date (A+B+C) [1]	14,865	41,686	128,502	486	746,646	1,001	23
Secured portion of maximum credit risk by guarantee or etc. [2]	-	7,854	-	-	-	-	-
A. Net book value of nor due or nor impaired financial assets	14,865	41,073	128,502	486	746,646	1,001	23
B. Net book value of assets that are due but not impaired	-	613	-	-	-	-	-
	-	-	-	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-	-	-
- Over due (gross book value)	-	1,899	-	-	-	-	-
- Impairment (-)	-	(1,899)	-	-	-	-	-
- Secured net value via guarentee or etc.	-	-	-	-	-	-	-
D. Off-balance sheet items include credit risk	-	-	-	-	-	-	-

[1] In determining the amounts, elements providing increase in loan credibility such as warrants received are not considered.
[2] Guarantees consist of collateral bills, letters of guarantees and mortgages.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

30. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial risk factors (cont'd)

b.1) Credit risk management (cont'd)

	Trade receivables		Other receivables		Bank	Financial	Derivative
31 December 2015	Related party	Third party	Related party	Third party	deposits	invesments	instruments
Maximum credit risk exposure at balance sheet date (A+B+C) [1]	13,240	3,236	100,882	212	633,854	-	23
Secured portion of maximum credit risk by guarantee or etc. [2]	-	7,693	-	-	-	-	-
A. Net book value of nor due or nor impaired financial assets	13,240	2,940	100,882	212	633,854	-	23
B. Net book value of assets that are due but not impaired	-	296	-	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-	-	-
- Over due (gross book value)	-	458	-	-	-	-	-
- Impairment (-)	-	(458)	-	-	-	-	-
- Secured net value via guarentee or etc.	-	-	-	-	-	-	-
D. Off-balance sheet items include credit risk	-	-	-	-	-	-	-

[1] In determining the amounts, elements providing increase in loan credibility such as warrants received are not considered.
[2] Guarantees consist of collateral bills, letters of guarantees and mortgages.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

30. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial risk factors (cont'd)

b.1) Credit risk management (cont'd)

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved annually.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

Aging of overdue receivables is as follows:

31 December 2017	Trade receivables	Total
Overdue by 1-30 days	955	955
Overdue by 1-3 months	37	37
Overdue by 3-12 months	315	315
Overdue by 1-5 years	2	2
Total overdue receivables	1,309	1,309
Secured portion via guarantee or etc.	1,309	1,309

31 December 2016	Trade receivables	Total
Overdue by 1-30 days	185	185
Overdue by 1-3 months	297	297
Overdue by 3-12 months	129	129
Overdue by 1-5 years	2	2
Total overdue receivables	613	613
Secured portion via guarantee or etc.	613	613

31 December 2015	Trade receivables	Total
Overdue by 1-30 days	6	6
Overdue by 1-3 months	81	81
Overdue by 3-12 months	58	58
Overdue by 1-5 years	151	151
Total overdue receivables	296	296
Secured portion via guarantee or etc.	296	296

Collaterals held for the trade receivables that are past due and impaired as at the balance sheet date are as follows:

	31 December 2017	31 December 2016	31 December 2015
Guarantee received	24,938	7,854	7,693
	24,938	7,854	7,693

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

30. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial risk factors (cont'd)

b.2) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows/ (outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

31 December 2017

Due date on agreement	Carrying value	Cash outflows according to agreements (I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 year (IV)
Financial liabilities						
Bank loans	2,335,057	3,082,800	44,789	279,131	1,468,085	1,290,795
Corporate bond	101,344	104,050	104,050	-	-	-
Trade payables (due to related parties included)	161,056	161,056	161,056	-	-	-
Payables related to employee benefits	2,880	2,880	2,880	-	-	-
Other payables (due to related parties included)	421,290	421,290	-	10,468	366,806	44,016
Total liabilities	3,021,627	3,772,076	312,775	289,599	1,834,891	1,334,811

31 December 2016

Due date on agreement	Carrying value	Cash outflows according to agreements (I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 year (IV)
Financial liabilities						
Bank loans	1,063,513	1,254,324	-	239,069	795,074	220,181
Corporate bond	101,171	116,150	3,230	9,690	103,230	-
Trade payables (due to related parties included)	106,816	106,865	66,376	40,489	-	-
Payables related to employee benefits	2,369	2,369	2,369	-	-	-
Other payables (due to related parties included)	285,159	285,159	30,184	54,953	176,946	23,076
Total liabilities	1,559,028	1,764,867	102,159	344,201	1,075,250	243,257

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

30. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial risk factors (cont'd)

b.2) Liquidity risk management (cont'd)

31 December 2015

Due date on agreement	Carrying value	Cash outflows according to agreements (I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 year (IV)
Financial liabilities						
Bank loans	483,992	754,020	11,890	70,116	508,560	163,454
Corporate bond	100,944	129,070	3,230	9,690	116,150	-
Trade payables (due to related parties included)	38,516	38,516	38,516	-	-	-
Payables related to employee benefits	2,397	2,397	2,397	-	-	-
Other payables (due to related parties included)	133,833	133,833	-	50,936	46,939	35,958
Total liabilities	759,682	1,057,836	56,033	130,742	671,649	199,412

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

30. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial risk factors (cont'd)

b.2) Liquidity risk management (cont'd)

Liquidity Risk Table

31 December 2017 Due date on agreement	Carrying value	Cash outflows according to agreements (I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 year (IV)
Derivative instruments						
Derivative cash outflows	5,169	17,012	-	10,278	6,734	-

31 December 2016 Due date on agreement	Carrying value	Cash outflows according to agreements (I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 year (IV)
Derivative instruments						
Derivative cash outflows	11,780	11,945	495	712	10,738	-

31 December 2015 Due date on agreement	Carrying value	Cash outflows according to agreements (I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 year (IV)
Derivative instruments						
Derivative cash outflows	2,167	2,436	174	607	1,655	-

b.3) Market risk management

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

b.3.1) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. The Group is exposed to currency risk (in the form of transaction risk) from receivables, liabilities, cash and cash equivalents and pending transactions other than functional currency of the Group companies concerned in each case. Exchange rate exposures are managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the reporting period are as follows:

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

30. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial risk factors (cont'd)

b.3) Market risk management (cont'd)

b.3.1) Foreign currency risk management (cont'd)

31 December 2017	Equivalent of Thousands TRY	Thousands US Dollars	Thousands EUR
1. Trade receivables	329	2	71
2. Monetary financial assets	709,774	46,040	118,728
3. Non monetary financial assets	409	107	1
4. CURRENT ASSETS	710,512	46,149	118,800
5. Monetary financial assets (including RP)	50,840	-	11,259
6. Non monetary financial assets	-	-	12
7. NON-CURRENT ASSETS	50,840	-	11,271
8. TOTAL ASSETS	761,352	46,149	130,071
9. Trade payables (including RP)	(115,654)	(106)	(25,524)
10. Financial liabilities	(160,305)	-	(35,501)
11. Monetary other liabilities	(10,205)	-	(2,260)
12. Non monetary other liabilities	(3,017)	(11)	(659)
13. CURRENT LIABILITIES	(289,181)	(117)	(63,944)
14. Financial liabilities	(2,174,751)	-	(481,619)
15. Monetary other liabilities	(287,086)	(7,336)	(57,450)
16. Non monetary other liabilities	(717)	(1)	(158)
17. NON-CURRENT LIABILITIES	(2,462,554)	(7,337)	(539,227)
18. TOTAL LIABILITIES	(2,751,735)	(7,454)	(603,171)
19. Net foreign currency assets/ (liabilities) position	(1,990,383)	38,695	(473,100)
20. Monetary items net foreign currency assets/(liabilities) position (1+2+5+9+10+11+14+15)	(1,987,058)	38,600	(472,296)

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

30. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial risk factors (cont'd)

b.3) Market risk management (cont'd)

b.3.1) Foreign currency risk management (cont'd)

31 December 2016	Equivalent of Thousands TRY	Thousands US Dollars	Thousands EUR
1. Trade receivables	41,075	10,101	1,490
2. Monetary financial assets	713,414	18,671	174,589
3. Non monetary financial assets (including RP)	46,208	35	12,422
4. CURRENT ASSETS	800,697	28,807	188,501
5. Monetary financial assets	57,936	-	15,617
6. Non monetary financial assets	-	-	-
7. NON-CURRENT ASSETS	57,936	-	15,617
8. TOTAL ASSETS	858,633	28,807	204,117
9. Trade payables (including RP)	(46,102)	(121)	(12,312)
10. Financial liabilities	(61,661)	(238)	(16,392)
11. Monetary other liabilities	(66,882)	-	(18,028)
12. Non monetary other liabilities	(37,804)	-	(10,190)
13. CURRENT LIABILITIES	(212,449)	(359)	(56,922)
14. Financial liabilities	(966,581)	(5,000)	(255,798)
15. Monetary other liabilities	(143,463)	(7,348)	(31,700)
16. Non monetary other liabilities	1,165	-	314
17. NON-CURRENT LIABILITIES	(1,108,879)	(12,348)	(287,184)
18. TOTAL LIABILITIES	(1,321,328)	(12,707)	(344,106)
19. Net foreign currency assets/ (liabilities) position	(462,695)	16,100	(139,989)
20. Monetary items net foreign currency assets/(liabilities) position (1+2+5+9+10+11+14+15)	(472,264)	16,065	(142,535)

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

30. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial risk factors (cont'd)

b.3) Market risk management (cont'd)

b.3.1) Foreign currency risk management (cont'd)

31 December 2015	Equivalent of Thousands TRY	Thousands US Dollars	Thousands EUR
1. Trade receivables	12,294	506	3,406
2. Monetary financial assets (including RP)	608,105	85,130	113,476
3. Non monetary financial assets	21,771	32	6,822
4. CURRENT ASSETS	642,170	85,668	123,704
5. Monetary financial assets (including RP)	68,842	4,230	17,794
6. Non monetary financial assets	-	-	-
7. NON-CURRENT ASSETS	68,842	4,230	17,794
8. TOTAL ASSETS	711,012	89,898	141,498
9. Trade payables	(20,579)	(176)	(6,315)
10. Financial liabilities	(52,098)	-	(16,395)
11. Monetary other liabilities	(48,412)	(10,811)	(5,343)
12. Non monetary other liabilities	(2,027)	-	(638)
13. CURRENT LIABILITIES	(123,116)	(10,987)	(28,691)
14. Financial liabilities	(431,894)	-	(135,918)
15. Monetary other liabilities	(13,667)	-	(4,301)
16. Non monetary other liabilities	(302)	-	(95)
17. NON-CURRENT LIABILITIES	(445,863)	-	(140,314)
18. TOTAL LIABILITIES	(568,979)	(10,987)	(169,006)
19. Net foreign currency assets/ (liabilities) position	142,033	78,911	(27,507)
20. Monetary items net foreign currency assets/(liabilities) position (1+2+5+9+10+11+14+15)	122,591	78,879	(33,596)

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

30. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial risk factors (cont'd)

b.3) Market risk management (cont'd)

b.3.1) Foreign currency risk management (cont'd)

Foreign currency sensitivity

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and Euro.

The following table details the Group's sensitivity to a 10% increase and decrease in the US Dollars and Euro. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit or loss.

	31 December 2017 Profit / (Loss)	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars 10% appreciated vs TRY	
US Dollars net assets/ (liabilities)	14,560	(14,560)
	If EUR 10% appreciated vs TRY	
Euro net assets/ (liabilities)	(213,265)	213,265
TOTAL	(198,705)	198,705

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

30. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial risk factors (cont'd)

b.3) Market risk management (cont'd)

b.3.1) Foreign currency risk management (cont'd)

Foreign currency sensitivity

	31 December 2016 Profit / (Loss)	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars 10% appreciated vs TRY	
US Dollars net assets/ (liabilities)	5,654	(5,654)
	If EUR 10% appreciated vs TRY	
Euro net assets/ (liabilities)	(52,879)	52,879
TOTAL	(47,225)	47,225

	31 December 2015 Profit / (Loss)	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars 10% appreciated vs TRY	
US Dollars net assets/ (liabilities)	(2,577)	2,577
	If EUR 10% appreciated vs TRY	
Euro net assets/ (liabilities)	(108,774)	108,774
TOTAL	(111,351)	111,351

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

30. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial risk factors (cont'd)

b.3) Market risk management (cont'd)

b.3.2) Interest rate risk management

Interest rate sensitivity

Detail of the Group's financial instruments exposed to interest rate sensitivity is as follows:

Interest rate position table

Fixed rate financial instruments	31 December 2017	31 December 2016	31 December 2015
Financial liabilities	85,084	69,746	3,325

Floating rate financial instruments	31 December 2017	31 December 2016	31 December 2015
Financial liabilities	2,351,317	1,094,938	581,611

At 31 December 2017 if the TRY denominated interest rate had been 50 basis points higher/lower and all other variables held constant, profit before tax and minority interest would decrease/increase by TRY 11,628 / (11,628) (31 December 2016: TRY 5,313 / (5,313) 31 December 2015: TRY 2,908 / (2,908)).

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate, interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the start of the financial year.

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date:

	Average contracted fixed interest rate			Notional principal amount			Fair value		
Outstanding floating for fixed contracts	2017 TRY	2016 TRY	2015 TRY	2017 TRY	2016 TRY	2015 TRY	2017 TRY	2016 TRY	2015 TRY
Less than 1 year	-	-	10.12%	-	-	-	1,932	(153)	(933)
Between 1-5 years	0.35%	1.06%	1.06%	2,044,833	554,400	196,811	(7,101)	(11,627)	(1,234)
				2,044,833	554,400	196,811	(5,169)	(11,780)	(2,167)

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

31. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING)

Categories of financial instruments and fair values

31 December 2017	Loans and receivables	Fair value through profit and loss	Financial liabilities at amortized cost	Carrying value (*)	Notes
Financial assets					
Cash and cash equivalents	693,169	-	-	693,169	35
Trade receivables (due to related parties included)	44,349	-	-	44,349	5 - 6
Other current and non current receivables (due from related parties included)	111,764	-	-	111,764	7
Derivative instruments	-	3,100	-	3,100	28
Financial liabilities					
Financial debts	-	-	2,436,401	2,436,401	29
Trade payables (due to related parties included)	-	-	161,056	161,056	5 - 6
Payables related to employee benefits	-	-	2,880	2,880	15
Other short and long term payables	-	-	421,290	421,290	7
Derivative instruments	-	8,269	-	8,269	28

31 December 2016	Loans and receivables	Fair value through profit and loss	Financial liabilities at amortized cost	Carrying value (*)	Notes
Financial assets					
Cash and cash equivalents	746,921	-	-	746,921	35
Trade receivables (due to related parties included)	56,551	-	-	56,551	5 - 6
Financial investments	1,001	-	-	1,001	29
Other current and non current receivables (due from related parties included)	128,988	-	-	128,988	7
Derivative instruments		23		23	28
Financial liabilities					
Financial debts	-	-	1,164,684	1,164,684	29
Trade payables (due to related parties included)	-	-	106,816	106,816	5 - 6
Payables related to employee benefits	-	-	2,369	2,369	15
Other short and long term payables	-	-	285,159	285,159	7
Derivative instruments	-	11,803	-	11,803	28

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

31. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING) (cont'd)

Categories of financial instruments and fair values (cont'd)

31 December 2015	Loans and receivables	Fair value through profit and loss	Financial liabilities at amortized cost	Carrying value (*)	Notes
Financial assets					
Cash and cash equivalents	633,978	-	-	633,978	35
Trade receivables (due to related parties included)	16,476	-	-	16,476	5 - 6
Other current and non current receivables (due from related parties included)	101,094	-	-	101,094	7
Derivative instruments	-	23	-	23	28
Financial liabilities					
Financial debts	-	-	584,936	584,936	29
Trade payables (due to related parties included)	-	-	38,516	38,516	5 - 6
Payables related to employee benefits	-	-	2,397	2,397	15
Other short and long term payables	-	-	110,728	110,728	7
Derivative instruments	-	2,190	-	2,190	28

(*) The Group believes that the carrying values of its financial asset and liabilities reflect their fair values.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

31. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING) (cont'd)

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined and grouped as follows:

- Level 1: The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

- Level 2: The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

- Level 3: The fair value of the financial assets and financial liabilities where there is no observable market data.

The fair values of financial assets and financial liabilities are as follows:

Financial Assets / Financial Liabilities	Fair value			Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	31 December 2017	31 December 2016	31 December 2015				
Interest rate swap	(5,169)	(11,780)	(2,167)	Level 2	Future cash flows estimated by using term interest rate (yield curves observable at the end of the reporting period resulting from interest rate) and contractual interest rates, are discounted by using a rate that reflects the credit risk of various parties.	-	-

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

32. EVENTS AFTER THE REPORTING PERIOD

a) The final coupon payment relating to the Company's TRY 100,000 Corporate Bond dated 25 February 2015, was made as at 21 February 2018. The principal payment is TRY 100,000 and interest payment is TRY 4,050.

b) On 26 January 2018, the Group acquired 50% of outstanding issued share capital and control of MEL2 Gayrimenkul Geliştirme Yatırım İnşaat ve Tic. A.Ş. for EUR 45,652 thousand (equivalent of TRY 212,122), which is the acquisition value of the shares.

The Group is aiming to gain control on joint ventures with aquisitons. As a part of this strategy, acquired this company in 2018. The acquisition is resulted in a gain of TRY 29,081 as a consequence of acquiring business from a party considering strategic exit opportunities from the assets.

The acquiree's identifiable assets and liabilities are recognized based on the book value at the acquisition date of 26 January 2018.

The following table summarizes the consideration paid and the amounts of assets acquired and liabilities assumed, that were recognized in the consolidated statement of financial position

	Acquiree's Fair value
Net assets acquired:	
Cash and cash equivalents	23,916
Investment property	957,000
Other current and non-current assets	21,421
Bank loans	(360,450)
Deferred tax liabilities	(93,257)
Other short and long-term liabilities	(66,225)
	482,405
Effective ownership acquired	50%
Net assets acquired	241,203
Fair value of consideration for 50% shares acquired	212,122
Comprising:	
Cash consideration paid	*212,122*
Gain on acquisition of subsidiary	29,081
Reconciliation to the consolidated statement of cash flows	
Cash consideration paid	*212,122*
Cash and cash equivalents acquired	*(23,916)*
Net cash outflow arising on acquisition	188,206

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

32. EVENTS AFTER THE REPORTING PERIOD (cont'd)

c) On 26 January 2018, the Group acquired 50% of outstanding issued share capital and control of MEL3 Gayrimenkul Geliştirme Yatırım İnşaat ve Tic. A.Ş. for EUR 22,623 thousand (equivalent of TRY 105,118), which is the acquisition value of the shares.

The Group is aiming to gain control on joint ventures with aquisitons. As a part of this strategy, acquired this company in 2018. The acquisition is resulted in a gain of TRY 20,795 as a consequence of acquiring business from a party considering strategic exit opportunities from the assets.

The acquiree's identifiable assets and liabilities are recognized based on the book value at the acquisition date of 26 January 2018.

The following table summarizes the consideration paid and the amounts of assets acquired and liabilities assumed, that were recognized in the consolidated statement of financial position

	Acquiree's Fair value
Net assets acquired:	
Cash and cash equivalents	3,490
Investment property	499,430
Other current and non-current assets	8,266
Bank loans	(190,602)
Deferred tax liabilities	(31,892)
Other short and long-term payables	(36,866)
	251,826
Effective ownership acquired	50%
Net assets acquired	125,913
Fair value of consideration for 50% shares acquired	105,118
Comprising:	
Cash consideration paid	*105,118*
Gain on acquisition of subsidiary	20,795
Reconciliation to the consolidated statement of cash flows	
Cash consideration paid as at 26 January 2018	*26,736*
Cash consideration will be paid until 31 December 2018	*78,382*
Cash and cash equivalents acquired	*(3,490)*
Net cash outflow arising on acquisition	101,628

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

32. EVENTS AFTER THE REPORTING PERIOD (cont'd)

d) On 26 January 2018, the Group acquired 50% of outstanding issued share capital and control of Kozyatağı Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Tic. A.Ş. for EUR 4,972 thousand (equivalent of TRY 23,102), which is the acquisition value of the shares.

The Group is aiming to gain control on joint ventures with aquisitons. As a part of this strategy, acquired this company in 2018. The acquisition is resulted in a gain of TRY 34,322 as a consequence of acquiring business from a party considering strategic exit opportunities from the assets.

The acquiree's identifiable assets and liabilities are recognized based on the book value at the acquisition date of 26 January 2018.

The following table summarizes the consideration paid and the amounts of assets acquired and liabilities assumed, that were recognized in the consolidated statement of financial position

	Acquiree's Fair value
Net assets acquired:	
Cash and cash equivalents	5,000
Investment property	189,474
Other current and non-current assets	65,670
Bank loans	(107,594)
Deferred tax liabilities	(31,892)
Other short and long term payables	(5,811)
	114,847
Effective ownership acquired	50%
Net assets acquired	57,424
Acquisition price:	23,102
Comprising:	
Cash consideration paid	*23,102*
Gain on acquisition of subsidiary	34,322
Reconciliation to the consolidated statement of cash flows	
Cash consideration paid	*23,102*
Cash and cash equivalents acquired	*(5,000)*
Net cash outflow arising on acquisition	18,102

e) The Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts was published on the Official Gazette dated 5 December 2017 and numbered 30261. The 20% corporate tax rate, will be applied as 22% for entities' corporate income belonging to the taxation periods of 2018, 2019 and 2020 as amended in the provisional clause of article 10 of the Law (To financial years, which start within the related year for entities appointed a special accounting period.). The rate will be applied in the first temporary tax period in 2018.

f) Mortgage of USD 13 million on Mamak Land, which was established for Rönesans Holding loan in 2012, was released on 2 March 2018.

g) On 24 January 2018, the Group signed put option agreement with MEL4 Gayrimenkul Geliştirme Yatırım İnşaat ve Tic. A.Ş's other partner. The Group's joint venture partner has a put option entitling it to sell its 50% share of this joint venture to the Group. Put option can be exercised by 30 September 2019 latest.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

33. DISCLOSURES OF OTHER MATTERS THAT MAY AFFECT CONSOLIDATED FINANCIAL STATEMENTS SIGNIFICANTLY OR IS NECESSARY FOR CONSOLIDATED FINANCIAL STATEMENTS TO BE CLEAR, INTERPRETABLE AND COMPREHENSIBLE

a) Disposal of Subsidiary and Joint Ventures and Associates

2016	Principle activity	Disposal date	Portion of disposed shares	Consideration received
Zeugma	Real Estate Development	31 August 2016	49.00	85,714
Açim	Real Estate Development	4 April 2016	50.00	104,623
				190,337

2015	Principle activity	Disposal date	Portion of disposed shares	Consideration received
Beykoz	Real Estate Development	15 April 2015	100.00	482,387

On 31 August 2016, the Group sold 49% of the issued shares of capital of Zeugma, associate for cash considerations TRY 85,714.

	31 August 2016
Book value of net assets sold	
Current assets	
Cash and cash equivalents	7,287
Trade receivables	2,693
Other receivables and current assets	107
Prepaid expenses	1,454
Non-current assets	
Investment property	151,283
Tangibles	78
Intangibles	19
Other receivables and non-current assets	1,950
Current liabilities	
Financial debts	(8,054)
Trade Payables	(1,986)
Other long-term liabilities	(257)
Non-current liabilities	
Financial debts	(34,251)
Deferred tax liabilities	(17,105)
Other long-term liabilities	(38)
	103,180

Net loss on sale of associate

Amount consideration asset amount	85,714
Carrying value of net assets	103,180
Net loss on sale	(17,466)

Net cash inflow from sale of associate

Net cash consideration received in cash and cash equivalents	85,714
(Less) cash and cash equivalents disposed	(7,287)
	78,427

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

33. DISCLOSURES OF OTHER MATTERS THAT MAY AFFECT CONSOLIDATED FINANCIAL STATEMENTS SIGNIFICANTLY OR IS NECESSARY FOR CONSOLIDATED FINANCIAL STATEMENTS TO BE CLEAR, INTERPRETABLE AND COMPREHENSIBLE(cont'd)

a) Disposal of Subsidiary and Joint Ventures and Associates (cont'd)

On 4 April 2016, the Group sold 50% of the issued shares of Açim, joint venture for cash considerations TRY 104,623.

	4 April 2016
Book value of net assets sold	
Current assets	
Cash and cash equivalents	12
Trade receivables	1
Other receivables and current assets	1
Prepaid expenses	42
Non-current assets	
Investment property	130,620
Other receivables and non-current assets	2,969
Non-current liabilities	
Deferred tax liabilities	(22,431)
Other long-term liabilities	(8,171)
	103,043
Net gain on sale of joint venture	
Amount consideration asset amount	104,623
Share of Group of net assets of joint ventures	100,850
Goodwill (Note 13)	2,193
Net gain on sale	1,580
Net cash inflow from sale of joint verture	
Net cash consideration received in cash and cash equivalents	104,623
(Less) cash and cash equivalents disposed	(12)
	104,611

Amount to EUR 10,000 thousand of sale price was paid in 2017.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

33. DISCLOSURES OF OTHER MATTERS THAT MAY AFFECT CONSOLIDATED FINANCIAL STATEMENTS SIGNIFICANTLY OR IS NECESSARY FOR CONSOLIDATED FINANCIAL STATEMENTS TO BE CLEAR, INTERPRETABLE AND COMPREHENSIBLE(cont'd)

a) Disposal of Subsidiary and Joint Ventures and Associates (cont'd)

On 15 April 2015, the Group sold 100.00% of the issued capital of Beykoz for cash consideration TRY 485,367. Rönesans Gayrimenkul has no shares on this Company.

As stated in purchase and sale of the shares agreement with Allianz Sigorta A.Ş., the Company's fit-out works regarding the cafeteria and prayer room were completed after the purchase date (15 April 2015), and expenditure amount of TRY 2,980 was added to the sale price of the shares. The final sale price was TRY 482,387.

	15 April 2015
Book value of net assets sold	
Current assets	
Cash and cash equivalents	6,706
Trade receivables	5
Other receivables and current assets	6,857
Non-current assets	
Investment property	503,386
Other receivables and non-current assets	22,532
Current liabilities	
Trade payables	(801)
Other short-term liabilities	(907)
Non-current liabilities	
Deferred tax liabilities	(52,748)
Net assets disposed	485,030
Net loss on sale of subsidiary	
Amount consideration asset amount	482,387
Carrying value of net assets	485,030
Net loss on sale	(2,643)
Net cash inflow from sale of subsidiary	
Net cash consideration received in cash and cash equivalents	482,387
(Less) cash and cash equivalents disposed	(6,706)
	475,681

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

34. ACQUISITON OF SUBSIDIARY

2017	Principle activity	Date of acquisition	Portion of additioned shares	Consideration paid
Göksu	Real Estate Development	16 August 2017	50.00	147,301

On 16 August 2017, the Group acquired the remaing 50 % of the outstanding issued share capital and control of Göksu Gayrimenkul Yatırımları İnşaat Turizm San. ve Tic. A.Ş. TRY 147,301, which is the acquisition value of share.

The Group is aiming to gain control on joint ventures with aquisitons. As a part of this strategy, acquired this company in 2017. The acquisition is resulted in a gain of TRY 86,266 as a consequence of acquiring business from a party considering strategic exit opportunities from the assets.

The acquiree's identifiable assets and liabilities are recognized based on the book value at the acquisition date of 16 August 2017. In the preparation of financial statements as of 31 December 2017, the Group accepted the fair values of assets and liabilities and goodwill calculation revised.

The following table summarizes the consideration paid and the amounts of assets acquired and liabilities assumed, that were recognized in the consolidated statement of financial position

	Acquiree's Fair value
Net assets acquired:	
Cash and cash equivalents	15,050
Trade receivables	3,301
Investment property (Note 10)	908,425
Other current and non-current assets	2,000
Bank loans	(446,758)
Trade payables	(3,883)
Deferred tax liabilities	(113,988)
Other payables	(3,797)
	360,350
Effective ownership acquired	50%
Net assets acquired	180,175
Fair value of consideration for 50% shares acquired	93,909
Comprising:	
Cash consideration paid	*93,909*
Gain on acquisition of subsidiary (Note 23)	86,266
Reconciliation to the consolidated statement of cash flows	
Cash consideration paid	*93,909*
Cash and cash equivalents acquired	*(15,050)*
Net cash outflow arising on acquisition	78,859

Impact of acquisitions on the results of the Group

TRY 7,632 post-acquisition loss of Göksu Gayrimenkul Yatırımları İnşaat Turizm San. ve Tic A.Ş. was included in the consolidated financial statements.

If these business combinations had been effected at 1 January 2017, the profit for the year from continuing operations would have been TRY 35,563. The directors consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualized basis and to provide a reference point for comparison in future periods.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

34. ACQUISITON OF SUBSIDIARY (cont'd)

2015	Principle activity	Date of acquisition	Portion of additioned shares	Consideration paid
Nakkaştepe	Real Estate Development	11 June 2015	50.00	97,494

On 11 June 2015, the Group acquired 50 % of the outstanding issued share capital and control of Nakkaştepe Gayrimenkul Yatırımları İnşaat Yönetim ve Ticaret A.Ş. USD 35,678, which is the acquisition value of share.

The Group is aiming to gain control on joint ventures with aquisitons. As a part of this strategy, acquired this company in 2017.

The acquiree's identifiable assets and liabilities are recognized based on the book value at the acquisition date of 11 June 2015. In the preparation of consolidated financial statements as of 31 December 2015, the Group accepted the fair values of assets and liabilities and goodwill calculation revised.

The following table summarizes the consideration paid and the amounts of assets acquired and liabilities assumed, that were recognized in the consolidated statement of financial position.

	Acquiree's Fair value
Net assets acquired:	
Cash and cash equivalents	107
Investment property (Note 10)	236,799
Other current and non-current assets	24,126
Deferred tax liabilities	(19,068)
Other payables	(46,762)
	195,202
Effective ownership acquired	50%
Net assets acquired	97,601
Fair value of consideration for 50% shares acquired	97,601
Comprising:	
Cash consideration paid	*97,601*
Reconciliation to the consolidated statement of cash flows	
Cash consideration paid	*(97,601)*
Cash and cash equivalents acquired	*107*
Net cash outflow arising on acquisition	(97,494)

Impact of acquisitions on the results of the Group

TRY 20,839 post-acquisition profit of Nakkaştepe Gayrimenkul Yatırımları İnşaat Yönetim ve Ticaret A.Ş. was included in the consolidated financial statements.

If these business combinations had been effected at 1 January 2015, the profit for the year from continuing operations would have been TRY 20,036. The directors consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualized basis and to provide a reference point for comparison in future periods.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

35. DISCLOSURES RELATED TO CONSOLIDATED STATEMENT OF CASH FLOWS

	31 December 2017	31 December 2016	31 December 2015
Cash on hand	10	6	12
Demand deposits	663,182	718,080	104,549
Time deposits	28,243	28,566	529,305
Other cash equivalents	1,734	269	112
	693,169	746,921	633,978

Explanations about the nature and level of risks related to cash and cash equivalents are provided in Note 30.

The details of time deposits as at 31 December 2017, 31 December 2016 and 31 December 2015 are as follows:

Currency Type	Range of interest rate %	Maturity date	Currency amount	31 December 2017
TRY	11-12.80	January 2018	197	197
US Dollar	0.5-3.45	January 2018	115	434
Euro	0.05-1.65	January 2018	6,115	27,612
				28,243

Currency Type	Range of interest rate %	Maturity date	Currency amount	31 December 2016
TRY	7.5-8.80	January 2017	8,748	8,748
US Dollar	1.9-1.95	January 2017	1,618	5,694
Euro	0.25-0.95	January 2017	3,807	14,124
				28,566

Currency Type	Range of interest rate %	Maturity date	Currency amount	31 December 2015
TRY	8.5-11.25	January 2016	13,487	13,487
US Dollar	0.1-2	January 2016	81,638	237,371
Euro	1-1.50	January 2016	87,628	278,447
				529,305

VALUATION REPORT

Rönesans Gayrimenkul Yatırım A.Ş.

Portfolio Summary Report

Rönesans Gayrimenkul Yatırım A.Ş. Portfolio

2018A247 / 23.03.2018

Rönesans Gayrimenkul Yatırım A.Ş.

Aziziye Quarter Portakal Çiçeği Street No:33 Yukarı Ayrancı Çankaya/Ankara

TSKB Real Estate Appraisal Corp. operates at Meclisi Mebusan Caddesi, Molla Bayırı Sokak, No:1, Fındıklı-Beyoğlu, İstanbul address, and has been established in order to perform the activities and services defined as Expertise and Valuation as per the Company Main Charter published in the Trade Registry Gazette dated 13.11.2002 and numbered 5676, with a capital of 300,000 Turkish Liras.

Our Company is taken on the lists of companies, which will offer appraisal services, within the framework of the Capital Market Board (SPK) legislation by the letter of SPK dated February 03, 2003 and no. KYD-66/001347, of Capital Market Board of the Prime Ministry.

Moreover, our company has authorization to provide services of "Valuation of rights and benefits related to real estate, real estate project or a real estate" with the decision no 34469 dated 17.12.2009 of the Banking Regulation and Supervision Agency.

As of 17.03.2011, our company has been awarded the "regulated by RICS" status by RICS (Royal Institution of Charted Surveyors), which is an international professional organization.

Our company holds the ISO 9001:2008 Quality Certificate issued by BSI (BSI Eurasia Management Systems Certification Ltd. Co.)

In line with your request, the portfolio summary report no. 2018A247 for the market value of the real properties contained in the portfolio of Rönesans Gayrimenkul Yatırım A.Ş has been prepared. The detailed information of the real properties and the market values appraised are contained in Chapter 4 of the report. The value appraised has been assessed together with the factors negatively affecting the valuation, assumptions, and restrictions.

Calculations, informations and explanations which have been made in order to aim market value determination, are in the report content. Analysis and calculations that made for assessment of market value, have been prepared compatibly by RICS within the scope of the Valuation Standards defined in the "Redbook" and the International Valuation Standard (IVS).

Valuation Purpose and informations of client have been specified at the report which has been prepared referring to contract by 708 numbered and 13.03.2018 dated. It is not possible to use with any exception of the purpose valuation or by another client.

We are pleased to cooperate with you in this study. If you have any question related to the report, you can contact us.

Best Regards,

TSKB Gayrimenkul Değerleme A.Ş.

Ece KADIOĞLU **Appraiser** **License No: 403562**	**Ozan KOLCUOĞLU, MRICS** **Appraiser In Charge** **License No: 402293**

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Executive Summary

INSRUCTIONS AND PURPOSE OF WORK	This report herein has been prepared for bond export prospectus, within the scope of the work, a portfolio summary report will be prepared for the valuation reports, dated 15.01.2018, prepared by TSKBGD.		
VALUATION STANDARDS	Valuation reports subject to this report, has been prepared according to the provisions of the Declaration of the Board of Capital Markets while it has been prepared according to International Valuation Standards and Red Book.		
SUBJECT OF WORK	This report has been prepared to present a summary regarding the valuation reports, dated 15.01.2018, that were prepared for determination of the values dated 31.12.2017 of the real properties which are listed in details in the below summary table.		
DATE OF VALUATION	31.12.2017		
SPECIAL ASSUMPTIONS	There are no special assumptions under the valuation study.		
RESTRICTIONS	In accordance with the request of the customer, the real properties have been appraised as of 31.12.2017 within the scope of the valuation reports.		
AGGREGATE MARKET VALUE (*)	**12.726.905.000 TL**	**2.817.720.000 EUR**	**3.368.440.000 USD**

(*)Total valuation amount stated above represents the market values of the real properties separately; the total value stated should not be considered the sales value of the portfolio as a whole. Individual asset values are listed in details in the below table. VAT has not been ıncluded to calculation.

This page is an inseparable part of this report and together with detailed information in the report it can not be used independently.

The market values of real properties that were determined as of the date of 31.12.2017 are contained in the below table. The portions of shares have been taken into consideration when the market values of the real property were appraised. The values specified in the reports have been appraised in accordance with the assumptions, limitations and other conditions stated in the contents of the reports.

No.	Real Estate	Report Number	Use of Property	Location	Market Value (Euro)	Market Value (TL)	Currency	Market Value (USD)	Valuation Approach	Cap. Rate	Discount Rate	Ownership Status
1	Optimum İzmir	2017REVC407	SHC	İzmir	441.220.000	1.992.340.000	EUR	527.255.000	Income Approach	8,00%	9,50%	Freehold
2	Optimum İstanbul	2017REV921	SHC	İstanbul	241.140.000	1.088.850.000	EUR	288.155.000	Income Approach	7,50%	9,50%	Freehold
3	Optimum Adana	2018REVB41	SHC&Land	Adana	203.090.000	917.060.000	EUR	242.690.000	Income Approach /Market Approach	8,00%	9,65%	Lot 17 & 19 (Full) Lot 6 (737/1468)
4	Kozzy	2017REV922	SHC	İstanbul	41.280.000	186.380.000	EUR	49.325.000	Income Approach	-	9,50%	Right of Construction
5	Optimum Ankara	2018REVB42	SHC	Ankara	168.110.000	760.480.000	USD	201.620.000	Income Approach	7,50%	9,50%	Freehold
6	Samsun Piazza & Anemon Hotel	2017REV924	SHC&Hotel	Samsun	211.900.000	957.000.000	EUR	253.260.000	Income Approach	8,50 % (SCH) 7,00 % (Hotel)	10,00% (SCH) 7,50% (Hotel	Freehold
7	Kahramanmaraş Piazza	2018REVB44	SHC	Kahramanmaraş	110.600.000	499.430.000	EUR	132.170.000	Income Approach	8,50%	10,00%	Freehold
8	Şanlıurfa Piazza	2018REVB45	SHC	Şanlıurfa	95.680.000	432.030.000	EUR	114.335.000	Income Approach	8,50%	10,00%	Freehold
9	RönesansBiz Mecidiyeköy	2017REV923	Office	İstanbul	43.760.000	197.590.000	EUR	52.290.000	Income Approach	6,25% (Office) 6,75 % (Store)	-	Freehold
10	Hilltown SC & Office	2017REV926	SHC/Office	İstanbul	325.020.000	1.467.620.000	EUR	388.395.000	Income Approach	-	10,00%	Leasehold
11	Küçükyalı Office & Ted Rönesans College	2017REV925	School & Office	İstanbul	109.400.000	493.990.000	EUR	130.730.000	Income Approach	-	9,50%	Leasehold
12	Maltepe Mixed Use	2017REV928	Project	İstanbul	375.870.000	1.697.230.000	EUR	449.155.000	Income Approach	8,00%	10,00%	Freehold
13	Karşıyaka	2017REVC406	Project	İzmir	148.370.000	669.980.000	EUR	177.305.000	Income Approach	8,00%	10,50%	Freehold
14	Antalya Konyaaltı	2017C410	2 Lands	Antalya	59.700.000	269.580.000	EUR	71.340.000	Income Approach	-	10,50%	Right of Construction
15	Konak	2017REVC404	2 Lands	İzmir	70.765.000	320.120.000	USD	84.720.000	Market Approach	-	-	Freehold
16	Optimum Antalya	2017REVC408	Land	Antalya	22.215.000	100.495.000	EUR	26.595.000	Market Approach	-	-	30831/41890
17	Bayraklı	2017REVC405	3 Lands&Building	İzmir	56.455.000	255.375.000	USD	67.580.000	Market Approach	-	-	Freehold
18	Ümraniye Tepeüstü	2017REV929	Land	İstanbul	33.670.000	152.305.000	USD	40.305.000	Market Approach	-	-	Freehold
19	Bursa	2017REV927	Land	Bursa	22.385.000	101.265.000	USD	26.800.000	Market Approach	-	-	1234930/1250527
20	Mamak	2018REVB46	2 Lands	Ankara	14.170.000	64.095.000	USD	16.960.000	Market Approach	-	-	Freehold
21	Ayazağa	2017REV932	2 Lands	İstanbul	7.820.000	35.375.000	USD	9.380.000	Market Approach	-	-	11257/15000 (Lot 3) 4781/20000 (Lot 2)
22	Silivri	2017REV931	Land	İstanbul	7.545.000	34.140.000	USD	9.035.000	Market Approach	-	-	Freehold
23	Antalya	2017REVC409	2 Lands	Antalya	4.360.000	19.715.000	USD	5.215.000	Market Approach	-	-	Freehold
24	İzmit	2017REV930	Land	İzmit	3.195.000	14.460.000	USD	3.825.000	Market Approach	-	-	30127/31521
				TOTAL VALUE	**2.817.720.000**	**12.726.905.000**		**3.368.440.000**				

**The total valuation amount stated above represents the market values of the real properties separately; the total value stated should not be considered the sales value of the portfolio as a whole.*

SECTION 1

SCOPE OF WORK

Section 1

Scope of Work

1.1 Report Date

This report was issued by our company on 23.03.2018 and number 2018A247 and made by the firm, titled as Rönesans Gayrimenkul Yatırım A.Ş.

1.2 Report Type and Purpose of Appraisal

This report has been prepared to present a summary regarding the valuation reports, dated 15.01.2018, that were prepared for determination of the values dated 31.12.2017 of the real properties which are listed in details in the below table.

No.	Real Estate	Report Number	Use of Property	Location
1	Optimum İzmir	2017REVC407	SHC	İzmir
2	Optimum İstanbul	2017REV921	SHC	İstanbul
3	Optimum Adana	2018REVB41	SHC&Land	Adana
4	Kozzy	2017REV922	SHC	İstanbul
5	Optimum Ankara	2018REVB42	SHC	Ankara
6	Samsun Piazza & Anemon Hotel	2017REV924	SHC&Hotel	Samsun
7	Kahramanmaraş Piazza	2018REVB44	SHC	Kahramanmaraş
8	Şanlıurfa Piazza	2018REVB45	SHC	Şanlıurfa
9	RönesansBiz Mecidiyeköy	2017REV923	Office	İstanbul
10	Hilltown SC & Office	2017REV926	SHC/Office	İstanbul
11	Küçükyalı Office & Ted Rönesans College	2017REV925	School & Office	İstanbul
12	Maltepe Mixed Use	2017REV928	Project	İstanbul
13	Karşıyaka	2017REVC406	Project	İzmir
14	Antalya Konyaaltı	2017C410	2 Lands	Antalya
15	Konak	2017REVC404	2 Lands	İzmir
16	Optimum Antalya	2017REVC408	Land	Antalya
17	Bayraklı	2017REVC405	3 Lands&Building	İzmir
18	Ümraniye Tepeüstü	2017REV929	Land	İstanbul
19	Bursa	2017REV927	Land	Bursa
20	Mamak	2018REVB46	2 Lands	Ankara
21	Ayazağa	2017REV932	2 Lands	İstanbul
22	Silivri	2017REV931	Land	İstanbul
23	Antalya	2017REVC409	2 Lands	Antalya
24	İzmit	2017REV930	Land	İzmit

Valuation reports subject to this report, has been prepared according to the provisions of the Declaration of the Board of Capital Markets while it has been prepared according to International Valuation Standards and Red Book.

Valuation reports subject to this report, has been prepared in order to be used in the independent audit report of the real property. Each property has been separately assessed for the purpose of this valuation.

1.3 Persons Issuing the Report

This report has been prepared through using the information obtained from the people – organizations – institutions as a result of the inspection at the place of the property.

Information on who has assisted in the report has been provided for informative purposes.

No.	Real Estate	Use of Property	Location	Appraiser	Appraiser In Charge
1	Optimum İzmir	SHC	İzmir	Ecem Baştürk Gür-Selda Aksoy	Bilge Beller Özçam
2	Optimum İstanbul	SHC	İstanbul	Esra Neşeli	Ozan Kolcuoğlu
3	Optimum Adana	SHC&Land	Adana	Bilge Kalyoncu	Bilge Beller Özçam
4	Kozzy	SHC	İstanbul	Ece Kadıoğlu	Ozan Kolcuoğlu
5	Optimum Ankara	SHC	Ankara	Bilge Kalyoncu	Bilge Beller Özçam
6	Samsun Piazza & Anemon Hotel	SHC&Hotel	Samsun	Doğuşcan Iğdır	Ozan Kolcuoğlu
7	Kahramanmaraş Piazza	SHC	Kahramanmaraş	Bilge Kalyoncu	Bilge Beller Özçam
8	Şanlıurfa Piazza	SHC	Şanlıurfa	Bilge Kalyoncu	Bilge Beller Özçam
9	RönesansBiz Mecidiyeköy	Office	İstanbul	Esra Neşeli	Ozan Kolcuoğlu
10	Hilltown SC & Office	SHC/Office	İstanbul	Kenan Emik-Doğuşcan Iğdır-Simge Aksan	Ozan Kolcuoğlu
11	Küçükyalı Office & Ted Rönesans College	School & Office	İstanbul	Kenan Emik-Doğuşcan Iğdır-Simge Aksan	Ozan Kolcuoğlu
12	Maltepe Mixed Use	Project	İstanbul	Esra Neşeli	Ozan Kolcuoğlu
13	Karşıyaka	Project	İzmir	Ecem Baştürk Gür-Selda Aksoy	Bilge Beller Özçam
14	Antalya Konyaaltı	2 Lands	Antalya	Mustafa Alperen Yörük-Ecem Baştürk Gür-Selda Aksoy	Bilge Beller Özçam
15	Konak	2 Lands	İzmir	Selda Aksoy	Bilge Beller Özçam
16	Optimum Antalya	Land	Antalya	Selda Aksoy	Bilge Beller Özçam
17	Bayraklı	3 Lands&Building	İzmir	Selda Aksoy	Bilge Beller Özçam
18	Ümraniye Tepeüstü	Land	İstanbul	Ece Çalışkan Vural-Simge Aksan	Ozan Kolcuoğlu
19	Bursa	Land	Bursa	Ece Kadıoğlu	Ozan Kolcuoğlu
20	Mamak	2 Lands	Ankara	Bilge Kalyoncu	Bilge Beller Özçam
21	Ayazağa	2 Lands	İstanbul	Ece Çalışkan Vural	Ozan Kolcuoğlu
22	Silivri	Land	İstanbul	Ece Çalışkan Vural-Simge Aksan	Ozan Kolcuoğlu
23	Antalya	2 Lands	Antalya	Selda Aksoy	Bilge Beller Özçam
24	İzmit	Land	İzmit	Ece Çalışkan Vural	Ozan Kolcuoğlu

1.4 Valuation Date

Valuation reports subject to this report are prepared with reference to the studies finished on 15.01.2018 office work is done during appraisal study. Examinations conducted at real estate location, related municipality and land registry and also office work is done during appraisal study.

1.5 Base Contract and Contract Number

This report was issued in accordance with the provisions of the base contract number 708 that was executed by and between Rönesans Gayrimenkul Yatırım A.Ş and our company on 13.03.2018 and has determined the rights and obligations of the contractual parties.

1.6 Factors Affecting the Appraisal Process Negatively

There are not any negative factors that affect or limit the appraisal process in general aspect.

1.7 The Scope of the Client Demands and Delimitation

Valuation reports subject to this report, in the scope of the reference contract dated 13.03.2018 and numbered 708 have been prepared for the purpose of composing a portfolio summary report regarding the real properties contained in the portfolio of Rönesans Gayrimenkul Yatırım A.Ş.

Within the context of the valuation study, the value of the immovable properties dated 31.12.2017 in the direction of customer demand was appreciated.

1.8 Conflicts Of Interest

A Conflict of Interest is defined by the RICS Valuation Standards ("the Red Book") as "A threat to independence or objectivity".

We have previously valued the Properties for the Client; however, we do not believe that this creates a conflict of interest. We have valued the Properties for 11 years for same purposes but can confirm that less than 5% of the firm's annual fees are derived from this instruction.

SECTION 2

ANALYSIS OF THE APPROACHES USED IN THE APPRAISAL

Section 2

General Valuation Principles and Research Methodology

2.1 General Valuation Principles

We hereby state the following matters regarding the valuation reports subject to this report;

- The findings provided in the following report are true to the knowledge of the Appraisal Expert;
- The analyses and the results are only limited to the specified assumptions and conditions;
- The appraiser has no interest whatsoever related to the property which is subject to the valuation;
- The appraiser's remuneration does not depend on any Block of the report;
- The appraiser was realized in accordance with the ethic rules and the performance standards;
- The appraiser possesses the professional education requirements;
- The appraiser has previous experience in the subject of the location and type of the property which is being valuated;
- The Appraiser has personally inspected the property;
- The exclusion of the persons mentioned in the report no other person has contributed professionally to the preparation of this report;
- No one, other than those specified in this report, has provided any professional help in the preparation of this report.

Valuation reports subject to this report has been prepared by RICS within the scope of the Valuation Standards defined in the "Redbook". The subject report has not been prepared in order to be used in transactions for collateral purposes; it has been prepared within the scope of the International Valuation Standard (IVS). Also, valuation reports subject to this report has been prepared further to the related provisions of the Capital Markets Regulation.

Because of the soil examinations and soil contamination studies are considered to be the professional subject of the field of "Environmental Geophysics" and we have no specialization on the issue, It is assumed that the real property has no negative effect on the environment.

There is no encumbrance and/or legal problems related to the real property subject to appraisal; even if there is such a problem, it is assumed that these problems will be resolved.

2.2 Research Methodology

Research in the Directorate of Land Registry

The appraisal expert's examination of the title deeds registry is done with the aim of determining the rights that constitute the property of the real estate and the restrictions on those rights.

Within this scope, the title deed examinations of the real properties contained in the portfolio have been made in the relevant directorate of land registries, in addition to this, this information has been verified by the approved title deed registry records obtained from the customer. Within the scope of the examinations, the proprietorship data of the real properties, the information such as lien, attachment etc. that limit the ownership and the rights such as lease contract etc. have been examined.

The proprietorship data of the real properties have been detailed in the name badges contained in chapter 4.

In accordance with examinations on the title deed registries, the transferability of the real properties, the fact that whether the records on them have an effect on the value or not have been assessed in the content of the reports.

Full share value has been assessed in the real properties that are wholly owned whilst the share values have been appraised for jointly-owned properties.

In the real properties of which valuation was made based on the right of construction contract, the valuation has been made considering that the ownership will end at the end of the remaining period.

Zoning Information of the Real Estate

While reviewing the zoning regulations, the interpretation of the land use and the intensity of the development, all are taken from possible changes in the current regulations and specifications. The development plans define the general use such as housing, commerce and industry and indicate the density of buildings that can be done in this way.

In accordance with the researches made in the relevant municipalities, the legal documents that have an impact on the legality of the buildings such as the zoning plans, plan notes, license and occupancy permit have been examined. When the market value of the real properties was appraised, only the real properties that have the legal documents have been taken into consideration. The buildings that don’t have the legal documents have been excluded from the valuation.

The settlement conditions stated in the plan notes have been determined for the real properties on which there isn’t any structure, which qualify as land, the land values have been calculated by developing the project according to the settlement conditions stated in these plan notes and information provided by the customer.

In the calculation of the land values, the highest and best uses of the real properties have been considered according to the zoning status found out from the relevant municipality.

The Highest and Best Use is defined in Paragraph 3.4 of IVS 1 as: “The most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued”.

In the project development studies done, the date of completion, use area and construction cost information provided by the customer have been taken into consideration, this information has been assessed in accordance with the market and government agency researches made by us.

Market Research

Market analysis is a process for examining the supply-demand analysis of a specific property type and the geographic market area for that type. Accordingly, the determination of the equivalents that are on sale/ for lease and were sold/leased has been made according to the qualifications of the subject real properties. For the income-generating real properties, the data of the operating income and costs of the real properties have been found out.

In the selection of the equivalents, it has been paid attention that the equivalents considerably show similarity with the real properties and have similar market conditions. The equivalents on the basis of qualification and sectoral data have been presented in each of the reports.

The data obtained have been firstly evaluated from the macroeconomic point of view, and then they have been evaluated by the assessment made on the basis of the region and real property. The data reached from the market have been assessed according to the physical, legal and technical characteristic of the subject real properties and equivalent harmonization has been made.

SECTION 3

ANALYSIS OF THE APPROACHES USED IN THE APPRAISAL

Section 3

Analysis of the Approaches Used in the Appraisal

3.1 Appraisal Approaches

There are three different valuation approaches within the scope of International Valuation Standards. These approaches are “Sales Comparison Approach”, “Cost Approach” and “Income Approach” respectively. The definitions of all three approaches included in International Valuation Standards are given below.

Market Approach

The sales comparison approach ensures that the indicative value is comparatively determined with the same or the similar assets of the asset subject to appraisal, which have price information.

The first step to be taken is to consider the price of the transactions that have occurred recently in the market regarding the same or similar assets. If a limited number of transactions have occurred, then it would be appropriate to consider the prices traded or offered for the similar or the same assets provided that the validity of such information is determined and analyzed critically. In order to reflect the differences between the actual transaction conditions and all assumptions made in the appraisal, it may be necessary to make corrections on the price information obtained from other transactions. Furthermore, there may be also differences between the asset that is valued and the assets of other transactions in terms of legal, economic and physical aspects.

Cost Approach

The cost approach ensures that the indicative value is determined by the implementation of an economic principle that a buyer will not pay more than the cost of an acquisition of another asset having the equal benefit to him for an asset whether obtained by purchasing or construction.

This approach is based on the principle that the price to be paid by a buyer in the market for the asset being valued will not be more than the cost of an equal asset whether by purchasing or construction unless the factors such as time, unsuitability, the risk that cause unnecessary burden are concerned. Because of being worn and outdated, the attractiveness of the assets that are being valued is generally lower than the alternatives to be purchased or built. Where this is the case, it may be necessary to make adjustments to the cost of alternative asset depending on the value basis that has to be used.

Income Approach

Different methods are used to determine the value under the main heading of Income approach; the common characteristic of all of them that the value is based on actual income de facto obtained by the right owner or estimated incomes to be obtained.

The income for an investment property may be in the way of lease, it may also be a hypothetical lease (or saved rent) based on the cost that the property owner bears for renting an equivalent space in the building used by its owner. The defined cash flows are then used for valuation by the capitalization process. The income streams which are expected to remain fixed can be capitalized using a single multiplier that is often referred as the rate of capitalization. This figure represents the return or “yield” for the investor that is expected to reflect the time cost and ownership risks and revenues, and theoretical return for the property owner using the property himself.

3.2 Value Definitions

The market value has been appraised as the final report value in valuation reports of Rönesans Gayrimenkul Yatırım Portfolio, the value definitions according to the International valuation Standards are as follows.

Market Value

In case of a real property is transferred between a buyer and a seller, on a certain date, it is the most probable, cash transfer value of the property determined by the conditions of providing the market conditions required by the sales, the willingness of the parties and both parties being informed of all cases related to the real property.

The validity of the following points is assumed in this valuation study.

- The buyer and the seller are acting in a reasonable and sensible matter.
- The parties are fully informed in respect of the real property and acting in a manner to ensure maximum benefit to them.
- A reasonable period of time has been granted for the sale of the real property.
- The payment is made in advance by cash or similar instruments.
- Financing which may be required in the course of purchasing and selling of the real property is carried out through the interest rates of the market.

Discount Rate / Risk Premium / Risk Free Rate

The reduction ratio of the subject real properties has been calculated according to the value that was obtained by the sum of the risk-free rate of return that is also called as build-up method and the risk premiums.

There are systematic and non-systematic risks in the risk premium. Systematic risks are determined according to the criteria affecting the whole market while non-systematic risks are determined according to the risks that occur based on real estate. These risks can be obtained qualitatively or quantitatively, the value obtained in total – reduction ratio- may vary on the basis of real estate.

The risk-free interest rate indicates the rate of return to be obtained as a result of investment without any risk. The risk-free interest rate indicates the minimum rate of return which investor is expecting to obtain. The expected return will show an increase by each risk premium to be added to this rate. In determining the risk-free interest rate, the average of Eurobond data of the last six months is calculated in our works done on the basis of dollar.

Risk-premium is evaluated under eight different items including market, financial, capital market, inflation/purchasing power, liquidity, environmental, legal and administrative risks. The data obtained qualitatively and quantitatively are assessed in the determining the risk premium and risk premium is determined considering the market data. The relation of value/rate of return of the real properties that have similar risks with the real property being valued is evaluated and the risk premium based on the reduction ratio is determined in this manner.

Examples regarding the factors affecting items for risk premium are listed below:

- Market risk
  - ✓ Type of real estate, location, investment cycle
  - ✓ Vacancy rate occurring in the market,
  - ✓ Supply-demand relation
- Financial risk
  - ✓ Attainability of the financing used for debt,
  - ✓ Changes in the interest rates,
  - ✓ The conditions regarding financing such as credit/value, credit terms,
- Capital Market Risk

- ✓ Equity and debt reduction ratios obtained in capital markets,
- ✓ Changed in interest rates,
- ✓ Rates of return in alternative markets

- Inflation/Purchasing Power Risk
  - ✓ Expectations for changes in inflation rate,
  - ✓ The relation between the inflation rate on the date the agreement was made and rates of rent increase in the market,
  - ✓ Relation between real property vacancy rate and increase in inflation
- Liquidity Risk
  - ✓ Legal process required for sales transaction to be completed,
  - ✓ Limited potential buyers according to the type and location of the real property,
  - ✓ The process required for real property to remain in the market
- Environmental risk
  - ✓ The cost to be spend for the potential environmental problems,
  - ✓ The risk ensued from the natural events in the region,
  - ✓ The cost arising from the physical environmental factors
- Legal risk
  - ✓ The risk arising from the legal regulations,
  - ✓ The risk due to the legal process that is required to obtain a license,
  - ✓ Legal changes such as Tax
- Management risk
  - ✓ The rates determined for building management, mixed-use,
  - ✓ The duration of rents and number of tenants in the building

Capitalization Rate

The capitalization rate is the rate that enables the conversion of an income of a certain period to the market value of real property. In order to obtain a capitalization rate, this method examines the relation between the sale prices and the revenues of comparable properties. After that, this rate is applied on the annual operations income of the first year of the ownership of this property. The value obtained is the market value guaranteed with the specified level of income on the assumption that it will bring the same level of income with similar properties. In this analysis, the formula of “Immovable Property Value = Annual Net Income of the Immovable Property / Direct Capitalization Rate” is used.In real property valuation, the income is taken on the basis of a year, “Overall Capitalization Rate” is usually obtained from the market. This rate is observed to be called as only capitalization rate in our country. The capitalization rate that is used in the works which we use direct capitalization method is this rate.

It is aimed to obtain the market value at the end of the projection period in the surplus value calculations, in the studies where the calculations are made using discounted cash flow. Therefore, it is required to estimate the capitalization rate for the end of projection period. This rate that is named as “Terminal/Residual Capitalization Rate” is obtained by adding base point to the current “Overall Capitalization Rate” and the residual capitalization rate is generally higher than the capitalization rate data.

The risk-increasing factors such as the possibility of functional wear of the real property due to becoming old at the end projection period, shortening of economic life, the uncertainty of the income, which is expected to be obtained at the end of the projection period, to meet the expectation foreseen in the projection lead to the capitalization rate to become higher. In the reports in which calculations are made using discounted cash flow, assessment is made by the expert according to the market conditions and type of the real property, the period-end capitalization rate is assessed, and “Terminal/Residual Capitalization Rate” that is called as the capitalization rate by us is used.

3.3 Analysis of the Methods used in Valuation and the Reasons for the Selection of these Methods

In the valuation reports prepared, the approaches that can be used in accordance with the market researches made based on the real property have been assessed. The valuation has been made according to the approaches deemed applicable in line with the data obtained from the market.

Income approach has been applied in the valuation of whole income-generating real properties. The approaches employed in the valuation of the real properties are shown in the following table.

No.	Real Estate	Use of Property	Location	Valuation Approach
1	Optimum İzmir	SHC	İzmir	Income Approach
2	Optimum İstanbul	SHC	İstanbul	Income Approach
3	Optimum Adana	SHC&Land	Adana	Income Approach /Market Approach
4	Kozzy	SHC	İstanbul	Income Approach
5	Optimum Ankara	SHC	Ankara	Income Approach
6	Samsun Piazza & Anemon Hotel	SHC&Hotel	Samsun	Income Approach
7	Kahramanmaraş Piazza	SHC	Kahramanmaraş	Income Approach
8	Şanlıurfa Piazza	SHC	Şanlıurfa	Income Approach
9	RönesansBiz Mecidiyeköy	Office	İstanbul	Income Approach
10	Hilltown SC & Office	SHC/Office	İstanbul	Income Approach
11	Küçükyalı Office & Ted Rönesans College	School & Office	İstanbul	Income Approach
12	Maltepe Mixed Use	Project	İstanbul	Income Approach
13	Karşıyaka	Project	İzmir	Income Approach
14	Antalya Konyaaltı	2 Lands	Antalya	Income Approach
15	Konak	2 Lands	İzmir	Market Approach
16	Optimum Antalya	Land	Antalya	Market Approach
17	Bayraklı	3 Lands&Building	İzmir	Market Approach
18	Ümraniye Tepeüstü	Land	İstanbul	Market Approach
19	Bursa	Land	Bursa	Market Approach
20	Mamak	2 Lands	Ankara	Market Approach
21	Ayazağa	2 Lands	İstanbul	Market Approach
22	Silivri	Land	İstanbul	Market Approach
23	Antalya	2 Lands	Antalya	Market Approach
24	İzmit	Land	İzmit	Market Approach

3.4 Assumptions, Special Assumptions, Departures And Reservations

Specific assumptions and limitations within the scope of the valuation reports have been stated by real properties in the name badges contained in Section 4. All of the works carried out has been prepared in accordance with International Valuation Standards and the principles specified in Redbook.

3.5 General Comments

Our market experience and current market researches that were carried out have been considered in the appraisement of the market value of the real properties. The rents used in the income approach have been assessed considering the rates contained in the lease contracts as well as market researches

The market values stated within the scope of the valuation reports have been determined as of the date of 31.12.2017. All values appraised in the reports represent the values excluding VAT.

The currencies of the values appraised within the scope of the report have been assessed as per the market of the region they are located. The market values of the real properties have been stated on the basis of Turkish Lira as well as their USD/EURO values.

The market values stated are the cash sale values; it has been assumed that finance cost didn't accrue in the valuation of the real properties.

The market value has been appraised by taking into consideration the market value of the real properties that have an independent ownership, the remaining period of the right of construction in the real properties that have the contract of right of construction. Besides, in the scope of the valuation reports prepared, in addition to the present values of the real properties at the stage of project, the values in the case of the project is completed have also been stated.

TSKB GAYRİMENKUL DEĞERLEME

SECTION 4

PORTFOLIO OVERVIEW

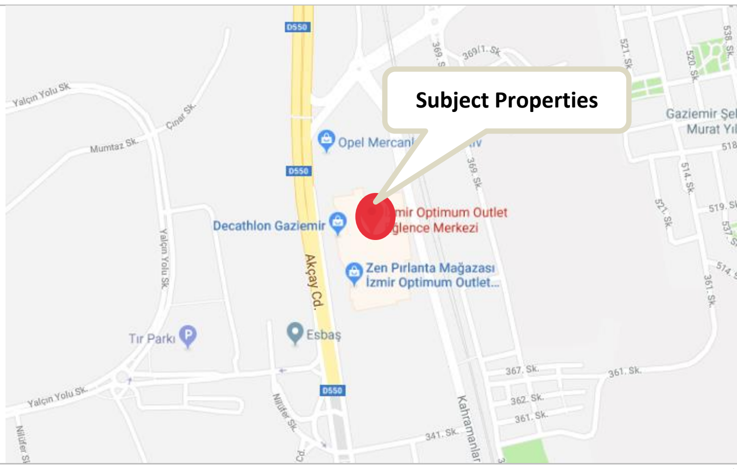
Section 4

Portfolio Overview

OPTIMUM İZMİR

TITLE DEED		
Province	İzmir	
District	Gaziemir	
Quarter	Sakarya	
Locality	-	
Block No	1482	
Lot No	47	49
Qualification of the Real Property	Land	Seven Storey Reinforced Concrete
Surface (sq m)	1.042,65 sq m	62.639,58 sq m
Owner/Share	Esentepe Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş. – Full	

GENERAL INFORMATION	
Full Address	Akçay Avenue, No: 101, block 1482, Lots no. 47 and 49, Beyazevler Quarter, Gaziemir / İZMİR
Description of the Real State	The real properties under appraisal are the real properties located at İzmir province, Gaziemir district, Sakarya quarter, Plot 19M.2.C, block 1482, Lot no. 49 with a surface area of 62,639.58 sq m, qualifying as "7 Storey Reinforce Concrete Shopping Center", and İzmir province, Gaziemir district, Sakarya quarter, Plot 19M.2.d, block 1482, Lot no. 47, with a surface area of 1,042.65 sq m, qualifying as "Land", both of which are under the ownership of Esentepe Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret Anonim Şirketi. There is the security cabin, tumulus, open recreational areas, children's parks and SHC located on the subject real properties as of the date of the valuation. When the architectural renovation area of the real property was examined, it has been observed that the property was projected as 232 shops. However, based on the customer's statement, the number of the leasable shops has been determined to be different. The reason of the differences in the number of the shops is that the shops that were formed in the architectural project are either used by combining or separating and some volumes that were determined as the technical volumes, parking areas and circulation areas were

	offered to the use of the tenants by forming them as the shops. The total leasable area of the real property that was calculated by the architectural project that is located in Gaziemir Municipality has been accepted in the valuation work. There are currently 252 shops in the SHC. There is a tumulus on the Lot no. 47 izmir Optimum Outlet SHC that is located on the Lot no. 49, block 1482 subject to valuation.
Ownership Status	Freehold
Use of Real Estate	The Shopping Center
Location Map	
Location Analysis	Akçay Avenue, which is one of the most important commercial axes of İzmir, used to be the only highway providing transportation to the Adnan Menderes Airport and Aydın before the İzmir-Aydın expressway was built. On the Akçay Avenue that starts at the Karabağlar district and continues up to the Adnan Menderes Airport, there are workplaces and manufacture shops appealing to the furniture sector and sub-branches in the Karabağlar district; while large-small industrial plants and commercial buildings, primarily in the automotive sector, and the Ege Free Trade Zone are between Karabağlar-Gaziemir, and shopping markets and dense residential areas in Gaziemir stand out. The significance of Akçay Avenue, which houses many different uses, as a commercial axis increases every day. The location where the real properties are situated is highly developed in terms of transportation capability due to both commercial potential and its proximity to the Adnan Menderes Airport. Access to the region is easily provided by İzban Metro Line, shared taxi network and busses.
Zoning Status	The real properties remain within the borders of the 1/1000 scale Gaziemir Airport Impediment Plan, 1st Stage Revision Zoning Plan, which has been taken into force by the council resolution of the Gaziemir Municipal Council dated 07.09.2011 and numbered 70, resolution of the İzmir Metropolitan Municipality Council dated 16.09.2011 and numbered 05/810 and the final approval of the İzmir Metropolitan Mayoralty dated 05.10.2011.

	Block 1482 Lot 49: • Remains in the Non-Residential Urban Business Area legend. • FAR= 1.50 • Hmax: 15.80 m. **Block 1482 Lot 47;** By the resolution of the İzmir Cultural and Natural Assets Preservation Regional Board Number 1 dated and numbered 3577, the defined part of the former block 1482 Lot 9 has been subdivided and has become Lot 47. The complete Lot 47 has been registered as 1st Group Cultural and Natural Asset Required to be Preserved.
Current State of the Real Estate	The immovable was found to be in good condition in the present case.
Average Lease Term	10,9
Major Tenants	Migros, CGV, Decathlon, Koçtaş, Inditex.
VALUATION INFO	
Number of Units	252 shops & kiosk and cinema
Leasable Area	83.148,00 m²
Occupancy Rate	%98
Unit Rent Price	31 Euro/sq m
Special Assumptions	There are no special assumptions under the valuation study.
Restrictions	Within the scope of the valuation work, the value dated 31.12.2017 of the real property has been appraised in accordance with the request of the customer.
Highest and Best Use	In accordance with the market researches and assessments made, the most efficient and best use of the real property subject to appraisal is its use for the purpose of "Avaible" as compatible.
Growth Rate	%3,50
Terminal Capitalization Rate	%8,00
Discount Rate	%9,50
Market Value-VAT Excluded	Income Approach — 1.992.340.000 TL 441.220.000 EUR

OPTIMUM ISTANBUL

TITLE DEED

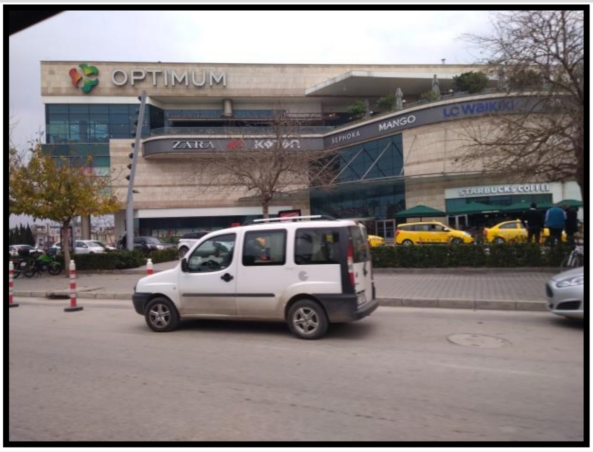
Province	İstanbul
District	Ataşehir
Quarter	Yenisahra
Locality	-
Block No	2489
Lot No	2
Qualification of the Real Property	Reinforced Concrete Business and Shopping Center With Land
Surface (sq m)	21.525,00
Owner/Share	Feriköy Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş./ Full

GENERAL INFORMATION

Full Address	Optimum Outlet and Entertainment Center, İstiklal Street, No: 10/4 Yenisahra /Ataşehir / İSTANBUL
Description of the Real Estate	The subject immovable property is Optimum Outlet Shopping Center located in the province of Istanbul, the administrative district of Ataşehir, Yenisahra district, Buhurbaba Road Street, on land 279-280, Block 2489, Lot no 2, zoned as “the business and shopping center with lot”. Construction of the subject immovable property was completed in 2009
Ownership Status	Freehold
Use of Real Estate	Shopping Centre
Location Map	
Location Analysis	When Yenisahra where the subject real property is located is observed, it is noted that new residential and commercial real property projects are influencing the region's silhouette, especially in the Ataşehir and Ümraniye areas. The Lot under appraisal, the accessibility and publicity capability of which are quite high, currently has fronts to the byway of D-100 Highway and İstiklal Avenue. The immovable property is situated on the route of Kadıköy-Kartal Metro Line and is located at a distance of 450 m to the Yenisahra stop of the subway line.

Zoning Status	During the investigation made at the Ataşehir Municipality, it has been found out that the 1/1.000 scale implementation zoning plan, where the real property under appraisal is included, is under preparation by Ataşehir Municipality as pursuant to the 1/5.000 scale regulatory zoning plan approved by İBB. Implementation may not be made before the 1/1.000 scale implementation zoning plan in compliance with the 1/5.000 scale regulatory zoning plan is prepared and approved.	
Current State of the Real Estate	It has been observed that the immovable is currently well maintained.	
Average Lease Term	10,4	
Major Tenants	Migros, Avşar Sinema, Diesel, Koçtaş, Tommy Hilfiger, MediaMarkt, Ralph Lauren, Boyner Grup..	
VALUATION INFO		
Number of Units	156 units of stores, 36 units of kiosks and a cinema	
Leasable Area	39.771 sq m	
Occupancy Rate	%98	
Unit Rent Price	34 Euro/sq m	
Special Assumptions	There are no special assumptions under the valuation study	
Restrictions	Within the framework of the valuation study, there are no restrictions on the direction of customer demand.	
Highest and Best Use	In accordance with the market researches and assessments made, highest and best use of the subject property is its legend in the implementation plan its use for the purpose of "Trade Area" as compatible.	
Growth Rate	%3,50	
Terminal Capitalization Rate	%7,50	
Discount Rate	%9,50	
Market Value-VAT Excluded	Income Approach	1.088.850.000 TL 241.140.000 EUR

OPTIMUM ADANA



TITLE DEED

Province	Adana
District	Yüreğir
Quarter	Karşıyaka
Locality	-
Block No	11526
Lot No	17
Qualification of the Real Property	Three basement floors one ground 3 normal floors concrete shopping center
Surface (sq m)	32.000,00 sq m
Owner/Share	Göksu Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş. ve Ticaret A.Ş. / Full

Province	Adana	
District	Yüreğir	
Quarter	Karşıyaka	
Locality	-	
Block No	11526	11528
Lot No	19	6
Qualification of the Real Property	Land	Stone masonry two shops and land
Surface (sq m)	673,00 sq m	1.468,00 sq m
Owner/Share	Göksu Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş. ve Ticaret A.Ş. / Full	Göksu Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş. (73700/146800 Share)

GENERAL INFORMATION

Full Address	Sinanpaşa District Hacı Ömer Sabancı Boulevard No: 28; 407. Street Block 11526 Lot 17 Yüreğir- ADANA Sinanpaşa District Hacı Ömer Sabancı Boulevard No: 28; Girne Boulevard Block 11526 Lot 19 and Block 11528 Lot 6 Yüreğir- ADANA
Description of the Real State	**Block 11526 Lot 17** The subject immovable property is Optimum Shopping Center located in the province of Adana, the administrative district of Yüreğir, Karşıyaka Quarter, block 11526, Lot no 17, zoned as "Three basement floors one ground 3 normal floors concrete shopping center".The subject immovable property is located on the total area of 32.000,00 sq m on a block of land. Construction of the subject immovable property was completed in 2011.

	<u>Block 11526 Lot 19 and Lot 6</u> The subject immovable properties are located in the province of Adana, the district of Sinanpaşa, Karşıyaka Quarter, Block 11526, Lot no 19 and Block 11528, Lot no 6 zoned as “Land and Stone masonry two shops and land”
Ownership Status	Freehold (Block 11526 Lot 17 and Lot 19) Divided into shares (Block 11528 Lot 6)
Use of Real Estate	Shopping Center and 2 Vacant Lands
Location Map	
Location Analysis	Sinanpaşa Quarter is located in the west of Yüreğir District and it is one of the most central regions of the district. The quarter has a bank along Seyhan River, and it has been announced as the “Urban Transformation Area” by the Metropolitan Municipality. We have been informed that the notices in this regard were received by the people of the region. Within the scope of Urban Transformation work, the bank of Seyhan River has been identified as green area, and the shanty housing type of structures will be demolished. The region of the project area is located near to the center of Seyhan district, main road arteries, and the metro station, which is recently being constructed. The real properties under appraisal have high visibility and publicity capacity.
Zoning Status	The block 11526, Lot no.17 and 19, block 11528 Lot no. 6 subject to valuation remains in the “Trade Area” in the scope of 1/1.000 scale “Yüreğir Implementary Development Plan” approved by the decision of Adana Metropolitan Municipality dated 17.12.2008 and numbered 201, the settlement conditions are as below Ground Floor Area Ratio: 0,60, FAR: 2,40, Hmax: Unlimited.
Current State of the Real Estate	**<u>Block 11526 Lot 17</u>** It has been observed that the immovable is currently well maintained. **<u>Block 11526 Lot 19 and Lot 6</u>** The immovables are empty according to the on-site inspection.
Average Lease Term	11,1
Major Tenants	Migros, Avşar Sinema, Decathlon, Koçtaş, Zara, MediaMarkt, H&M, LC Wakiki.
VALUATION INFO	
Number of Units	162 independent units (Legal situation of the property located on Block 11526 Lot 17)

Leasable Area	58.207 sq m
Occupancy Rate	% 99
Unit Rent Price	20 EURO/sq m
Special Assumptions	There are no special assumptions under the valuation study.
Restrictions	Within the scope of the appraisal work, the value of the immovable dated 31.12.2017 in the direction of customer demand has been appreciated.
Highest and Best Use	In the direction of the market researches and evaluations made, the most efficient and best use of the immovable property is the use of the "Commercial Area" in accordance with the legends and current use of the application development plan.
Growth Rate	%3,50
Terminal Capitalization Rate	%8,00
Discount Rate	%9,65
Market Value-VAT Excluded	Income Approach: 917.060.000 TL Market Approach: 203.090.000 EURO

KOZZY

TITLE DEED	
Province	İstanbul
District	Kadıköy
Quarter	Kozyatağı
Locality	-
Block No	3312
Lot No	36
Qualification of the Real Property	Concrete Carcass Cultural Center + Assembly Building and Lot
Surface (sq m)	10.009,07 sq m
Owner/Share	Kadıköy Municipality / Full

GENERAL INFORMATION	
Full Address	Bayar Road Buket Street No:14 Kozyatağı-Kadıköy/İstanbul
Description of the Real State	The immovable property under appraisal is the Kozzy Shopping and Cultural Center qualified as "Building Land" with a surface area of 10,009.07 sq m, which is owned by the "Kadıköy Municipality" and registered under Block 179, block 3312, and Lot no 36 (former 34) in the province of Istanbul, Kadıköy District, Kozyatağı Neighborhood. Construction of the subject immovable property was completed in 2009
Ownership Status	With regard to the establishment of the usufruct right on the subject Lot no 36, there is a facility operation contract dated 28 June 2007, which was signed between the Kadıköy Municipality and Kozyatağı Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş., to be effective for 30 years after the completion of the construction period. The right of usufruct of the real property subject to appraisal has been stated as a period of 30 days starting from 25.12.2009 in the title deed registry record, the valuation has been made considering the period of 30 days as of this date within the scope of the appraisal study.
Use of Real Estate	Shopping Centre

Location Map	
Location Analysis	The Lot, on which the project under appraisal is located, is in the Kozyatağı quarter of the district of Kadıköy. Kozyatağı is a region, where type A and B office buildings are concentrated. In the Kozyatağı region, the first and some second Lots to the D-100 Highway have "commercial area" legend and a majority of the buildings available on these are being used as offices. Upon moving away from the D-100 Highway in the region, there are buildings with residential use, the newest of which are 15-20 years' old in general. The buildings in the region are generally 8-10 stories, the ground stories of some are being used as shops, and the upper stories are usually being used for residential purposes. There are well-known shopping centers such as İçerenköy CarrefourSa, Metro, Optimum, and Palladium in the Kozyatağı region.
Zoning Status	Land 3312, Lot 36 which the subject property are located on is within the scope of 1/1.000 scaled, approved on 11.05.2006 "Kadıköy- Central and D-100 Motorway Buffer Zone Implemantation Plan" and scope of 1/1.000 scaled, approved on 08.02.2007 "Kozyatağı Quarter, 3312 Block, 28 and 34 (New 36) Lots Renovation Plan" remains in the "Municipal Service Zone" legend; Construction requirement; • Construction Order: Detached Order • Maximum Storey Height: Unlimited • FAR: 2,07
Current State of the Real Estate	It has been observed that the immovable is currently well maintained.
Average Lease Term	9,6
Major Tenants	Migros, Avşar Sinema, Teknosa, FLO, Mudo, Mango, LC Wakiki.
VALUATION INFO	
Number of Units	When the approved architectural project of the immovable property is examined, it was seen that the project was designed to contain 78 stores. However, it was determined during the on-site examination that the number of stores was 54
Leasable Area	14.704 m²
Occupancy Rate	%98
Unit Rent Price	23,50 Euro/ sq m

Special Assumptions	There are no special assumptions under the valuation study	
Restrictions	Within the framework of the valuation study, there are no restrictions on the direction of customer demand.	
Highest and Best Use	It is considered that the most efficient and productive use of the main immovable property under appraisal would be for "Commercial" purposes in line with its zoning status and current use.	
Growth Rate	%3,00 %1,50 (After 10 years)	
Terminal Capitalization Rate	-	
Discount Rate	%9,50	
Market Value-VAT Excluded	Income Approach	186.380.000 TL 41.280.000 EUR

OPTIMUM ANKARA

TITLE DEED	
Province	Ankara
District	Etimesgut
Quarter	Eryaman
Locality	-
Block No	46397
Lot No	4
Qualification of the Real Property	Masonry Workplace ve Parking
Surface (sq m)	30.976,00 sq m
Owner/Share	Kurtköy Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret Anonim Şirketi - Full
GENERAL INFORMATION	
Full Address	Eryaman Quarter, Eryaman Ayaş Road, No: 93 06930 Etimesgut / ANKARA
Description of the Real State	The subject immovable property is Optimum Outlet Shopping Center located in the province of IAnkara, the administrative district of Etimesgut, Eryaman district, Eryaman Ayaş Road Street, block 46397, Lot no 4, zoned as “Masonry Workplace ve Parking”. Construction of the subject immovable property was completed in 2006
Ownership Status	The property of the immovable is the independent property.
Use of Real Estate	Shopping Center

Location Map	
Location Analysis	Lot number 4 is located at the corner of the shopping mall. The Ankara-Çayı, Ankara Etimesgut Shooting Range, Etimesgut, Eryaman, Elvankent, Sincan districts, Ankara-Istanbul Highway, Ankara Ring Road, Sincan-Ayas Road are located in the vicinity of the immovable. There are also residential areas and commercial facilities in the immediate vicinity of the property. The area where the immovable is located is close to the place where dense residential areas such as Etimesgut, Eryaman, Elvankent and Sincan are located and attracts an intense customer potential due to the outlet concept. Moreover, the presence of road links at the cut-off point creates an intense area of attraction, especially on weekends due to commercial function.
Zoning Status	Appraised Lot no. 4 is in “Urban Business Zone” legend according to the “Implementation Zoning Plan Modification of Ankara Province, Etimesgut District, Eryaman Block 46397 Lot No. 4” which was approved with Ankara Metropolitan Municipal Committee decision dated 15 October 2009 and no. 2372 further to the approval of Etimesgut Municipal Committee dated 04 August 2009 and no. 385, and its building conditions are BC: 2,00, hmax: Unlimited, setback Distances: 30,00 m from the 50,00 m main transportation artery side, 45,00 m from the west of the Lot and 10,00 m from each of the other sides.
Current State of the Real Estate	It has been observed that the immovable is currently well maintained.
Average Lease Term	10,9
Major Tenants	Media Markt, De Facto, Tommy Hilfiger, Adese, Avşar Sinema, LC Wakiki
VALUATION INFO	
Number of Units	175 independent units (legal situation) 177 shops (current situation)
Leasable Area	37.939,67 sq m
Occupancy Rate	%98
Unit Rent Price	30,75 USD/sq m
Special Assumptions	There are no special assumptions under the valuation study
Restrictions	Within the scope of the appraisal work, the value of the immovable dated 31.12.2017 in the direction of customer demand has been appreciated.

Highest and Best Use	In the direction of the market researches and evaluations made, the most efficient and best use of the immovable property is the use of the **"Urban Study Area"** in accordance with the legendary and current use of the application development plan.	
Growth Rate	%3,00	
Terminal Capitalization Rate	%7,50	
Discount Rate	%9,50	
Market Value-VAT Excluded	Income Approach	760.480.000 TL 201.620.000 USD

SAMSUN PIAZZA & ANEMON HOTEL

TITLE DEED	
Province	Samsun
District	Canik
Quarter	Yeni
Locality	-
Block No	10550
Lot No	1
Qualification of the Real Property	15-Storey Reinforced Concrete Hotel Building and Shopping Center and Land
Surface (sq m)	34.095,61 sq m
Owner/Share	Mel 2 Gayrimenkul Geliştirme Yatırım İnşaat ve Tic. A.Ş./Full

GENERAL INFORMATION	
Full Address	Yenimahalle Neighbourhood, Çarşamba Street, No:52, Canik - SAMSUN
Description of the Real State	The subject immovable property is in the province of Samsun, Canik administrative district, Yenimahalle district, block number 10550, lot number 1 with surface area of 34.095,61 sqm, zoned as “15-Storey Reinforced Concrete Hotel Building and Shopping Center and Plot”
Ownership Status	Freehold
Use of Real Estate	Shoping Mall and Anemon Hotel

Location Map	
Location Analysis	In the surrounding area of the immovable property are automobile industry site, Court of Justice, Anakent Social Facilities, Samsun Tennis Club, Samsunspor Facilities, Mert River, Doğu Park, Former Tekel Factory, Samsun 19 Mayıs Stadium and Samsun - Ordu highway.
Zoning Status	It has been found out that the Lot under appraisal remains in the "Central Business Area" legend within the scope of the 1/1,000 scale "Canik Implementation Zoning Plan" dated 21.12.2015 and the conditions of construction is below. ▪ FAR is 3,00. ▪ The setback distance is 10 meters in the side and rear yards and 12 meters in the front yard. ▪ With the decision by Samsun Metropolitan Municipality dated 15.02.2008, within the setback distances, under the natural ground, a covered parking area may be built. ▪ Central Business Area: It is the area reserved for management, socio-cultural and commercial buildings in zoning plans. This area may consist of shops, offices, office blocks, casino, restaurants, arcades, multi-storey stores, banks, hotels, movie theaters, theater and other socio-cultural facilities, facilities for management, special education, special student dorms and private health facilities and other similar buildings.
Current State of the Real Estate	It has been observed that the immovable is currently well maintained.
Average Lease Term	11,1
Major Tenants	Migros, Mango, Zara, Boyner, Media Markt, CGV, Dechatlon, H&M.
VALUATION INFO	
Number of Units	Shopping Center and Hotel
Leasable Area	62.931 sq m (Shopping Center only)
Occupancy Rate	SHC: %97 Hotel: %65
Unit Rent Price	SHC: 21 Euro/sq m Hotel: 50 Euro/sq m

Special Assumptions	There are no special assumptions under the valuation study.	
Restrictions	The scope of the valuation work, the value dated 29.12.2017 of the real property has been appraised in accordance with the request of the customer.	
Highest and Best Use	In accordance with the market researches and assessments made, the most efficient and best use of the real property subject to appraisal is its legend in the implementation plan its use for the purpose of "Central Business Area" as compatible.	
Growth Rate	Hotel: %2,00, SHC: %2,50	
Terminal Capitalization Rate	Hotel: %7,00, SHC: %8,50	
Discount Rate	Hotel: %7,50, SHC: %10,00	
Market Value-VAT Excluded	Income Approach	957.000.000 TL 211.900.000 Eur

KAHRAMANMARAŞ PIAZZA

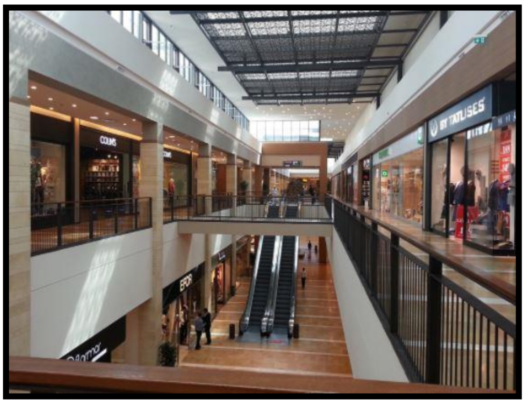
TITLE DEED	
Province	Kahramanmaraş
District	Onikişubat
Quarter	Hayrullah
Locality	-
Block No	6620
Lot No	4
Qualification of the Real Property	5-Storey Reinforced Concrete Shopping Center and Land
Surface (sq m)	36.028,53 sq m
Owner/Share	MEL3 Gayrimenkul Geliştirme Yatırım İnşaat ve Ticaret A.Ş. / Full

GENERAL INFORMATION	
Full Address	Şazi Bey Quarterhaydar Aliyev Avenue No: 4 Merkez / Kahramanmaraş
Description of the Real State	The subject immovable property is Piazza Shopping Center located in the province of Kahramanmaraş, the administrative district of Onikişubat, Hayrullah Quarter, Haydar Aliyev Avenue, block 6620, lot no 4, zoned as “5-Storey Reinforced Concrete Shopping Center and Land”. Construction of the subject immovable property was completed in 2013.
Ownership Status	Freehold
Use of Real Estate	Shopping Center

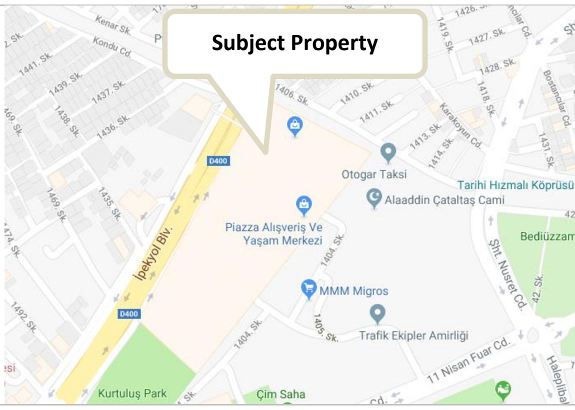
Location Map	
Location Analysis	The real property is located on the Kayseri- Gaziantep Beltway; and it remains on the right-hand side while moving in the direction of Kayseri from the city center. In the close surroundings of the real property, there are buildings of 6-8 stories, developed in detached order, as aimed for the medium and medium-high income level groups, ground stories of which are generally used as shops, while the upper stories are used for residential purposes. The real property is located close to the city center; close to buildings such as the Kahramanmaraş Municipality, Kahramanmaraş Bus Terminal, February 12th Stadium, Kiler Hypermarket and Saffron Hotels.
Zoning Status	Appraised block 6620, Lot 4 is in “Central Business Area” legend according to the “1/1.000 scaled Onikişubat Implementation Zoning Plan” which was approved with Onikişubat Municipal Committee decision dated 27.01.2014 and its settlement conditions are BC: 2,50, hmax: serbest, Setback Distances: from road: 25,00 m and from adjacent Lots: 10,00 m, from backyard: 15,00 m.
Current State of the Real Estate	It has been observed that the immovable is currently well maintained.
Average Lease Term	10,9
Major Tenants	Migros, Tekzen, Koton, LC Waikiki, Media Markt, CGV, H&M.
VALUATION INFO	
Number of Units	152 independent block (legal and current situation)
Leasable Area	48.102,92 sq m.
Occupancy Rate	%94
Unit Rent Price	16,75 EURO/sq m
Special Assumptions	There are no special assumptions under the valuation study
Restrictions	Within the scope of the appraisal work, the value of the immovable dated 31.12.2017 in the direction of customer demand has been appreciated.
Highest and Best Use	In the direction of the market researches and evaluations made, the most efficient and best use of the immovable property is the use of the "Non residential Urban Workspace" in accordance with the legendary and current use of the application development plan.
Growth Rate	%2,00

Terminal Capitalization Rate	%8,50	
Discount Rate	%10,00	
Market Value-VAT Excluded	Income Approach	499.430.000 TL 110.600.000 EURO

ŞANLIURFA PIAZZA



TITLE DEED	
Province	Şanlıurfa
District	Merkez
Quarter	Direkli
Locality	-
Block No	3749
Lot No	6
Qualification of the Real Property	3-Storey Reinforced Concrete Shopping Center and Land
Surface (sq m)	79.988,65 sq m
Owner/Share	MEL 4 Gayrimenkul Yatırım İnşaat ve Ticaret A.Ş. / Full
GENERAL INFORMATION	
Full Address	Karakoyunlu Quarter 11 Nisan Fuar Street No: 4 Merkez / ŞANLIURFA
Description of the Real State	The subject immovable property is Piazza Shopping Center located in the province of Şanlıurfa, the administrative district of Merkez, Direkli Quarter, 11 Nisan Fuar Avenue, block 3749, Lot no 6, zoned as “3-Storey Reinforced Concrete Shopping Center and Land”. The subject immovable property is located on the total area of 79.988,65 sq m on a block of land. Construction of the subject immovable property was completed in 2013
Ownership Status	Freehold
Use of Real Estate	Shopping Center

Location Map	
Location Analysis	The aforesaid block 3746, Lot 6 is faced to Ipekyolu Boulevard for 160,00 meters and there are empty lands and dwelling units which forms the low-density urban area of the city on the close vicinity of the subject property. The aforesaid, block 3749, Lot no. 6 has a slightly sloped topographic structure, and is in the shape of a polygon geometrically. The immovable property is at a location facing the İpekyol Boulevard, which is one of the most significant transportation arteries in the region. Besides, the subject property is adjacent to Kurtuluş Park and Hilton Garden Inn Hotel through its south facade. There are Bedüzzaman Cemetery, Şanlıurfa Children's Hospital, Harran University Research and Application Hospital around the subject property.
Zoning Status	Appraised block 3749, Lot 6 is in "Commercial Area" legend according to the "Implementation Zoning Plan of old Bus Station Area" which was approved with Eyyübiye Municipal Committee decision dated 04.09.2007 and no. 87 and its building conditions are FAR: 0,50, BC: 1,00, hmax: 15,00 m.
Current State of the Real Estate	It has been observed that the immovable is currently well maintained.
Average Lease Term	10,6
Major Tenants	Migros, LC Waikiki, Mavi, Boyner, Media Markt, CGV.
VALUATION INFO	
Number of Units	161 independent units (legal situation) 163 shops (current situation)
Leasable Area	42.645,26 sq m
Occupancy Rate	%96
Unit Rent Price	16 EURO/sq m
Special Assumptions	There are no special assumptions under the valuation study
Restrictions	Within the scope of the appraisal work, the value of the immovable dated 31.12.2017 in the direction of customer demand has been appreciated.
Highest and Best Use	In the direction of the market researches and evaluations made, the most efficient and best use of the immovable property is the use of the "Commercial Area" in accordance with the legendary and current use of the application development plan.
Growth Rate	%2,00
Terminal Capitalization Rate	%8,50

Discount Rate	%10,00	
Market Value-VAT Excluded	Income Approach	432.030.000 TL 95.680.000 EURO

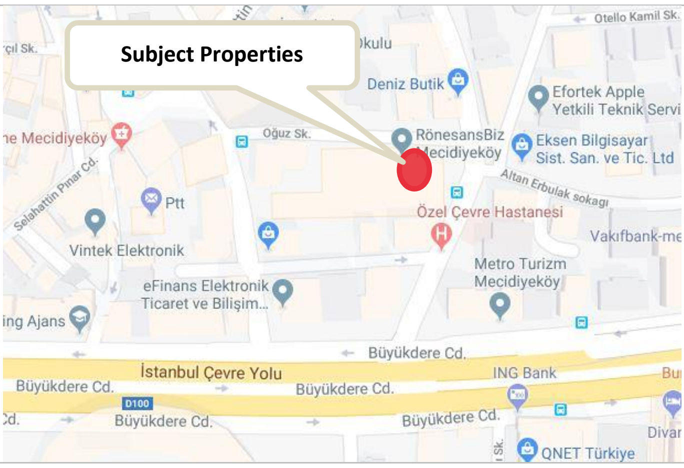
RÖNESANSBİZ MECİDİYEKÖY

TITLE DEED			
Province	İstanbul		
District	Şişli		
Quarter	Mecidiyeköy		
Locality	-		
Block No	1963		
Lot No	39		
Qualification of the Real Property	11 Floors B.A.K. Building and Its Land		
Surface (sq m)	3.916,74 sq m		
Owner/Share	Mecidiyeköy Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş. / Full		
Independent Block No	**Floor No**	**Qualification**	**Land Share**
1	2. Basement Floor	Office	2962/24998
2	2. Basement Floor	Office	1198/24998
3	1. Basement Floor	Office	4592/24998
4	Ground Floor	Shop	665/24998
5	Ground Floor	Shop	521/24998
6	Ground Floor	Shop	395/24998
7	Ground Floor	Office	1125/24998
8	Ground Floor	Office	1495/24998
9	Mezzanine Floor	Office	1112/24998
10	Mezzanine Floor	Office	1567/24998
11	1. Floor	Office	2193/24998
12	2. Floor	Office	2391/24998
13	3. Floor	Office	2391/24998
14	4. Floor	Office	2391/24998

GENERAL INFORMATION	
Full Address	Mecidiyeköy Quarter Cemal Şair Street Rönesans Biz Plaza Mecidiyeköy-Şişli-İstanbul
Description of the Real State	The real properties under appraisal are the real properties registered on the main real property at İstanbul province, Şişli district, Mecidiyeköy quarter, Plot 309, Block 1963, Lot no. 39, with a surface area of 3,916.74 sq m, qualifying as “11-Storey B.A.K. Building and Land”, all of which are under the property of “Mecidiyeköy Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.”, and detached Blocks numbered 1-2-3-7-8-9-10-11-12-13-14 that are qualified as ”Office”, 4-5-6 that are qualified as “Store”.

	The immovable properties subject to appraisal consists of a rentable area of 13.282,15 sq m on the main real estate with a surface area of 3.916,74 sq m. Construction of main property has been completed in March 2013.
Ownership Status	Freehold
Use of Real Estate	11 Offices, 3 Shops

Location Map



Location Analysis	The subject property to valuation is located in Mecidiyeköy which is one of the most central points of Istanbul. Mecidiyeköy is an important center that most of Istanbul's biggest population visit every day with its business centers, plazas, shopping centers and transportation connections. The area is close to the MIA Esentepe and Büyükdere. Mecidiyeköy region where the real properties subject to appraisal is located is one of the most important commercial centres in Istanbul due to being close to D-100. There are also a wide variety of transportation alternatives to the area where the property is located. Moreover, the valuation topic of Mecidiyeköy metro station located on Yenikapı-Hacıosman metro line is very close to the immovables.
Zoning Status	Block 1963, Lot 39 which the subject properties are located on is within the scope of 1/1000 scaled, approved on 16.08.2012 “Plan Amendment for Plot no. 309, Block no. 1963, Lot no. 39 in Mecidiyeköy, Şişli” and scope of 1/1000 scaled, approved on 13.09.2013 “Amendment Plan About Floor Heights” remains in the “Commercial+Residential Area” legend • Construction Order: Detached Order • The Lot under appraisal has block seating at 1 storey height and rising block seating at 6 stories height.
Current State of the Real Estate	The immovable has been found in current to be in good condition.

VALUATION INFO

Number of Units	3 units of stores, 11 units of offices
Leasable Area	13.282,15 sq m

Unit Rent Price

Independent section 1	Office	14 Eur/sq m
Independent section 2	Office	12 Eur/sq m
Independent section 3	Office	14 Eur/sq m

	Independent section 4	Shop	36 Eur/sq m
	Independent section 5	Shop	36 Eur/sq m
	Independent section 6	Shop	36 Eur/sq m
	Independent section 7	Office	16 Eur/sq m
	Independent section 8	Office	16 Eur/sq m
	Independent section 9	Office	17 Eur/sq m
	Independent section 10	Office	17 Eur/sq m
	Independent section 11	Office	18 Eur/sq m
	Independent section 12	Office	18 Eur/sq m
	Independent section 13	Office	19 Eur/sq m
	Independent section 14	Office	19 Eur/sq m
Special Assumptions	There are no special assumptions under the valuation study.		
Restrictions	Within the scope of the valuation work, the value dated 31.12.2017 of the real property has been appraised in accordance with the request of the customer.		
Highest and Best Use	It is considered that the most efficient and productive use of the main immovable property under appraisal would be for “Commercial” purposes in line with its zoning status and current use.		
Overall Capitalization Rate	Office %6,25 Store %6,75		
Market Value-VAT Excluded	Income Approach	197.590.000 TL 43.760.000 EUR	

HILLTOWN SC & OFFICE

TITLE DEED

Province	İstanbul
District	Maltepe
Quarter	Yenikariye
Locality	-
Block No	15304
Lot No	9
Qualification of the Real Property	Land
Surface (sq m)	48.958,41 sq m
Owner/Share	Atik Valide Sultan Vakfı - Full

GENERAL INFORMATION

Full Address	Yenikariye Subdistrict, Ağılaltı locality, 22/ 2 Plot no., 2575 Block, 9 Lot number Maltepe / İSTANBUL
Description of the Real State	The real property subject to appraisal is the real property located at İstanbul province, Maltepe district, Yenikariye quarter, Plot 22/2, Block 2575, Lot no. 9, qualifying as “Land”, of 48,958.41 sq m surface area, under the ownership of the Atik Valide Sultan Foundation. The Block 2575, Lot no. 9, subject to appraisal has been formed through the amalgamation of Block 2575, Lot no. 5 formed by the subdivision of Block 2575, Lot 2 and the Block 2575, Lot 8 formed by being created from the road. Any buildings are not available on the aforesaid Lot as of the date of the appraisal. The construction of the AVM area has been completed and the construction progress of the office Block is at 75% level. It is assumed that the project will be completed by 2018.
Ownership Status	Lease agreement until 14.04.2059

Location Map

Location Analysis	From the point of view of transportation, the Kadıköy-Tavşantepe Metro route, which is active in 2012, is the most important public transportation alternative of this region. In the nearby region of the immovable there are well-known places like İstanbul Commerce University Occupational High School, Multipan Insulation Systems, Fiat, and Acıbadem Insurance.
Zoning Status	The real property subject to appraisal remains within the scope of the 1/1000 scale Maltepe North of E-5 Implementation Zoning Plan, approved on 29.07.2009-13.09.2009-15.10.2010-06.12.2010-25.03.2011-22.06.2011-18.02.2012-16.06.2012-15.09.2012; • Ground Floor Area Ratio: 0,25 – 0,60. • Detached order. • H_{max}: Unlimited • FAR: 1.75 to be calculated over the net Lot
Current State of the Real Estate	The total area involved in valuation is 215,552,36 sq m. The construction of the mall area has been completed and the construction progress of the office Block is at 75% level. The office area has construction area of 9.216 sq m.
Average Lease Term	11,1
Major Tenants	Inditex, LC Waikiki, H&M, Boyner, CGV.

VALUATION INFO

Function	Leasable/Salable Area	Unit Rent/Sale Price
Shopping Mall	63.022,00	35 Euro/sq m
Office	9.216,00	12 Euro/sq m

Special Assumptions	There are no special assumptions under the valuation study..	
Restrictions	Within the scope of the valuation work, the value dated 31.12.2017 of the real property has been appraised in accordance with the request of the customer	
Highest and Best Use	In accordance with the market researches and assessments made, the most efficient and best use of the real property subject to appraisal is its legend in the implementation plan its use for the purpose of "Trade" as compatible.	
Growth Rate	SHC %3,00 %1,00 (After 10 years)	Office %2,50 %1,00 (After 10 years)
Terminal Capitalization Rate	-	
Discount Rate	%10,00	

Market Value (As If Complete) -VAT Excluded	Income Approach	1.467.620.000 TL 325.020.000 EUR

KÜÇÜKYALI OFFICE & TED RÖNESANS COLLEGE


TITLE DEED

Province	İstanbul
District	Maltepe
Quarter	Yenikariye
Locality	-
Block No	15313 (121)
Lot No	7
Qualification of the Real Property	5 Storey Concrete School Building with Land
Surface (sq m)	11.596,31 sq m
Owner/Share	Atik Valide Sultan Vakfı - Full
Province	İstanbul
District	Maltepe
Quarter	Yenikariye
Locality	-
Block No	15288 (121)
Lot No	8
Qualification of the Real Property	11 Storey Concrete Building Which Consist Of A and B Bloks And Land
Surface (sq m)	17.064,90 sq m
Owner/Share	Atik Valide Sultan Vakfı - Full

Province	İstanbul
District	Maltepe
Quarter	Yenikariye
Locality	-
Block No	15287 (121)
Lot No	9
Qualification of the Real Property	7 Storey Concrete Building and Land
Surface (sq m)	6.258,43 sq m
Owner/Share	Atik Valide Sultan Vakfı - Full
Province	İstanbul
District	Maltepe
Quarter	Yenikariye
Locality	-
Block No	15293 (121)
Lot No	10

Qualification of the Real Property	Land
Surface (sq m)	601,83 sq m
Owner/Share	Atik Valide Sultan Vakfı - Full

The appraised property is owned by Atik Valide Sultan Foundation, and it has been rented to "Bostancı Gayrimenkul Yatırım İnşaat Turizm Eğitim Sanayi ve Ticaret A.Ş." for 49 years with the rental contract dated 22 June 2010.

GENERAL INFORMATION

Full Address	Yenikariye Subdistrict, Ağılaltı locality 15313 Block, 7 Lot no, 15288 Block, 8 Lot no, 15287 Block, 9 Lot no, 15293 Block, 10 Lot no Maltepe / İSTANBUL.
Description of the Real State	The immovable properties in the province of Istanbul, the administrative district of Maltepe, Yenikariye district, Plot 22/ 3, Block 15313, Lot 7 with surface area of 11.596,31 sq m; Block 15288, Lot 8 with 17.064,90 sq m area; Block 15287, Lot 9 with 6.258,43 sq m area and Block 15293, Lot 10 with 601,83 sq m area, zoned as ''Lot'' and owned by Atik Valide Sultan Foundation. According to the observations made as of the date of the appraisal, the construction activities in the school project located on the real property numbered 7 are completed and the school started education under the name of TED Rönesans Koleji at the date of September 2014. Meanwhile, the constructions of the office projects are ongoing on real properties numbered 8 and 9. There is no construction activity on Lot no. 10 but at current situation Lot 10 using as a parking area.
Ownership Status	Lease agreement until 22.06.2059
Use of Real Estate	A school and office construction project with parking lot that is currently used.
Location Map	
Location Analysis	From the point of view of transportation, the Kadıköy-Tavşantepe Metro route, which is active in 2012, is the most important public transportation alternative of this region. In the nearby region of the immovable there are well-known places like GSD Holding, İstanbul Commerce University Occupational High School, Multipan Insulation Systems, Fiat and Acıbadem Insurance.

Zoning Status	The real property subject to appraisal remains within the scope of the 1/1000 scale Maltepe North of E-5 Implementation Zoning Plan, approved on 29.07.2009-13.09.2009-15.10.2010-06.12.2010-25.03.2011-22.06.2011-18.02.2012-16.06.2012-15.09.2012; 8, 9 and 10 Lots are remains ''Commercial Area'' legend. Settlement conditions; • Ground Floor Area Ratio: 0,25 – 0,60. • Detached order. • FAR: 1.75 to be calculated over the net Lot • H_{max}:Unlimited. 7 Lot is remain ''Special Education Facility Area'' legend. Settlement conditions; Within the Special Education Facility Area, on the condition that the building Block it is included in does not exceed the FAR value in the areas with FAR and does not exceed the environmental construction values in other areas, and on the condition that the standards provided in the relevant regulations are complied with, the construction of Commercial Areas and Commercial + Housing areas is allowed.
Current State of the Real Estate	It has been observed that the immovable is currently well maintained.
VALUATION INFO	
Number of Units	Yenikariye Subdistrict, Ağılaltı locality 15313 Block, 7 Lot no, 15288 Block, 8 Lot no, 15287 Block, 9 Lot no, 15293 Block, 10 Lot no Maltepe / İSTANBUL.
Leasable Area	Office: 53.567,36 sq m, School: 26.743,97 sq m
Occupancy Rate	%100
Unit Rent Price	Office: 12,30 EURO/sq m, Scholl: 5,69 EURO/sq m
Special Assumptions	There are no special assumptions under the valuation study.
Restrictions	Within the scope of the valuation work, the value dated 31.12.2017 of the real property has been appraised in accordance with the request of the customer.
Highest and Best Use	This appraisal work has been prepared for the purpose of using the independent audit report. The subject report has not been prepared to be used for the transaction for guarantee purposes; it was issued in accordance with International Valuation Standards.
Growth Rate	School: %3,50 Office: %3,00
Terminal Capitalization Rate	-
Discount Rate	%9,50
Market Value-VAT Excluded	Income Approach — 493.990.000 TL 109.400.000 EUR

MALTEPE MIXED USE

TITLE DEED	
Province	İstanbul
District	Maltepe
Quarter	Gülsuyu
Locality	-
Block No	15050
Lot No	2
Qualification of the Real Property	Land
Surface (sq m)	30.617,17
Owner/Share	Salacak Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret Anonim Şirketi -

GENERAL INFORMATION	
Full Address	Cevizli Subdistrict, Tugay Yolu Street, 15050 Block, 2 numbered Lots, Piazza İstanbul Project, Maltepe/İSTANBUL
Description of the Real Estate	The subject immovable property are the ones that are located in the province of Istanbul, the administrative district of Maltepe, Gülsuyu District, on land G22A09D2A, Block 15050, Lot no 2, with surface area of 30.617,17 sq m, zoned as “Lot”, owned by “Salacak Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.”. On the Lot no 2 and Block 15050 subject to appraisal, as of the appraisal date, there is project construction being composed of shopping center, housing, and office areas. The overall construction completion rate is at the level of 85 %. It is assumed that the project will be completed by 2018.
Ownership Status	Freehold

Location Map

Location Analysis

The real property subject to appraisal are located within the boundaries of Maltepe, in a region that has displayed a rapid growth over the recent years and attracts the attention of investors. Although small scale industrial facilities-workshops and buildings used for storage purposes maintain their presence in the area where the Tugay Yolu Street intersects with the Bağdat Street, it is observed that the new investments made in the region and the prestigious residential projects are rapidly altering the outlook of the region.

In the region where the real property are located, low-storey residential units stand out, while there also are settlements for industrial purposes. A part of the industrial settlements are not being used and are in neglected state. Meanwhile, the publicity capability of the real properties, which have visibility from the D-100 highway front, is quite good.

Zoning Status

The subject of the appraisal is the 15050 island number 2 Lot "Maltepe E-5 Southern Implementation Plan " with a scale of 1 / 1.000 with an approval date of 26.02.2007 - 21.05.2008 - 08-10.2010 - 21.06.2009 - 28.01.2010 -20.04.2011 - 16.12.2011 - 16.02.2016 Plan "within the scope of" Trade + Housing Area "legend. Conditions of recreation are as follows.

- FAR:2,50
- Ground Floor Area Ratio:0,50
- Hmax: Unlimited

Current State of the Real Estate

Construction works are proceeding and overall construction completion rate is at the level of 85 %.

VALUATION INFO

Function	Number of Units	Leasable/Salable Area	Unit Rent/Sale Price
Office	71	35.887,00	34 Euro/sq m
Residence	230	22.354,10	1.750 Euro/sq m
SHC	236	55.612,20	13,50 Euro/ sq m

Special Assumptions

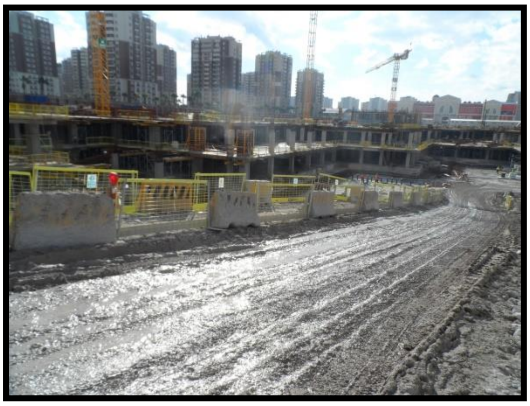
Under the valuation study, no specific assumptions were made.

Restrictions

Within the scope of the valuation work, the value dated 31.12.2017 of the real property has been appraised in accordance with the request of the customer.

Highest and Best Use	It is considered that the most efficient and productive use of the main immovable property under appraisal would be for partially ''Trade+Housing'' purposes in line with its zoning status and current use.	
Growth Rate	SHC: %3,00 - Office: %4,00 - Residence: %5,00	
Terminal Capitalization Rate	%8,00	
Discount Rate	%10,00	
Market Value (As If Complete) -VAT Excluded	Income Approach	1.697.230.000 TL 375.870.000 EUR

KARŞIYAKA

TITLE DEED	
Province	İzmir
District	Karşıyaka
Quarter	Şemikler
Locality	-
Block No	26024
Lot No	1
Qualification of the Real Property	Land
Surface (sq m)	87.727,47 sq m
Owner/Share	Altunizade Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret Anonim Şirketi / Full

GENERAL INFORMATION	
Full Address	Şemikler Mh. Cahar Dudayev Bulvarı, 6524. Sokak, No: 6 Karşıyaka – İzmir
Description of the Real State	The real property under appraisal is located on İzmir Province, Karşıyaka District, Şemikler Neighbourhood, Block 26024, Lot 1 As of the valuation date, a total of 9 carrier crane was established in the immovable and construction works were determined to continue. In addition, the Lot boundaries of the immovable are surrounded by limiting billboards. The basic level of the valuation property was completed at approximately 95% and the basic concrete was not poured in the ramp block which is being used for mobilization purposes. In addition, the basic level is completed on the 2nd level. Basement 70%, 1. The basement is completed at 30% level in rough construction. The level of physical progress of the ongoing construction on the Lot is approximately 15.00%.
Ownership Status	Freehold

Location Map	
Location Analysis	Karsiyaka is located in the north of the gulf in the province of İzmir, on the south of İzmir Bay, on the east of Bayraklı, on the west of Çiğli. Karsiyaka county is a province which is known for its coastline, social places, parks and gardens, historical history and structures. In Karsiyaka, which is a district developed from both social and commercial aspects, the income sources vary from tourism to production, from crowded Karsiyaka Bazaar within the district to social places in Bostanlı Quarter, picnic areas to shopping centers.
Zoning Status	The real property is included within the borders of the 1/1000 scale CarrefourSa Building Renewal Zoning Plan, by the Council Resolution of the Karşıyaka Municipal Council dated 04.04.2013 and numbered 76, that has been taken into force by the resolution of the İzmir Metropolitan Municipality Council dated 12.07.2013 and numbered 05.998. It remains in the 2nd and 3rd Degree Urban and Regional Business Centers legend.
Current State of the Real Estate	The basic level of the valuation property was completed at approximately 95% and the basic concrete was not poured in the ramp block which is being used for mobilization purposes. In addition, the basic level is completed on the 2nd level. Basement 70%, 1. The basement is completed at 30% level in rough construction. The level of physical progress of the ongoing construction on the Lot is approximately 15.00%.

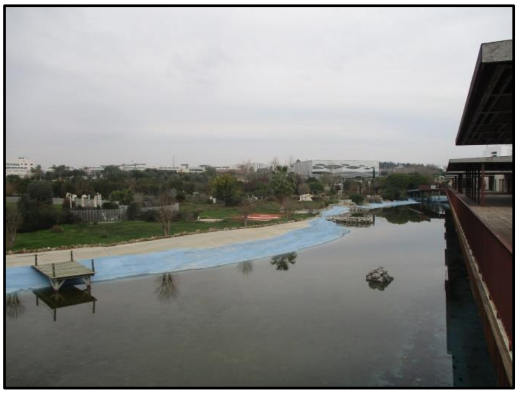
VALUATION INFO

Function	Number of Units	Leasable/Salable Area	Unit Rent/Sale Price
SHC	1	62.855,00	30,00 Euro/m²

Special Assumptions	No assumption has been made within the scope of the valuation work.
Restrictions	Within the scope of the valuation study, the project areas declared by the customer are used by the customer. Moreover, the value of the property dated 31.12.2017 in the direction of customer demand has been appreciated.
Highest and Best Use	It is considered that the most efficient and productive use of the main immovable property under appraisal would be for partially ''Trade+Housing'' purposes in line with its zoning status and current use.
Growth Rate	%2,50
Terminal Capitalization Rate	%8,00

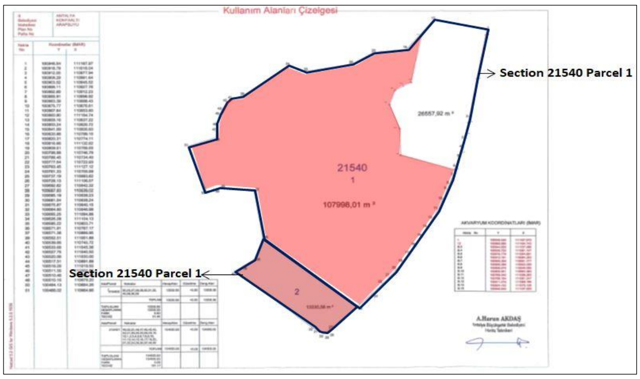
Discount Rate	%10,50	
Market Value (As If Complete) -VAT Excluded	Income Approach	669.980.000 TL 148.370.000 EUR

ANTALYA KONYAALTI



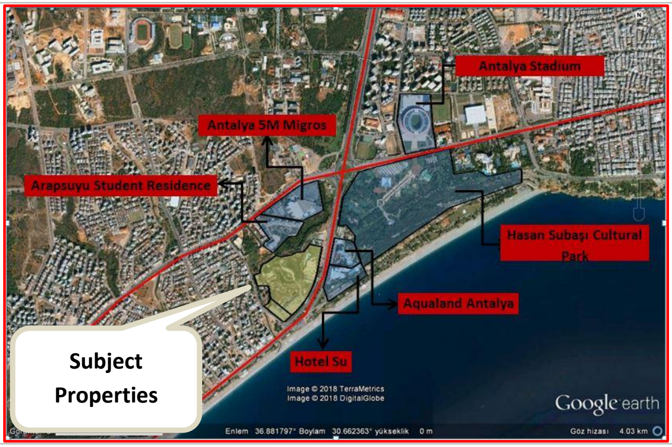
TITLE DEED		
Province	Antalya	
District	Konyaaltı	
Quarter	Arapsuyu	
Locality	-	
Block No	21540	
Lot No	1	2
Qualification of the Real Property	Land	
Surface (sq m)	134.555,93 sq m	13.330,58 sq m
Owner/Share	Antalya Büyükşehir Belediyesi / Full	
GENERAL INFORMATION		
Full Address	Arapsuyu Neigbourhood, Akdeniz Boulevard, No:1 Konyaaltı – Antalya	
Description of the Real State	The real properties under valuation are block 21540, Lot no.1 and no.2 that are located in Antalya province, Konyaaltı district, Arapsuyu neighborhood, owned by ''Antalya Büyükşehir Belediyesi'' Minicity Antalya and Akdeniz Kent Park are located on the real properties. In the scope of the valuation work, according to the prior authorization agreement signed between Antalya Metropolitan Municipality and Kabataş Gayrimenkul Yatırım İnşaat Turizm San. Ve Tic. A.Ş and Rönesans Gayrimenkul Yatırım A.Ş, the portion that has the area of 107.998,01 sq m of the real property of block 21540, Lot no.1 which has the surface area of 134.555,93 sq m has been excluded In the scope of the valuation work. During the valuation work, since it was stated by the customer that the buildings located on the portion of 107.998,01 sq m of block 21540, Lot no.1 and on block 21540, Lot no.2 that were provided by Antalya Metropolitan Municipality to Kabataş Gayrimenkul Yatırım İnşaat Turizm San. ve Tic. A.Ş and Rönesans Gayrimenkul Yatırım A.Ş as per the prior authorization agreement will be demolished, at the request of the customer, the cost value of the buildings located on the Lots have been ignored.	
Ownership Status	In the scope of the valuation work, according to the prior authorization agreement signed between Antalya Metropolitan Municipality and Kabataş Gayrimenkul Yatırım İnşaat Turizm San. Ve Tic. A.Ş and Rönesans Gayrimenkul Yatırım A.Ş, the portion that has the area of 107.998,01 sq m of the real property	

of block 21540, Lot no.1 which has the surface area of 134.555,93 sq m has been excluded In the scope of the valuation work.



In the above sketch, the Lot boundaries were shown as the blue line, the red scanning area contain the areas allocated to Rönesans Gayrimenkul Yatırım A.Ş.

Location Map



Location Analysis

The real property is located in Konyaaltı that is one of the central districts of Antalya. Konyaaltı, which is surrounded by Muratpaşa on the east, Kemer on the south, Döşemealtı and Korkuteli districts on the west, has the front to the sea in the southeast direction. The district has approx.17 km coastline.

The economy of the district was shaped by tourism, service sectors for tourism and agriculture - animal husbandry. There is Antalya Free Zone neighboring to Antalya Port, on Antalya – Kemer Highway. 94 firms provide services in the region; the services are mostly for yachting sector.

The subject real properties are located in the place between Atatürk Boulevard and Dumlupınar Boulevard. Dumlupınar Boulevard is located between the real properties and the sea. Aquarium Antalya, Konyaaltı Shoreline, Antalya 5M Migros, Arapsuyu Dormitory, Aqualand Antalya, Hotel Su, Hasan Subaşı Culture Park, Antalya Stadium are located in the immediate vicinity of the real properties to which the access is easy in terms of their location.

Zoning Status

The Block 21540, Lot No.1 and no.2 being valued remain in the legend of Park Area according to the plan change approved on 19.07.2016. The settlement conditions of block 21540, Lot no.2 is FAR= 0.80 and FAR= 0.20 for block 21540, Lot No.1.

- In the area, the facilities for Golden Orange Film Festival, theatre, cinema, fair, exhibition halls, open air museum, activity areas, parks, gardens, squares, local product markets, traditional handicraft market, themed market, food&beverage, the facilities such as commercial, sports, education, culture etc. can be built.

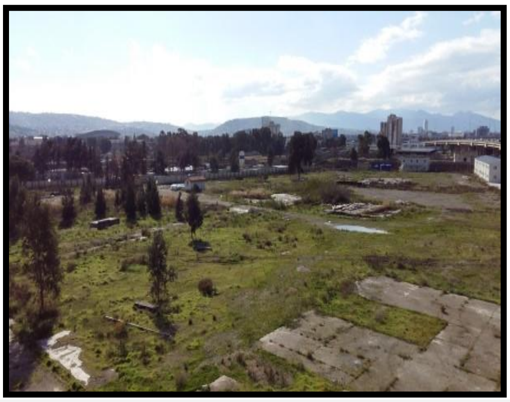
	• The implementation shall be made in accordance with the layout plans to be approved by the relevant administration in these areas. • In order to provide the integrity of project in Akdeniz Atatürk Culture Art Entertainment and Life Park, the construction area that cannot be used in the area determined as FAR= 0.80 in the plan can be used in the area determined as FAR= 0.20. In addition, we were informed that there is an area (water protection area) that requires to be protected on block 21540, Lot no. 1. It has been found out that the said decision was taken by the relevant preservation board; any building cannot be built on the mentioned area.
Current State of the Real Estate	Construction will start after existing buildings have been demolished

VALUATION INFO

Function	Number of Units	Leasable/Salable Area	Unit Rent/Sale Price
SHC	-	44.000	24 EUR

Special Assumptions	During the valuation work, since it was stated by the customer that the buildings located on the portion of 107.998,01 sq m of block 21540, Lot no.1 and on block 21540, Lot no.2 that were provided by Antalya Metropolitan Municipality to Kabataş Gayrimenkul Yatırım İnşaat Turizm San. ve Tic. A.Ş and Rönesans Gayrimenkul Yatırım A.Ş as per the prior authorization agreement will be demolished, at the request of the customer, the cost value of the buildings located on the Lots have been ignored.	
Restrictions	In the scope of the valuation work, according to the prior authorization agreement signed between Antalya Metropolitan Municipality and Kabataş Gayrimenkul Yatırım İnşaat Turizm San. Ve Tic. A.Ş and Rönesans Gayrimenkul Yatırım A.Ş, the portion that has the area of 107.998,01 sq m of the real property of block 21540, Lot No.1 which has the surface area of 134.555,93 sq m has been excluded In the scope of the valuation work. The value dated 31.12.2017 of the real property has been appraised in accordance with the request of the customer.	
Highest and Best Use	In accordance with the market researches and assessments made, the most efficient and best use of the real property subject to appraisal is its legend in the implementation plan its use for the purpose of "**Park Area**" as compatible.	
Growth Rate	%3,00 %1,00 (After 10 years)	
Terminal Capitalization Rate	-	
Discount Rate	%10,50	
The Value Of The Project To Be Developed On The Land According To The Prior Authorizatıon Agreement Dated 29.11.2017	Income Approach	269.580.000 TL 59.700.000 EUR

KONAK

TITLE DEED		
Province	İzmir	
District	Konak	
Quarter	Mersinli	
Locality	-	
Block No	8667	
Lot No	1	6
Qualification of the Real Property	Land	Land
Surface (sq m)	5.000,00 sq m	43.770,23 sq m
Owner/Share	Florya Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret Anonim Şirketi- (62123/ 500000) Mustafa Küçükbay -(437877/500000)	Florya Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret Anonim Şirketi- (Full)

GENERAL INFORMATION	
Full Address	1588 Street, No:23, 8667 Block 1 and 6 Lot Mersinli-Konak/İZMİR
Description of the Real State	The real properties subject to appraisal are located within the borders of the İzmir province, Konak district, Mersinli quarter, and geographically at the center of the İzmir city center. The real properties are located in a region where industrial and storage facilities are concentrated. As of the date of appraisal, block 8667, Lots 1 and 2 from the subject real properties are vacant lands, and are facing the byway of the Ankara Highway. Meanwhile on block 8667 Lot 6, former 3324 Lot 55, under appraisal, there are warehouses on which property ownership has been established, but they have been overlooked because the property ownership for the subject real properties has been overruled and they have been excluded from the valuation scope. There is no activity on the appraisal subject 8667 Block 1 Lot and the field works on 6 Lots started.
Ownership Status	Freehold
Use of Real Estate	Vacant Land

<table>
<tr><td>Location Map</td><td colspan="2">
</td></tr>
<tr><td>Location Analysis</td><td colspan="2">The real properties are located at a spot of high accessibility and visibility. However, the location of the real property is influenced adversely by the facts that any new settlements are not available in the region, the available buildings are dilapidated, it is an area where small manufacturing shops are located and transportation is provided from the rear streets, although the real properties being valued are close to the Ankara Street.

Nevertheless, in the close surroundings of the real properties being appraised, there are investment projects of many real property companies in either planning stage or starting stage.</td></tr>
<tr><td>Zoning Status</td><td colspan="2">The block 8667, Lots no. 1 and 5 under appraisal remain in the "CBD (Central Business District)" legend according to the implementary development plan that was renewed and took off review of the Plan Notes of the Implementary Development Plan with a scale of 1/1.000 on 09.06.2017 and was finalized and entered into force by the decision of the Council of Metropolitan Municipality dated 14.06.2017 and numbered 05.427, as per the 1/5.000 scale Master Development Plan Notes finalized and entered into force by the İzmir Metropolitan Municipality on 14.03.2016 and the settlement conditions are as provided below:
• Detached Order
• Ground Floor Area Ratio: 0.50
• FAR: 3.50
• 10 m withdrawal distance at all fronts</td></tr>
<tr><td>Current State of the Real Estate</td><td colspan="2">The immovables are empty according to the on-site inspection.</td></tr>
<tr><td colspan="3">VALUATION INFO</td></tr>
<tr><td>Special Assumptions</td><td colspan="2">There are no special assumptions under the valuation study.</td></tr>
<tr><td>Restrictions</td><td colspan="2">Within the scope of the valuation work, the value dated 31.12.2017 of the real property has been appraised in accordance with the request of the customer.</td></tr>
<tr><td>Highest and Best Use</td><td colspan="2">In accordance with the market researches and assessments made, the most efficient and best use of the real property subject to appraisal is its legend in the implementation plan its use for the purpose of “CBD” as compatible.</td></tr>
<tr><td>Market Value-VAT Excluded</td><td>Market Approach</td><td>320.120.000 TL
84.720.000 USD</td></tr>
</table>

OPTIMUM ANTALYA

TITLE DEED		
Province	Antalya	
District	Muratpaşa	
Quarter	Muratpaşa	
Locality	-	
Block No	12710	
Lot No	8	
Qualification of the Real Property	Land (B Block Complete, Single Storey Reinforced Concrete Shopping Center)	
Surface (sq m)	36.904,00 sq m	
Owner/Share	Kuzguncuk Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret Anonim Şirketi-30831/41890	Antalya Büyükşehir Belediyesi-11059/41890

GENERAL INFORMATION	
Full Address	Muratpaşa Quarter, Evliya Çelebi Avenue, NO:53 Muratpaşa / ANTALYA
Description of the Real State	The appraisal property located at Antalya province, Muratpaşa district, Muratpaşa Quarter, Block 12710, Lot no. 8.
Ownership Status	Freehold
Use of Real Estate	Vacant land
Location Map	
Location Analysis	The real property under appraisal are located at Antalya provincial center, and they are within walking distance to the Adnan Kahveci Boulevard and Aspendos Boulevard, which are the main arteries of Antalya province. The Antalya-Kaleiçi

	region, renowned by its historical texture and social facility areas, is located approximately 1.5 km to the south of the real property under appraisal. There are residential and office areas in the immediate surroundings of the real property under appraisal. The building texture is in the 0-20 age range in general, the number of stories vary between 4 and 7. In the general sense, the region appeals to the medium and high income level segments. There are residential and office areas in the immediate surroundings of the real property under appraisal. In the immediate surroundings of the real property under appraisal, MarkAntalya SHC, Mirador Business Center, Andızlı Cemetery, 75.Yıl Cumhuriyet High-school, Multi-storey Marketplace and buildings used for residential purposes are available. The real property under appraisal are located within a distance of 15 minutes by car to the Antalya Bus Terminal and the Antalya International Airport.
Zoning Status	The appraisal property located at "Special Project Area" and "M1" legends within the scope of the "CBD Development Area and Immediate Surroundings 1/1,000 scale implementation Zoning Plan" approved by the Muratpaşa Municipality with resolution dated 28.11.1997 and numbered 177, and ratified by the Antalya Metropolitan Municipality on 10.02.1998.
Current State of the Real Estate	The immovables are empty according to the on-site inspection.
VALUATION INFO	
Special Assumptions	There are no special assumptions under the valuation study.
Restrictions	Within the scope of the appraisal, the project areas declared by the customer have been used and the value of the immovable property dated 31.12.2017 in the direction of customer demand has been appreciated. Only the value of the shares belonging to "Kuzguncuk Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret Anonim Şirketi" was appreciated within the scope of the valuation work.
Highest and Best Use	In accordance with the market researches and assessments made, the most efficient and best use of the real property subject to appraisal is its legend in the implementation plan its use for the purpose of "Special Project Area" as compatible.

Market Value-VAT Excluded	Market Approach	100.495.000 TL 22.215.000 EUR

BAYRAKLI

Province	İzmir			
District	Bayraklı			
Quarter	Turan			
Village	-			
Street	**-**			
Plot	-	1595	1595	-
Block No	2059	40035	40035	40042
Lot No	9	4	6	1
Qualification of the Real Property	Plot	Plot	For masonry Home and Land	Tin Factory including Ten Houses, Four Warehouses, Eight Hangars, One Garage, Six Large and Six Service and Two Mobile Gasoline Tanks and Outbuildings, Etc.
Surface (sq m)	827,30	507,06	1.164,64	21.394,52
Owner/Share	Nakkaştepe Gayrimenkul Yatırımları İnşaat Yönetim ve Tic. A.Ş. / Full			

GENERAL INFORMATION

Full Adress	Turan Neighborhood, 1649 Street, Block 40035, Lot 4 and 6, Block 40042 Lot.1 and Block 2059, Lot. 9, Bayraklı / İzmir
Description of the Real State	The real estate properties are section 40035, parcel no. 4, 6, section 40042, parcel no. 1 and section 2059 parcel no. that loacated in Izmir province, Bayraklı district, Turan Neigborhood,
Ownership Status	Freehold
Use of Real Estate	3 Lands and Historical Building

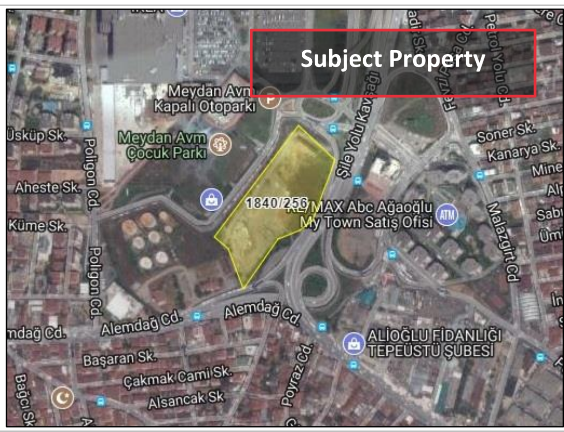
<table>
<tr><td>Location Map</td><td colspan="2">
</td></tr>
<tr><td>Location Analysis</td><td colspan="2">The real properties are located in the north of the region, within the boundaries of Turan-Alsancak Rear Port Region that was planned as the new central district in Izmir city scale, is named as the “New City Center”. The importance of the service sector has reached to a considerable level following the population density experienced in recent years in Izmir province. The sector which is growing by centralizing on Alsancak – Konak line in the functional distribution of the city has found itself a unique place corresponding to the middle section of the city with upper scale plans. The address for the new investments in the real estate sector in Izmir province has started to be the region that is named as the “New City Center” in the boundaries of which the subject real properties are located.</td></tr>
<tr><td>Zoning Status</td><td colspan="2">Within the scope of "1/1.000 Scale Implementation Development Plan of İzmir New City Center Bayraklı Salhane-Turan Region” with the approval dated 18.02.2011, 40042 island 1 parcel " Tourism + Trade Zone" legend, 2059 section, 9 parcel, 40035 section 4 and No. 6 parcels remain in the " Secondary Trade Centre" legend and the conditions of construction;
Secondary Trade Centre
• FAR: 0.30
• C: 0.60
• Hmax: 8 m (2 Floor)
Tourism + Trade Zone
• FAR: 0,45
• C: 3.50</td></tr>
<tr><td>Current State of the Real Estate</td><td colspan="2">3 Lands and Historical Building</td></tr>
<tr><td colspan="3">VALUATION INFO</td></tr>
<tr><td>Special Assumptions</td><td colspan="2">No assumption has been made within the scope of the valuation work.</td></tr>
<tr><td>Restrictions</td><td colspan="2">Within the framework of the valuation study, the value of the immovable property dated 31.12.2017 in the direction of customer demand was appreciated and the project areas declared by the customer were used.</td></tr>
<tr><td>Highest and Best Use</td><td colspan="2">In accordance with the market researches and assessments made, the most efficient and best use of the real property subject to appraisal is its legend in the implementation plan its use for the purpose of “Secondary Trade Center” for section 2039 parcel no. 9, section 40035 parcel 4 and 6, “Tourism + Trade” for section 40042 parcel no. 1 as compatible.</td></tr>
<tr><td>Market Value-VAT Excluded</td><td>Market Approach</td><td>255.375.000 TL
67.580.000 USD</td></tr>
</table>

ÜMRANİYE TEPEÜSTÜ

TITLE DEED	
Province	İstanbul
District	Ümraniye
Quarter	İnkılap
Locality	-
Block No	1840
Lot No	256
Qualification of the Real Property	1 Unit of Land
Surface (sq m)	23.431,42 sq m
Owner/Share	Kandilli Gayrimenkul Yatırım Yönetim İnşaat ve Ticaret A.Ş. / Full

GENERAL INFORMATION	
Full Address	Fatih Sultan Mehmet Neighborhood, Alemdağ Avenue (on Şile Connection Path), 1840 block, 256 Lot, Ümraniye / İstanbul
Description of the Real State	The property under the appraisal, İstanbul city, Ümraniye disctrict, İnkilap Neighborhood, 1840 block, 256 Lot, 23.431,42 sq m surface, both being qualified as "Land" and owned by, "Kandilli Gayrimenkul Yatırımları Yönetim İnşaat ve Ticaret A.Ş."
Ownership Status	Freehold
Use of Real Estate	A vacant land

Location Map



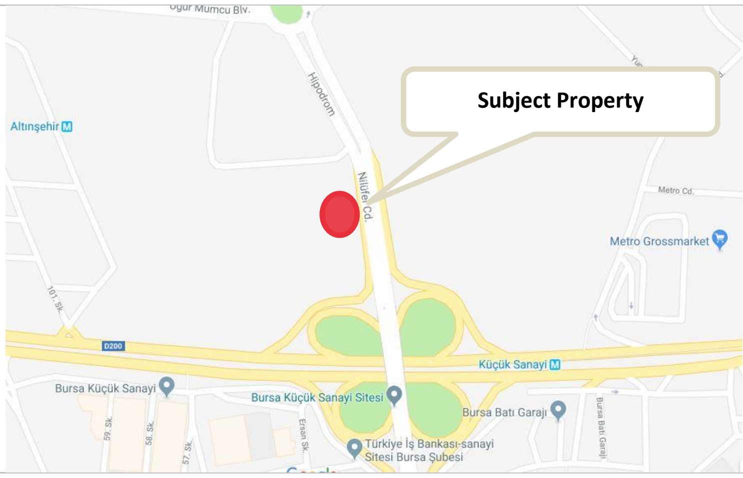
Location Analysis	In Ümraniye, one of the new plazas of the Anatolian side, AvivaSA, Bank of Asia, Ergo Insurance, TEB, Turkey is located in the offices of many companies such as Finance Participation Bank, these companies are located in the area close to the real issues. Commercial real estate, especially built-to-suit (built on client's

	request), seems to meet the expectations of domestic and foreign investors in the region. At the same time in the region where the immovable is located, there are many untreated industrial facilities such as Ümraniye Industrial Site, Birlik Sanayi Site, Güven Sanayi Site. Having become a region preferred by many international companies in recent years, Ümraniye has become the CBD (Central Business Area), both in the planning phase and with new office projects. Especially on the Asian side, it has been observed that the firms preferred the Ümraniye region to meet the demand for quality building. Also factors such as the suitability of the rent, the ease of transport, the availability of high-quality housing projects in the immediate vicinity make the plazas in this area attractive. The increase in the number of quality residential projects in the regions such as Çekmeköy and Dudullu and the increase in the settlement have had a positive effect on both this region and Ümraniye region.	
Zoning Status	The immovable property under appraisal remains partially in the "Medium-density (400 people/ha) Residential Area" and partially in the "Park and Recreational Facilities Area" according to the 1/5000 scale Master Plan, dated 12.11.2010. It was learned that the new 1/1.000 plan would be drawn up according to this upper scale plan.	
Current State of the Real Estate	The immovable is a vacant land according to the on-site inspection.	
VALUATION INFO		
Special Assumptions	There are no special assumptions under the valuation study.	
Restrictions	Within the scope of the valuation work, the value dated 31.12.2017 of the real property has been appraised in accordance with the request of the customer.	
Highest and Best Use	It is considered that the most efficient and productive use of the main immovable property under appraisal would be for partially "Residential" purposes in line with its zoning status and current use.	
Market Value-VAT Excluded	Market Approach	152.305.000 TL 40.305.000 USD

BURSA

TITLE DEED	
Province	Bursa
District	Nilüfer
Quarter	Ertuğrul
Locality	-
Block No	6496
Lot No	1
Qualification of the Real Property	Factory Building and Outbuilding and One Additional Factory Building and Its Land
Surface (sq m)	25.010,64 sq m
Owner/Share	Nisbetiye Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş. (1234930/1250527) Maliye Hazinesi (15597/1250527)

GENERAL INFORMATION	
Full Address	Ertuğrul Quarter Nilüfer Street No:1 Nilüfer/BURSA
Description of the Real State	The appraisal subject is located in Bursa province, Nilüfer district, Ertuğrul Quarter, block 6496, Lot no 1, with the title of "Factory Building and Outbuilding and One Additional Factory Building and Its Land" and has a surface area of 25.010,54 sq m.
Ownership Status	Divided into shares
Use of Real Estate	Vacant land

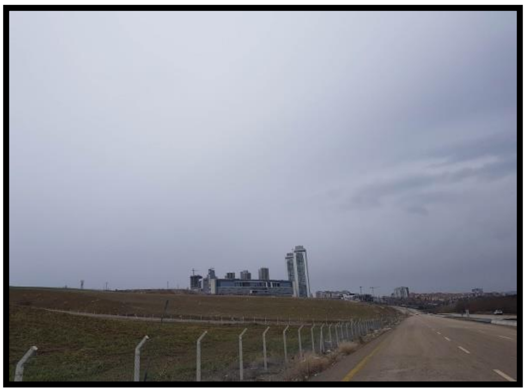
<table>
<tr><td>Location Map</td><td colspan="2">
</td></tr>
<tr><td>Location Analysis</td><td colspan="2">In the immediate surroundings of the aforesaid real property; Beşevler Small Industrial Estate, Ertuğrul and Altınşehir Quarters, Metro Gross Market, Bursa OSB and NOSAB, residential areas appealing to the middle income group and settlements used for commercial purposes are located.

The Nilüfer Avenue, which the real property faces, poses as the connection road between the Ertuğrul and Altınşehir Quarters, and any settlement is not available along this road in general. Meanwhile, the İzmir Boulevard that the real property is close to is one of the significant axes of the city center. Commercial units and buildings used for automotive showroom, etc. purposes primarily emerge to the forefront on the boulevard.

It is observed that one of the developing regions of Bursa province in recent years is the Nilüfer district where the valuation point is the location of the immovable. Although this region has not yet been fully influenced by intense urban texture, it is one of the areas where qualified projects preferentially take place in the city</td></tr>
<tr><td>Zoning Status</td><td colspan="2">The real propert subject to appraisal remains in “Central Business Area” within the scope of 1/1.000 scale “Ertuğrul Mass Housing Area Implementation Zoning Plan” approved on 05.09.2007.

• FAR: 1.50
• H_{max}: 36.50 m.
• Parking garage is obligatory.</td></tr>
<tr><td>Current State of the Real Estate</td><td colspan="2">The immovable is empty according to the on-site inspection.</td></tr>
<tr><td colspan="3">VALUATION INFO</td></tr>
<tr><td>Special Assumptions</td><td colspan="2">Within the framework of the valuation study, no assumptions were made in the direction of customer demand.</td></tr>
<tr><td>Restrictions</td><td colspan="2">Within the scope of the valuation work, the value dated 31.12.2017 of the real property has been appraised in accordance with the request of the customer.</td></tr>
<tr><td>Highest and Best Use</td><td colspan="2">It is considered that the most efficient and productive use of the main immovable property under appraisal would be for partially “Central Business Area” purposes in line with its zoning status and current use.</td></tr>
<tr><td>Market Value-VAT Excluded</td><td>Market Approach</td><td>101.265.000 TL
26.800.000 USD</td></tr>
</table>

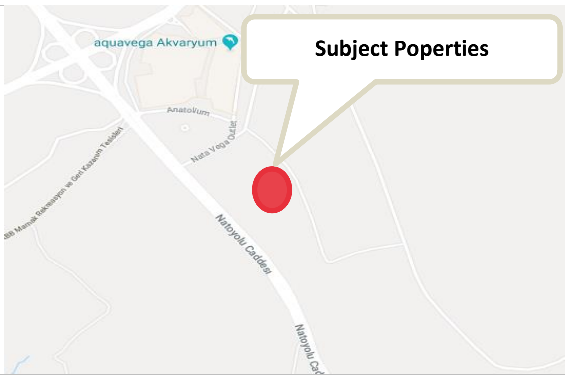
MAMAK

TITLE DEED

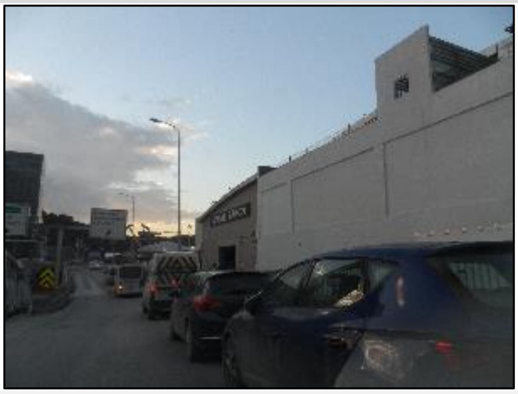
Province	Ankara	
District	Mamak	
Quarter	Üreğil	
Locality	-	
Block No	39665	39666
Lot No	1	2
Qualification of the Real Property	Land	
Surface (sq m)	31.942,00 sq m	19.579,00 sq m
Owner/Share	Kavacık Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş. / Full	

GENERAL INFORMATION

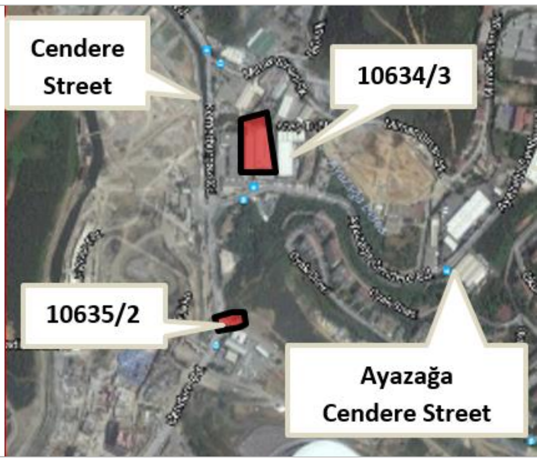
Full Address	Üreğil Quarter Block 39665, Lot 1 and Block 39666, Lot 2 Mamak / ANKARA
Description of the Real State	The subject immovable properties are located in the province of Ankara, the district of Mamak, Üreğil Quarter, Block 39665, Lot no 1 and Block 39666, Lot no 2 zoned as “Land”.
Ownership Status	Freehold
Use of Real Estate	Land
Location Map	
Location Analysis	ITC Mamak Methane Gas Operating Facility, IKEA, ASKİ Water Tank, Çankaya Municipality Engineering Works Department's Building Arts Unit, Ego Bus Operation Facility, Ego Lodgings, Metro Grossmarket, Duralialıç Business Center Construction, residence areas, shop areas and Mamak District’s major road axes Nato Road, Doğukent Street, Ankara Belt Line are located in the close vicinity of the properties. New investments are being made in the surrounding

	area of the immovable properties and for these reasons, it has been observed that the lot unit sq m values in the district are increasing.	
Zoning Status	The immovables of 39665 island, 1 Lot and 39666 island 2 Lots with valuation subject are included in the "Non-residential Urban Study Area " within the scope of "Southeastern Ankara Urban Development Area 1st Stage İmrahor Village Development Plan" with approval date 17.07.2009. And the conditions of construction are as follows, FAR: 1,50, hmax: unlimited.	
Current State of the Real Estate	The immovables are empty according to the on-site inspection.	
VALUATION INFO		
Special Assumptions	There are no special assumptions under the valuation study	
Restrictions	Within the scope of the appraisal work, the value of the immovable dated 31.12.2017 in the direction of customer demand has been appreciated.	
Highest and Best Use	In accordance with the market researches and assessments made, the most efficient and best use of the real property subject to appraisal is its legend in the implementation plan its use for the purpose of “Non-residential Urban Development Area” as compatible.	
Market Value-VAT Excluded	Market Approach	64.095.000 TL 16.960.000 USD

AYAZAĞA



TITLE DEED		
Province	İstanbul	
District	Sarıyer	
Quarter	K. Ayazağa	
Locality	-	
Plot No	-	
Section No	10634	10635
Parcel No	3	2
Qualification of the Real Property	Land	Land
Surface (sqm)	5.264,79 sq m	2.261,78 sq m
Owner/Share	Maliye Hazinesi – 3743/15000, Sancaktepe Gayrimenkul Yatırım İnşaat Turizm ve Sanayi ve Ticaret A.Ş. – 11257/15000	Sancaktepe Gayrimenkul Yatırım İnşaat Turizm ve Ticaret Anonim Şirketi – (4781/20000)
GENERAL INFORMATION		
Full Adress	Ayazağa Quarter, Ayazağa-Cendere Way No:3 and Cendere Way 10635 Block, Lot 2, Sarıyer/İstanbul	
Description of the Real State	The real properties under appraisal are; İstanbul province, Sarıyer district, K. Ayazağa Quarter, Block 10635 Lot 2 and Block 10634 Lot 3 that are qualified as “Land”	
Ownership Status	Divided into shares (10634/3) Freehold (10635/2)	
Use of Real Estate	Block 10634, Lot 3 with storage on it and vacant land numbered as block 10635, Lot 2	

Location Map	
Location Analysis	The appraisal area is located at the intersection of Kağıthane, Maslak and Şişli districts. Recently, new projects are being developed by large-scale construction companies, especially with the realization of large land sales in the region where the property is located. Mixed-use project constructions are continuing in the region. The immovable property is situated on the shores of the Cendere Valley, where the decentralization of the industry and the industrial facilities are now left to qualified projects. The properties subject to appraisal are close to the construction of Türk Telekom Arena with a capacity of 52,000 people and the construction of a 600 bed capacity Şişli Etfal Hospital. When the region is examined in terms of transportation alternatives, it is thought that the metron that provides transportation by transferring from the 4th Levent station, which was operating in November 2010, facilitated the mass transportation to the region and connected the centers with the centers located on the subway line. The Metro has been observed as a significant improvement in the accessibility of the zone. However, the Vadi Istanbul Havaray project, which are operated between Cendere Valley, Seyrantepe Station and the GS Türk Telekom Area Stadium within the scope of the Vadi Istanbul Project, is creating an alternative to public transport systems within the Cendere Valley. In addition to the Havaray Project, Vadiistanbul SHC, which was opened in 2017, is located very close to the immovables and brings movement to the region.
Zoning Status	The parcel on which the real properties under appraisal are located, remains in the " Central Business Area " legend in the 1/1.000 scale "Cenevre Valley EAST (c) Implementary Development Plan " approved on 20.03.2012-01.02.2013-01.10.2013. Despite the fact that the construction conditions of the subject immovables are as follows, the application of ''Zoning Law - Article 18'' of the immovables by the Council of State dated 21.11.2016 has been canceled. In the present case of immovables, construction is not possible without the approval of ''Zoning Law - Article 18''applications. <u>Block 10634 Lot 3</u> • Education, Informatics and Technology Area • FAR=1,2 • H_{max}= partially free, partially 50 m., partially 35 m. • In the general plan, minimum ratir of the subject legend: %60. <u>Block 10635 Lot 2</u> • Administration Center Area • Implementation would be carried out in line with the avant project.

Current State of the Real Estate	According to the on-site inspection, there is a storage on Block 10634, Lot 3 and Block 10635, Lot 2 is a vacant land.	
VALUATION INFO		
Special Assumptions	There are no special assumptions under the valuation study.	
Restrictions	Within the scope of the appraisal study the total land value of the immovable properties to the extent shared by "Sancaktepe Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş." has been appreciated. Within the scope of the valuation work, the value dated 31.12.2017 of the real properties has been appraised in accordance with the request of the customer.	
Highest and Best Use	In accordance with the market researches and assessments made, the most efficient and best use of the real property subject to appraisal is its legend in the implementation plan its use for the purpose of Block 10635 Lot 3 "Education, Informatics and Technology Area", Block 10635 Lot 2 "Administration Center Area".	
Market Value-VAT Excluded	Market Approach	35.375.000 TL 9.380.000 USD

SİLİVRİ

TITLE DEED	
Province	İstanbul
District	Silivri
Quarter	Pirimehmetpaşa
Locality	E. Kiremithane Y. Karasinan Yolu
Block No	11
Lot No	16
Qualification of the Real Property	Field
Surface (sq m)	41.633,00 m²
Owner/Share	Akatlar Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş. / Full
GENERAL INFORMATION	
Full Address	Yeni Quarter, D-100 Highway, North Side Road, 11 Block, 16 Lot, Silivri/İstanbul
Description of the Real State	The subject immovable property is located in the province of Istanbul, the administrative district of Silivri, Piri Mehmet Paşa district, O: Kiremithane, N: Karasinanyolu locality, Block F20-d-20-b-c, Block 11, Lot 16, qualified as "Field", with surface area of 41.633 sq m, owned by "Akatlar Gayrimenkul Yatırım İnşaat Turizm San ve Tic. A.Ş.". There are currently no buildings on the immovable property as of the date of appraisal.
Ownership Status	Freehold
Use of Real Estate	A vacant land

Location Map	
Location Analysis	The immovable property is located at the central point of the Silivri, facing the D-100 Highway Yanyolu and close to the public areas such as the police headquarters, the title office, and the post office. Silivri has a coastline of 45 km in length. On the coast there are vacation sites, hotel-motel and summer residences. County population increases in summer. Due to the pollution in the Sea of Marmara, it started to lose its old popularity in terms of sea tourism. Industrial facilities in Silivri are located in the north of the D-100 Highway. Within Silivri OSB Alipaşa quarter borders, there are many industrial facilities and storage facilities along the line connecting the small industrial site and the neighborhood to the D-100 Highway. In the vicinity of the property D-100 Highway, TEM Connetted Way, Angora Hotel, Kiptaş House, Barcelona House, Engin Kent Sites, Manolya Bahçe Sites, Palmia Sites, Silivri Kipa Mall, Silivri Fire House, Türk Telekom Silivri Central Built, Silivri Life Hospital ve and empty Lots. On the D-100 highway and close to the city center, the small number of vacant lots in this size is the biggest advantage of the Lot.
Zoning Status	The immovable under appraisal remains partially in the “Park”, partially in the “Road”, partially in the “Tramway Line”, partially in the “Area subject to Flooding and Restricted for Settlement”, and partially in the “Sub-center Area”, according to the 1/1000 scale “TEM Connection Road – East and West and Close Surroundings Implementation Zoning Plan”, dated 02.07.2012. **Settlement conditions are;** • Sub-Center Area • Maximum FAR: 1.00 • The Lot front may not be more than 20 m, and Lot depth may not be more than 30 m • With the condition that the front garden distance is not less than 10 m, side garden distance 5 m and back garden distance 5 m, it is h/2 • Building height not exceed 4 floor • The use of the floor area within the pull distance is unlimited.
Current State of the Real Estate	The immovable is a vacant land according to the on-site inspection.

VALUATION INFO		
Special Assumptions	There are no special assumptions under the valuation study.	
Restrictions	Within the scope of the valuation work, the value dated 31.12.2017 of the real property has been appraised in accordance with the request of the customer.	
Highest and Best Use	In accordance with the market researches and assessments made, the most efficient and best use of the real property subject to appraisal is its legend in the implementation plan its use for the purpose of “Sub Center Area” as compatible.	
Market Value-VAT Excluded	Market Approach	34.140.000 TL 9.035.000 USD

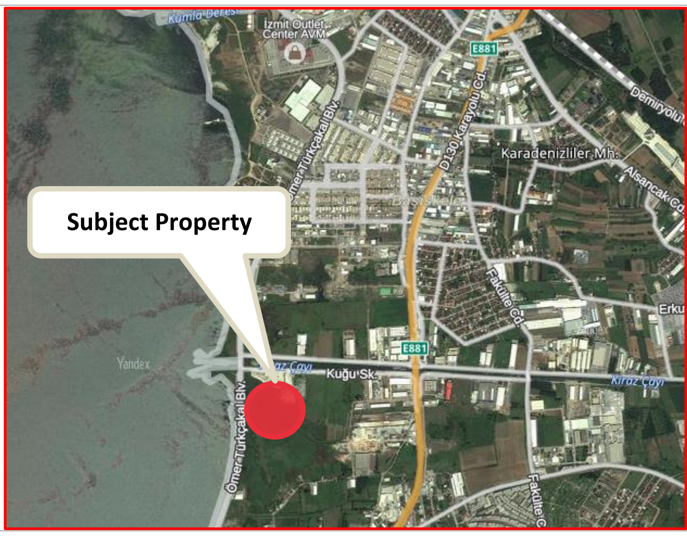
ANTALYA


TITLE DEED		
Province	Antalya	
District	Muratpaşa	
Quarter	Yenigöl	
Locality	-	
Block No	12557	
Lot No	1	2
Qualification of the Real Property	Land	Land
Surface (sq m)	3.353,00 sq m	9.566.00 sq m
Owner/Share	Balmumcu Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret Anonim Şirketi / Full	
GENERAL INFORMATION		
Full Address	Yenigöl Quarter, Serik Avenue Sideroad, Block 12557, Lot 1 and Lot 2, Muratpaşa / Antalya	
Description of the Real State	The appraisal property located at Antalya province, Muratpaşa district, Yenigöl Quarter, Block 12557, Lot 1, has a 3.353,00 sq m surface area, Block 12557, Lot 2, has a 9.566,00 sq m.	
Ownership Status	Freehold	
Use of Real Estate	Vacant land	
Location Map		
Location Analysis	The Serik Avenue Byway that the real properties are facing and the Serik Avenue are the main axis where transportation between Antalya and Aksu, Serik, Manavgat is provided. Serik Avenue is on the upper level in terms of commercial activity as of the nature and the commercial buildings on the street are quite large. In the immediate surroundings of the real properties, there are	

	Antalya Airport, Shell Gas Station, Tokuşoğlu Petrol Ofisi, Pakpen Antalya Regional Directorate, TED Antalya College, Hürriyet Newspaper at the same location, and Deepo Shopping Center, Ford Otokoç Automotive Showroom, Fiat Birmot Automotive Showroom, Renault Automotive Zamanlar Showroom, BMW Kosifler Auto Showroom, Hyundai Automotive, Citroen Automotive, Kia Automotive, Volvo Automotive and Toyota Automotive Showrooms and Sabah Newspaper to the north of the real properties.	
Zoning Status	The real properties under appraisal remain within "Commercial Area" within the scope of the 1/500 scale "Muratpaşa District Yenigöl Quarter Regulatory Zoning Plan Revision" approved by the resolution of the Antalya Metropolitan Municipality Council dated 09.03.2015 and numbered 225. It has been found out that 1/1.000 scale implementary development plan revision of the subject real property was deemed suitable by the council decision of Muratpaşa Municipality dated 05.09.2017, numbered 321 and was sent to Antalya Metropolitan Municipality and transferred to the Metropolitan Municipal Council on 03.10.2017.	
Current State of the Real Estate	The immovables are empty according to the on-site inspection.	
VALUATION INFO		
Special Assumptions	There are no special assumptions under the valuation study.	
Restrictions	Within the scope of the valuation work, the value dated 31.12.2017 of the real property has been appraised in accordance with the request of the customer.	
Highest and Best Use	In accordance with the market researches and assessments made, the most efficient and best use of the real property subject to appraisal is its legend in the implementation plan its use for the purpose of “Commercial Area” as compatible.	
Market Value-VAT Excluded	Market Approach	19.715.000 TL 5.215.000 USD

İZMİT

TITLE DEED	
Province	Kocaeli
District	İzmit
Quarter	Ş. Körfez
Locality	-
Block No	4215
Lot No	12
Qualification of the Real Property	Land
Surface (sq m)	31.521,00 sq m
Owner/Share	İzmit Belediyesi / (1394/31521 share) Pendik Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş. (30127/31521 share)
GENERAL INFORMATION	
Full Address	Ş. Körfez Quarter, Ömer Türkçakal Boulevard, Block 4215, Lot 12, İzmit/Kocaeli.
Description of the Real State	The appraised property is owned by "Pendik Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.(30127/31521)" and "İzmit Municipality (1394/31521)", and registered as "Land" at Kocaeli Province, Merkez District, Ş. Körfez Quarter, block 18NIVB, Block 4215, Lot 12 with 31,521.00 sq m area.
Ownership Status	Divided into shares
Use of Real Estate	A vacant land
Location Map	

Location Analysis	The real property subject to appraisal is located in Izmit district which is situated on the east of the Marmara region and the Marmara Sea that connects Asia and Europe. Kandıra is located on the north of the district, Kartepe on the east, Başiskele, and Gölcük on the south, Karamürsel on the southwest and Derince district on the west. Being one of the most important transit points in Turkey by the land, sea and air transportation, Izmit district is a coastal town that is located on the east of Izmit Bay. The immovable property under appraisal is at an approximately ~4 km. distance from the city center and located close to the sea on the Ömer Türkçakal Boulevard. It is also in close vicinity to the D-100 Highway. Such factors as the closeness of the region, where the immovable property is located, to the city center and its location in a region highly concentrated with industrial and commercial enterprises, constitute an advantage when the development potential is taken into consideration.
Zoning Status	The subject Lot remains in the "Central Business Area" legend in the 1/1.000 scale "Kocaeli Central Business Area Implementary Development Plan" approved on 15.12.2016 and the settlement conditions are as follows; • FAR= 1,20 • H_{max}= 10,00 m • There is 4.300 sq m a renunciation for road. • It has been stated that an amalgamation work will be carried out in the region where the subject real property is located following the approval of "Kocaeli Metropolitan Yenikent Merkezi, Central Business Area Implementary Development Plan" with a scale of 1/1000, approval date of 15.12.2016 and numbered 711. In the said work, it has been found out that in the said work, the real property subject to appraisal may be re-drawed according to its building block or it can obtain the construction permit only by the relinquishment to the road. There is no building permit in the region where the real property subject to appraisal is located according to the information obtained as of the date of the appraisal.
Current State of the Real Estate	The immovable is empty according to the on-site inspection.
VALUATION INFO	
Special Assumptions	There are no special assumptions under the valuation study.
Restrictions	Within the scope of the appraisal study the land value of the immovable property to the extent shared by ''Pendik Gayrimenkul Yatırım İnş. Tur. San. ve Tic. A.Ş.'' has been appreciated. Within the scope of the valuation work, the value dated 31.12.2017 of the real property has been appraised in accordance with the request of the customer.
Highest and Best Use	In accordance with the market researches and assessments made, the most efficient and best use of the real property subject to appraisal is its legend in the implementation plan its use for the purpose of "Central Business Area" as compatible.
Market Value-VAT Excluded	Market Approach — 14.460.000 TL 3.825.000 USD

SECTION 5

COMPANY INFORMATION AND REFERENCES

Section 5

Company Information And References

TSKB Real Estate Appraisal Inc. has been founded in November 2002. It has been listed in the "Real Property Valuation Companies" by the Capital Markets Board in February 2003 and has acquired the title of one of the first private organizations with a CMB license. TSKB Real Estate Appraisal Inc. is an affiliate of the Türkiye Sınai Kalkınma Bankası (TSKB- Industrial Development Bank of Turkey). We rise on the expertise of our main shareholder TSKB in real property, machinery and equipment valuation.

TSKB Real Estate Appraisal Inc. is one of the first companies that have been authorized to provide "Valuation of real property, real property investment or rights and benefits associated with a real property" services by the Banking Regulation and Supervision Agency. Also, is one of the first companies in Turkey that has received the British Royal Institute of Chartered Surveyors-RICS Certificate. So, we generate innovative and different solutions in the field of consultancy by our experienced and specialized staff that is growing stronger every day, and offer comprehensive services to our large customer mass.

It is the first real property valuation company in Turkey that has been entitled to receive the ISO 9001:2008 Quality Certificate by the British certification body BSI Eurasia Management Systems Certification Ltd. Co. and also has been awarded by Euromoney (England) as the "Best Real Property Consultant in Turkey" in 2005, and has been found worthy of the same award also in 2008, 2014 and 2015.

TSKB Real Estate Appraisal Inc. is a member of the United States Green Buildings Council - USGBC as of February 2016. It is the first company providing valuation services for green building investments in Turkey by LEED Green Associate certified employees, competent on LEED certification that is issued by the institution and indicates that the buildings are energy efficient. The organization also includes appraisers who are authorized by the Appraisal Institute.

Serving with a total of 8 branches and about 110 expert staffs in İstanbul, Ankara, İzmir, Adana, Antalya, Trabzon, Diyarbakır and Bursa provinces, we would be pleased to provide you an independent, impartial objective, Valuation/Consultancy Service at the international standards by combining our knowledge and research experience of years with our expert staffs.

Our Services

- Real Estate Valuation
- Collateral Valuation
- Machinery - Equipment, Ship and Other Tangible Fixed Assets Valuation
- Highest and Best Use Analysis
- Feasibility Analysis
- Market Research and Sector Analysis
- Tender Consultancy and Process Management
- Urban Transformation Consultancy
- Construction Progress and Investment Monitoring Consultancy
- Concept Development Consultancy
- Valuation Review
- Green Valuation

With years of its extensive knowledge and expertise, TSKB Gayrimenkul Değerleme A.Ş. has involved in the valuation sector by its reports for use in domestic and international institutions and by its consultancy services in major projects. Some of these studies are listed below.

- Portfolio valuation for Akfen GYO A.Ş.
- Portfolio valuation for Kiler GYO A.Ş.
- Portfolio valuation for Yapı Kredi Koray GYO A.Ş
- Emlak Konut GYO's Public Offering
- Portfolio valuation for Trend GYO
- Portfolio valuation for Özak GYO

- Portfolio valuation for Atakule GYO
- Portfolio valuation for Ziraat GYO
- Portfolio valuation for Doğuş GYO
- Consultancy for Privatization Administration Tender
- Consultancy for TMSF (Saving Deposit Insurance Fund)

SECTION 6

ANNEX

Section 6

Annex

1 Licences

Annex 1: Licences

THIS IS TO CERTIFY THAT

TSKB Real Estate Appraisal Company Head Office

IS REGISTERED AS A FIRM REGULATED BY RICS

Valid from:	17/03/2011
Until:	08/02/2019
Firm Registration no.	0-9158

Gillian Charlesworth

DIRECTOR OF REGULATORY AND CORPORATE AFFAIRS

RICS

This certificate is held from year to year subject to the provisions of the bye-laws of the Institution and is not a certificate to practice.

THE ISSUER

Rönesans Gayrimenkul Yatırım A.Ş.
Aziziye Mahallesi
Portakal Çiçeği Sokak No:33
Y. Ayrancı, Çankaya
Ankara
Turkey

TRUSTEE
BNY Mellon Corporate Trustee Services Limited
One Canada Square
London E14 5AL
United Kingdom

PRINCIPAL PAYING AGENT AND TRANSFER AGENT
The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL
United Kingdom

U.S. PAYING AGENT

The Bank of New York Mellon
101 Barclay Street
New York NY 10286
United States of America

REGISTRAR
The Bank of New York Mellon SA/NV, Luxembourg Branch
Vertigo Building - Polaris
2-4 rue Eugène Ruppert
L-2453 Luxembourg
Grand Duchy of Luxembourg

LEGAL ADVISERS

To the Issuer as to Turkish law

Gedik Eraksoy Avukatlık Ortaklığı
River Plaza, Kat: 17; Büyükdere Cad.
Bahar Sok. No. 13, Levent, TR-34394
Istanbul, Turkey

To the Issuer as to English law and United States law

Allen & Overy LLP
One Bishops Square
London E1 6AD
United Kingdom

To the Joint Lead Managers as to Turkish law

Akol Özok Namlı Avukatlık Ortaklığı
Orjin Maslak
Eski Büyükdere Caddesi No:27 K:11 Maslak 34485
Istanbul
Turkey

To the Joint Lead Managers as to English and United States law

Latham & Watkins (London) LLP
99 Bishopsgate
London EC2M 3XF
United Kingdom

To the Trustee
Latham & Watkins (London) LLP
99 Bishopsgate
London EC2M 3XF
United Kingdom

AUDITORS

DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Deloitte Touche Tohmatsu Limited)
Maslak No 1 Plaza, Eski Büyükdere Caddesi
Maslak Mahallesi No:1
Maslak, Sarıyer 34398, Istanbul
Turkey

LISTING AGENT

Arthur Cox Listing Services Limited
Ten Earlsfort Terrace
Dublin 2
Ireland

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