



ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
Annual Report 2016

March 28, 2017
General Assembly Meeting
2016 Fiscal Year

Registered Capital
TL 20.000.000

Issued Capital
TL 10.650.794



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MESSAGE FROM THE BOARD OF DIRECTORS

Dear Shareholders,

2016 was a year in which serious developments took place both in Turkey and the world. The fact that Donald Trump was elected president in the USA and England's decision to leave the European Union with a referendum were two developments that marked 2016. Moreover, the developments in the Middle East and mainly in Syria and the terrorist incidents in the world in general were also developments that had global impacts in 2016. Turkey experienced serious major incidents such as the coup attempt of July 15th, the terrorist incidents and the Euphrates Shield Operation military intervention carried out in Syria.

The fact that the USA President Trump started to implement protective economic policies as soon as he assumed office created distress in the world as a whole. As a first action Trump decided to withdraw from the Trans-Pacific Partnership and to renegotiate the free trade agreements. He gave signals that he would raise the customs walls in order to attract investments and particularly those in the automotive sector to the USA and issued a decree for the construction of a wall along the Mexican border. When assessed together with England's decision to leave the European Union, these developments increase the fragility regarding global economy.

In the light of these developments, while the world economy grew at a rate of 3,1 % in 2016, the growth rate of developed economies was around 1,6 %. The growth rate of developed economies proceeded below potential levels, namely in the USA 1,6 %, the Euro Zone 1,7 %, England 2 % and Japan around 0,9 %. Although developing economies showed a growth rate of 4,1 % in 2016, the growth rate of China attained 6,7 %.

It is estimated that world economy will recover some in 2017 and will attain a rate of approximately 3,4 %. It is also estimated that the growth rate in the USA economy will be greater than in 2016 and that of the Euro Zone and China will be closer to the rates of 2016.

2016 has been a difficult year for Turkish economy. While the growth rate was around 2 %, the unemployment rate attained 12,1 %. The foreign trade deficit decreased at a rate of 11,7 %, current deficit reached 32,6 billion US dollars. The ratio of the current deficit to the GNP fell below 4 %. Despite all the unfavorable conditions, the budget deficit was TL, 29,3 billion and its ratio to the GNP was 1,14 %. Inflation at CPI level was 8,53 %.

When taking into consideration developments such as the increasing protectionism trends in the world in general, decrease in capital flow to developing countries and the fact that international rating agencies dropped Turkey's grade to below investment grade, we estimate that Turkish economy will show a growth rate of 3 % in 2017. The negative effect of the increase in foreign exchange rates on inflation will begin to be seen in 2017, and unemployment will continue to be a major problem. The USA Central Bank, FED, seems to have decided to increase interest rates in 2017. In that case, inevitably, the monies of the developing countries will lose more value against the US dollar and the borrowing cost from international markets will increase.

The construction sector continued to be the leader of Turkish economy in 2016, too. Despite all the negative conditions, the housing sales increased by 4 % attaining approximately 1,4 million units due to the drop in housing loan rates and VAT rates. However, the stocks in housing continued to increase despite these sales.

Our company continued to obtain rent income from the highly prestigious real estate in its portfolio and at the same time continued to sell the housing in its existing stock. We are intending to carry into effect the projects whose development works are continuing when the conjuncture is favorable.

We would like to thank you our esteemed shareholders who have always supported us and all our personnel who have worked diligently.

With these thoughts and feelings we would to extend our respects and regards to your esteemed committee.

Board of Directors



BOARD OF DIRECTORS AND AUDITORS

<u>Board of Directors</u>	<u>Duty</u>	<u>Commencement Date of Duty</u>	<u>Expiry Date of Duty</u>
Mustafa Filiz	Chairman	25.03.2016	25.03.2019
Ahmet Önder Kazazoğlu	Vice Chairman	25.03.2016	25.03.2019
Mehmet Alper Kaptanoğlu	Director	25.03.2016	25.03.2019
Mehmet Ahkemoğlu	Director	25.03.2016	25.03.2019
Hilmi Önder Şahin	Director	25.03.2016	25.03.2019
Sarper Volkan Özten	Director (Independent)	25.03.2016	25.03.2019
Kudret Vurgun	Director (Independent)	25.03.2016	25.03.2019

Members of the Board of Directors don't have any executive function in the Company.

Auditor

BDO Denet Bağımsız Denetim ve Danışmanlık A.Ş. (Member, BDO International Network)	25.03.2016	25.03.2017
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Independent Auditor

BDO Denet Bağımsız Denetim ve Danışmanlık A.Ş. (Member, BDO International Network)	25.03.2016	25.03.2017
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Powers and Limits of Members of the Board of Directors

The Chairman and Directors are having the power and responsibility in accordance with the Turkish Commercial Legislations and Company's Articles of Association.



INFORMATION REGARDING MEMBERS OF THE BOARD

Mustafa FILİZ

Chairman of the Board of Directors

Filiz was born in Çorum in 1960. In 1982, he graduated from Istanbul University, Faculty of Economics. In 1982, he started working as Assistant Tax Inspector on the Board of Tax Inspectors of the Ministry of Finance and was appointed as Tax Inspector in 1985.

In 1989, he was sent to England by the Ministry of Finance for a year. In 1992, Filiz was appointed Chief Tax Inspector. As working as Deputy Chairman of the Istanbul Group of the Board of Tax Inspectors he resigned in 1995 and joined the Alarko Group of Companies.

Mustafa Filiz who is presently the Senior Vice President of Financial of the Alarko Group of Companies is also a member of the Board of various companies of the Group.

Mustafa Filiz is married and has one child. He speaks English.

Mustafa Filiz does not qualify as independent director according to the CMB's Communiqué Numbered II-17.1.

Ahmet Önder KAZAZOĞLU

Vice Chairman of the Board

Kazazoğlu was born in Kilis in 1953. In 1975, he graduated from the Mechanical Engineering Faculty of METU. In 1977, he completed his Master's Degree at the same faculty.

Kazazoğlu joined the Alarko Group of Companies in 1979. He worked as administrator on various projects of the company both at home and abroad. Kazazoğlu is the Senior Vice President of the Altek Alarko Elektrik Santralleri Tesis, İşletme ve Ticaret A.Ş. since 2013 and a member of the Board in various companies of the Group.

Kazazoğlu is married and has two children. He speaks English.

Ahmet Önder Kazazoğlu does not qualify as independent director according to the CMB's Communiqué Numbered II-17.1.

Mehmet Alper KAPTANOĞLU

Member of the Board

Kaptanoğlu was born in Borçka in 1950. In 1973, he graduated from ITU Faculty of Mechanical Engineering.

Kaptanoğlu joined the Alarko Group of Companies in 1973 and held managerial positions in various companies of the Group. He has been working as Deputy Chief Executive Officer of Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. since 1998. He is a Board member in various companies of the Group.

Kaptanoğlu is married and has two children. He speaks English.

Mehmet Alper Kaptanoğlu does not qualify as independent director according to the CMB's Communiqué Numbered II-17.1.

Mehmet AHKEMOĞLU

Member of the Board

Ahkemoğlu was born in Ankara in 1964 and graduated from Ankara University, Faculty of Political Sciences, School of Economics in 1986. In 1996, he completed his Master's Degree in International Accounting and Auditing at Illinois University.

In 1986, Ahkemoğlu started working at the Ministry of Finance as Assistant Tax Inspector, in 1989 as Tax Inspector, in 1997-2004 as Department Head on the Revenues Administration of the Ministry of Finance, and in 2005 as Department Head on the Department of Revenues Management of the Revenues Administration. He resigned at the end of 2005 and joined the Alarko Group of Companies in 2006. At present he is the Senior Vice President of Auditing of the Alarko Group of Companies. Ahkemoğlu who is also a member of the Board of various companies within the Alarko Group. He speaks English.

Mehmet Ahkemoğlu does not qualify as independent director according to the CMB's Communiqué Numbered II-17.1.

**Hilmi Önder ŞAHİN*****Member of the Board***

Şahin was born in Ayvalık in 1948. He graduated from the Mining Department of the Engineering Faculty of METU in 1970 and completed his graduate studies at the same faculty in 1972.

Şahin started to work at Alarko as an Instrumentation Engineer in 1975. This was followed by managerial positions in various companies of the Group. Şahin has been General Manager of Alarko Carrier Sanayi ve Ticaret A.Ş. since 1995. He is also a member of the Board in various companies of the Group.

Şahin is married and has two children. Şahin speaks English.

Hilmi Önder Şahin does not qualify as independent director according to the CMB's Communiqué Numbered II-17.1.

Sarper Volkan ÖZTEN***Independent Member of the Board***

Özten was born in Trabzon in 1958. He graduated from Istanbul University, Faculty of Economics in 1983. He started his business life at Emlak Bankası in 1984-1987 and worked at İktisat Bankası in the years 1987-1990. He was General Manager at Öncü Menkul Değerler between 1990 and 1997. He worked as General Manager and Chairman of the Board at Finans Yatırım in the years 1997-2007. Özten was a member of the Auditing Board of Ingbank and its subsidiaries in 2008-2013 and has been a Consultant to the Board at Fibabank since 2013.

Sarper Volkan Özten who is married and has two children speaks English.

Sarper Volkan Özten qualifies as independent director according to the CMB's Communiqué Numbered II-17.1.

Kudret VURGUN***Independent Member of the Board***

Kudret Vurgun was born in Istanbul in 1967. He graduated from Istanbul University Faculty of Management in 1989. He worked in various positions including 18 years as Quotations Manager at the Istanbul Stock Exchange (Borsa Istanbul) from 1990 to 2012. On leaving the Istanbul Stock Exchange he worked as an independent consultant in the area of public offering and corporate financing and as Independent Board Member at a publicly held company. Vurgun worked as Board Member at KOTEDER (The Association of Listed Companies' Executives) in 2013-2016. He has numerous articles, seminars and books published in the areas of the Capital Market and Stock Exchange and finance. Vurgun speaks English.

Kudret Vurgun qualifies as independent director according to the CMB's Communiqué Numbered II-17.1.



AGENDA OF THE ANNUAL GENERAL ASSEMBLY MEETING OF MARCH 28, 2017

1. Opening and moment of silence.
2. Deliberations and decision on the election of the Presiding Committee.
3. Deliberations and decision to authorize the Presiding Committee to sign the minutes of the General Assembly Meeting.
4. Reading and deliberation of the Annual Report of the Board of Directors, Auditor's Report and Independent Auditor's Report for the year 2016.
5. Reading, discussion and approval of the Statements of Financial Position and Statements of Comprehensive Income of 2016.
6. Deliberations and resolution for the acquittal of the Members of the Board of Directors for the activities in year 2016.
7. Deliberations and resolution on the proposal of the Board of Directors for the profit distribution of the year 2016.
8. Deliberations and decision on the determination of the salaries of the Board of Directors.
9. Deliberations and resolution regarding vesting the power set out in articles 395 and 396 of the Turkish Commercial Code to the members of the Board of Directors.
10. Presenting information to General Assembly on procedures indicated in articles 1.3.6 of the "Corporate Governance Principles" in the annex of the Communiqué numbered II-17.1 of the Capital Market Board.
11. Deliberations and decision concerning the signing of a contract for the auditing of the company's accounts and operations for the year 2017 by an Independent Auditing Company selected by the Board of Directors in accordance with the Capital Markets Regulations, Turkish Commercial Code and approval of the draft of the contract.

Board of Directors



ANNUAL REPORT OF THE BOARD OF DIRECTORS

Dear Shareholders,

We hereby present the Annual Statement of Financial Position, Statement of Comprehensive Income and other financial statements which reflect the results of our company's activities in 2016 for your evaluation and criticism.

- 1) Our annual report covers the period between January 1, 2016 and December 31, 2016.
- 2) The members of the Board and the Statutory Auditors during 2016 are their terms of office are presented on page 4.
- 3) The Board of Directors convened 14 times during the term. All members have attended to the meetings held during the period. Board decisions have been taken unanimously. Therefore, there is no record of dissenting votes.
- 4) The company's registered capital ceiling in 2016 was TL 20.000.000.
- 5) Our issued capital is TL 10.650.794 and our net profit for the period TL 133.207.239.
- 6) The rate of participation to our Ordinary General Assembly Meeting held on March 25, 2016 was 59,22 %. The shareholders that hold more than 10 % of our capital are; Alarko Holding A.Ş. with 16,42 % of the shares and Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. with 34,78 % of the shares. 48,77 % of the capital is offered to the public.

In the last three years of activity a cash dividend of 40 % was paid in 2013, a cash dividend of 47 % was paid in 2014 and a cash dividend of 63 % was paid in 2015.

The proposal for profit distribution for the year 2016 submitted by the Board of Directors to the approval of the General Assembly is on page 19 of the report. At the time this report was written, the nominal value of TL 1 of our share certificate registered with the Borsa İstanbul , where their transaction is carried out, was TL 42,00.

- 7) No donations were made to foundations and associations in 2016.
- 8) There are no important lawsuits brought against our company which could impinge on its financial status or activities of the company as of 31 December 2016.
- 9) Shareholders who control the management, members of the board of directors, top executives and their spouses and blood and in-law relatives up to and including second kin have not executed any transaction which may lead to conflict of interest with the Company or its affiliates. Members of the Board have no transactions of their own or on behalf of others that could be within the scope of the noncompetition covenant.
- 10) Footnote 27 to the financial statements contains information related to checking compliance with portfolio limitations.



GENERAL INFORMATION REGARDING OUR ACTIVITIES

Our company is continuing to develop environment friendly projects with complete infrastructure, recreation areas, befitting contemporary urbanization applications and managed by modern organizations. Sale of the few remaining mansions of the Alarko 2000 Lake Mansions project in Büyükçekmece was maintained in 2016. The Alkent 2000 Lake Mansions project has become a prestigious and privileged life center with its social facilities, landscaping, special security do to its being on a single parcel of land.

We are continuing to work on project development for our estate in Maslak and at the same time maintaining our search for plots for new projects.

The stable rent income we obtained in 2016 from our quality real estate portfolio as well as the holiday village that we own will continue in 2017. The prestigious real estate that we have included in our portfolio in previous years to get high rental income are: The five star Hillside Beach Club Holiday Village located over an area of 100.037 m², a closed area of 23.922 m², and a bed capacity of 781 along Kalemaya Bay in Fethiye, the 13.794 m² factory and facilities built over an area of 13.503 m² in Eyüp, Istanbul, 39 shops extending over an area of 4.233 m² in Alkent Etiler Shopping Center in Etiler, Istanbul, the 4 storey Alarko Business Center of 1.730 m² on Necatibey Caddesi, Karaköy, Istanbul, the 750 m² Alarko-Dim Business Center consisting of 3 office floors and a 3-storey store in Tepebaşı, Istanbul, 10 shops with a total area of 784 m² at Istanbul Büyükçekmece Alkent 2000 and the 6 storey 1.943 m² Alarko Business Center in Çankaya, Ankara.

Our company continued getting high financial income in 2016 thanks to its strong equity capital and liquidity structure and increasing the value of the resources set aside for new projects in finance and capital markets.

ADDITIONAL INFORMATION REGARDING OUR ACTIVITIES

- 1) Our Company had no activities related to Research and Development in the financial term of 2016.
- 2) Information regarding the internal control system of our company and its internal and external auditing activities: Our Company conforms to the principles stated in the Corporate Governance Principles. Hence, an "Auditing Committee" was constituted within the Board of Directors and the committee's work principles were determined by the Board. The results of the internal auditing reports drawn as a result of the inspections carried out in accordance with the internal control system set up and the audit reports drawn at the end of inspections carried out by the independent auditing companies are followed by the committee and reported to the Board. The financial statements showing the results of the activities of Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. for the year 2016 have been subject to independent auditing by BDO Denet Bağımsız Denetim ve Danışmanlık A.Ş. (Member, BDO International Network). Both internal auditing and independent auditing were conducted twice within the financial period of 2016 and no adverse case was determined. Neither public nor special inspection was conducted within the term. The financial statements of the company were examined by the Auditing Committee and it was determined that they reflected the financial status of the company correctly, and were in accordance with the records and that the results of 2016 were in compliance with the relevant laws and the Articles of Association.



- 3) Direct participations and share ratios of are company are as follows. The company has no mutual participation exceeding 5 %.

Subsidiaries	Declared Capital (TL)	Share (TL)	Share (%)
Alsim Alarko Sanayi Tesisleri ve Tic. A.Ş.	172.687.080	1.196	0,00
Alarko Konut Projeleri Geliştirme A.Ş.	22.193.713	143	0,00
Alarko Holding A.Ş.	223.467.000	608.222	0,27

Information regarding our partnership ratios in our shareholdings as of 31 December 2016 and the dividends we have accumulated in 2015 and 2016 are given in note numbers 4 and 19 to the Financial Statements.

- 4) Our Company does not possess any own share.
- 5) As there is no practise by the Company and the members of the Board of Directors against to the applicable laws and regulations, there is neither any administrative nor judicial litigation against the Company and the members of the Board of Directors.
- 6) Objectives determined in former terms have been attained and there are no matters that have not been implemented in the decisions taken at the General Assemblies of the Company.
- 7) No extraordinary General Assembly was held during the term.
- 8) Our company has no spending within the social responsibility Project. Social contributions are made through the GYO (Real Estate Investment) Association and Alarko Educational Cultural Foundation.
- 9) Our company is a dependent company of Alarko Holding A.Ş. as defined in Turkish Commercial Code Article 195 Paragraph 1. Our company has carried out some transactions of goods and services with the parent company and its affiliates. All aforesaid transactions are conducted in accordance with arm's length principle.

No legal action was taken by our Company in favor of the parent company or its affiliates under directives of the parent company. Therefore, no measures were taken or avoided to be taken in favor of the parent company or its affiliates during the past year.

All business activities of our Company performed with the parent company and its affiliates are in total conformity with law and regulations and also with the arm's length principle, and therefore no compensation is needed for aforesaid transactions according to Turkish Commercial Code Article 199 whatsoever.

- 10) No significant incident has occured since end of the past year until the date of report, which can affect rights of shareholders, creditors and the other related third parties.
- 11) There have been no legislative amendments that can seriously affect the Company's activities within the term.
- 12) Conflict of interest does not exist between the Company and investment consulting institutions as well as rating instutions which render services to the Company.
- 13) 15 special case announcements were made during the year. No additional explanation was requested.



FINANCIAL RIGHTS GRANTED TO BOARD MEMBERS AND TOP EXECUTIVES

Except for the Independent Members of the Board, no financial rights such as honorariums, fees, bonuses, premiums, profit share are granted to Board Members. The gross total of fees and similar financial rights provided to the Independent Board Members and top executives in 2016 was TL 1.141.903.

There are no allowances, travel, accommodation and representation expenses and real and financial means, insurances and any similar collaterals given to the Members of the Board of Directors.

INFORMATION ABOUT HUMAN RESOURCES

The average number of employees on the 01.01.2016 - 31.12.2016 term is 7.

As of 31.12.2016, the company has calculated TL 282.338 employment termination indemnities with full provision.

All employees are treated fairly and equally in terms of training and promotion opportunities, training plans and policies aiming at improving the knowledge, skills and experience of the employees are developed. The employees receive training regularly during the year.

Job descriptions are developed for every position. Performance and reward criteria are determined on a yearly basis and are then implemented upon agreement with the employees.

Health insurance, transportation, lunch facilities are provided to employees by company.

A safe working environment is provided to the personnel and it is improved continuously.

CURRENT CAPITAL AND PARTNERSHIP STRUCTURE

Shareholders	Share Amount (TL)	Number of shares and votes	Ratio (%)	Number of (*) A Group shares and votes	Number of (**) B Group shares and votes	Number of C Group shares and votes
Alarko Holding A.Ş.	1.748.259	174.825.881	16,42	16.467.000	–	158.358.881
Alsım Alarko Sanayi Tesisleri ve Ticaret A.Ş.	3.704.641	370.464.092	34,78	–	23.500.000	346.964.092
Other	3.453	345.271	0,03	33.000	–	312.271
Public Offering	5.194.441	519.444.156	48,77	–	–	519.444.156
Total	10.650.794	1.065.079.400	100	16.500.000	23.500.000	1.025.079.400

(*) A Group Shareholders have right of nomination of 4 candidates at election of members of Board.

(**) B Group Shareholders have right of nomination of 3 candidates at election of members of Board.

There are no other concessions except for that of "Nomination to the Board" as stated above.

There has been no change in the capital and partnership structure of the company in 2016.



PROFIT DISTRIBUTION POLICY

Our Company distributes its profits within the frame of Capital Market Legislation, Turkish Commercial Code, Tax Legislation, other concerned legislation and the provisions stipulated under the Articles of Association of the Company.

The amount of profit to be distributed is determined by taking into consideration the funds that may be needed in line with the investment policy and other cash needs of the company.

In principle, our company will distribute every year at least 5% of its distributable profit for the term to its shareholders in cash as dividend or as non-paid by adding it to the capital. In case of occurrence of extraordinary economic circumstances, a dividend at a lower rate than the above indicated one may be distributed or no dividend may be distributed. Such a case is announced to the public with a special case announcement containing a justification by passing a resolution from the Board of Directors.

The Board of Directors passes a resolution containing its proposal for the distribution of profit every year within the frame of profit distribution policy of the company and presents same to the approval of the General Assembly.

It is essential that the distribution of dividend is started on 31st of May every year in case the proposal of the Board of Directors related to the distribution of profit is approved by General Assembly. General Assembly of Shareholders may determine the date of distribution of profit provided that such date shall not be later than the last day of current accounting period during which the meeting is held.

There is no privileges in profit distribution.

Our Company distributed a profit of TL 6.710.000 in 2016.

CHANGES MADE IN THE ARTICLES OF ASSOCIATION DURING THE TERM AND THE REASON

The application made to the Capital Markets Board on 29.12.2015 by our company for the amendment of articles (6) was approved with the permissions number 12233909-325.06-E.137 and dated 07.01.2016 of the Capital Markets Board and number 67300147-431.02 and dated 14.01.2016 of the Customs and Commerce Ministry, General Directorate of Domestic Trade.

The said text of amendments were approved at the General Assembly held on March 25, 2016. The old and new texts of the relevant articles are published in the "Investor Relations" link of our web-site.

RISKS AND EVALUATION OF RISKS BY THE MANAGING BODY

An Early Detection of Risk Committee consisting of 4 members has been established to determine risks likely to be encountered and to make recommendations to the Board in order to set up an effective risk management system and their operation principles have been approved by the Board.

The Board set up a risk management mechanism. All possible risks likely to be encountered by the company are reviewed periodically by the Committee of Early Identification of Risks consisting of Board members. The Committee convened 6 times within the term with full participation and the report was presented to the Board.

Furthermore, the Auditing Committee, Committee of Early Identification of Risks and the Board determine the measures to be taken and instruct the managers of the company by way of the General Manager.



FINANCIAL INDEXES

According to the independently audited financial statements prepared as of December 31, 2016 financial indexes are as follows.

Financial Indexes	Year 2016	Year 2015
Net Sales	TL 23.791.105	TL 21.002.300
Net Profit for the Period	TL133.207.239	TL 131.791.243
Current Ratio	94,96	83,38
Liquidity Ratio	91,00	77,83
Dept Equity Ratio	0,66 %	0,71 %
Total Assets	TL 718.210.559	TL 590.429.307

Analysis of the basic ratios regarding the term of 2016 shows that our Company's net working capital is adequate, that it can pay all its short term liabilities in cash or with economic assets that can be liquidated in a short period and also that its operating activities are financed with its equities. The Company's paid-in capital is TL10.650.794, and it is in a position to pay its depts. The financial structure of the company is propitious to maintaining its activities. Hence, there are no precautions taken concerning this issue.

As of 31.12.2016, the number of shares at par value of TL 1,00 is 10.650.794 and the current value per share is TL 67.

Information regarding assets in our portfolio is summarized below :

i – Real Estates

Real Estates, Real Estate Projects, Chattel Real		Appraisal Date	Appraisal Value (TL)	
			VAT excluded	VAT Included
- Villas in Büyükçekmece Eskice Village	Büyükçekmece Eskice Village 106/18 parcel 63 villas,9 villas remaining.	28.12.2016	17.215.000	20.313.700
- Land in Büyükçekmece Eskice Village	Büyükçekmece / İstanbul, 3 parcels 622.651,10 m ² .	28.12.2016	49.700.000	58.646.000
- Maslak Land	Sarıyer / İstanbul, 2 parcels, in Maslak, on the Şişli - İstinye Büyükdere motorway 18.961,90 m ² .	28.12.2016	70.000.000	82.600.000
- İstanbul Şişhane Business Center	Beyoğlu / İstanbul, gross 730 m ² , 3 floors offices, 1 floor / entrance store, with elevator, generator, air conditioning and floor heating .	28.12.2016	7.435.000	8.773.300
- İstanbul Karaköy Business Center	Karaköy / İstanbul, gross 1.730 m ² , single block, elevator, fuel-oil heating, ½ bought in 1997, ½ bought in 1999.	28.12.2016	8.493.000	10.021.740
- Ankara Çankaya Business Center	Çankaya / Ankara, gross 1.887 m ² , single block, 6 storeys, elevator, chiller air conditioning, natural gas heating.	28.12.2016	5.140.000	6.065.200



Real Estates, Real Estate Projects, Chattel Real		Appraisal Date	Appraisal Value (TL)	
			VAT excluded	VAT Included
- Fethiye Hillside Beach Club Holiday Village	10.128,09 m ² , in Fethiye / Muğla, Parcel 3 with 1. Class Holiday Village in Kaya Village, Kalemya Bay.	28.12.2016	32.916.292	38.841.225
- Fethiye Hillside Beach Club Holiday Village (usufruct)	Fethiye / Muğla, 2 parcels, 84.762 m ² , usufruct for parcel 1 in Kaya Village, Kalemya Bay.	28.12.2016	169.578.708	200.102.875
- Factory and land in Eyüp - Topçular	Eyüp / İstanbul, 15.675 m ² , facilities located in Topçular neighborhood. Door no. 8, block 247, parcel 56.	28.12.2016	43.391.000	51.201.380
- 39 shops in Etiler Alkent Housing Estate	39 shops in Etiler Alkent Shopping Center in Beşiktaş, İstanbul.	28.12.2016	16.268.000	19.196.240
- 10 shops in Büyükçekmece Alkent 2000 Yeditepe Housing Estate	10 shops in Büyükçekmece Alkent 2000 Shopping Center in Büyükçekmece, İstanbul.	28.12.2016	7.824.000	9.232.320
TOTAL			427.961.000	504.993.980

ii – Money and Capital Market Instruments

Type	Total (TL)	Ratio (%)
Government Bonds and Bills	254.724.594	78,12
Foreign Currency Time Deposits	67.810.177	20,80
Share Certificates	2.633.600	0,81
Mutual Funds	817.139	0,25
TL Deposit	54.766	0,02
TOTAL	326.040.276	100

iii – Participations

Type	Total (TL)	Ratio (%)
Participations	1.339	100

INFORMATION REGARDING PORTFOLIO ASSETS LEASED

Information Regarding Portfolio Assets Leased	Insurance Value (TL)	Rent Appraisal Date	Rent Appraisal Value (TL)	Monthly Rent (TL)	Leasee	Lease Start	Lease Term
- İstanbul Şişhane Business Center	800.000	28.12.2016	30.000	-	Not rented as of 31.12.2016	-	-
			59.685	57.815			
			6.000	5.000	Çırakoğlu Mimarlık Tasarım ve Dış. Ltd. Şti.	01.10.2016	1 year
			6.000	3.900	Evo Bilgi Teknolojileri San. Tic. Ltd. Şti.	01.03.2016	1 year
- İstanbul Karaköy Business Center	1.750.000	28.12.2016	6.000	6.100	Moka Ödeme Kuruluşu A.Ş.	01.09.2016	1 year
			6.000	3.850	Züccacıeciler Derneği İşletmesi	01.11.2016	1 year
			2.000	1.500	Benim Ev ve Mutfak Eşyaları San. Tic. A.Ş.	01.03.2016	1 year
			33.685	37.465	Burak Fahri Yön ve Ortakları	01.08.2014	5 years
- Ankara Çankaya Business Center	1.970.000	28.12.2016	40.800	54.138	Alarko Carrier San. ve Tic. A.Ş. - Ankara Şb.	14.12.2016	2 years
- Factory in Eyüp - Topçular	2.200.000	28.12.2016	75.870	103.634	Karyer Isı Transfer San. ve Tic. Ltd. Şti.	01.01.2016	1 year
- 10 shops in Büyükdere Alkent 2000	1.706.812	28.12.2016	46.896	53.968			
1	1.247.240	28.12.2016	35.258	45.878	Migros Ticaret A.Ş.	01.01.2014	7 years
2	114.658	28.12.2016	2.756	1.300	Banu Eraslan	01.01.2016	1 year
3	74.953	28.12.2016	2.065	1.400	Banu Eraslan	01.09.2016	1 year
4	39.750	28.12.2016	1.003	1.250	Yavuz Önder	01.11.2016	1 year
5	38.836	28.12.2016	1.003	-	Not rented as of 31.12.2016	-	-
6	37.901	28.12.2016	1.003	1.240	Mürsel Küçük	01.03.2016	1 year
7	37.901	28.12.2016	1.003	725	Mosino Kuaforiük Hizmetleri ve Ticaret Ltd. Şti.	01.06.2016	1 year
8	37.901	28.12.2016	901	725	Mosino Kuaforiük Hizmetleri ve Ticaret Ltd. Şti.	01.06.2016	1 year
9	38.836	28.12.2016	901	725	Mosino Kuaforiük Hizmetleri ve Ticaret Ltd. Şti.	01.06.2016	1 year
10	38.836	28.12.2016	1.003	725	Mosino Kuaforiük Hizmetleri ve Ticaret Ltd. Şti.	01.06.2016	1 year





Information Regarding Portfolio Assets Leased	Insurance Value (TL)	Rent Appraisal Date	Rent Appraisal Value (TL)	Monthly Rent (TL)	Leasee	Lease Start	Lease Term
- 39 shops in Etiler Alkent Shopping Center	8.455.000	28.12.2016	163.487	180.580			
1 F1-01	550.265	28.12.2016	10.640	13.246	Migros Ticaret A.Ş.	01.02.2010	10 years
2 F1-02	727.653	28.12.2016	14.070	17.516	Migros Ticaret A.Ş.	01.02.2010	10 years
3 F1-03	477.862	28.12.2016	9.240	11.503	Migros Ticaret A.Ş.	01.02.2010	10 years
4 F2-01	162.339	28.12.2016	3.139	2.490	Het Otomasyon Görüntü ve Ses Sistemleri Elektronik San. ve Ticaret Ltd. Şti.	01.01.2016	1 year
5 F2-02	169.889	28.12.2016	3.285	3.500	Terapist Veteriner Tıp Merkezi Ltd. Şti.	01.09.2016	1 year
6 F2-03	169.889	28.12.2016	3.285	3.250	Alkent Kuru Temizleme San. İç ve Dış Tic. Ltd. Şti.	01.12.2016	1 year
7 F2-04	169.889	28.12.2016	3.285	2.500	Doruk Unlu Mam. San. ve Perakende Hizm. A.Ş.	01.10.2016	1 year
8 F2-05	177.440	28.12.2016	3.431	2.500	Doruk Unlu Mam. San. ve Perakende Hizm. A.Ş.	01.10.2016	1 year
9 F2-06	169.889	28.12.2016	3.285	9.289	Aycin Eczanesi	01.06.2016	1 year
10 F2-07	64.747	28.12.2016	1.252	4.374	Deniz 35 Gıda Pazarlama Ticaret Ltd. Şti.	01.08.2016	1 year
F2-07	105.142	28.12.2016	2.033	3.021	Turtual Turizm Tanıtım Ltd. Şti.	01.07.2016	1 year
11 F2-08	102.811	28.12.2016	1.988	2.955	Turtual Turizm Tanıtım Ltd. Şti.	01.07.2016	1 year
F2-08	63.302	28.12.2016	1.224	4.276	Deniz 35 Gıda Pazarlama Ticaret Ltd. Şti.	01.08.2016	1 year
12 F2-11	170.665	28.12.2016	3.300	2.951	Plaza Yapı Malzemeleri İthalat ve Ticaret A.Ş.	01.08.2016	1 year
13 F2-12	170.665	28.12.2016	3.300	2.951	Plaza Yapı Malzemeleri İthalat ve Ticaret A.Ş.	01.08.2016	1 year
14 F2-13	170.665	28.12.2016	3.300	2.500	SK Konsept Dekorasyon Dış Ticaret Ltd. Şti.	01.01.2016	1 year
F2-14	174.544	28.12.2016	3.375	2.060	Erhan Yılmaz	01.03.2016	1 year
16 F2-15	21.762	28.12.2016	421	334	Het Otomasyon Görüntü ve Ses Sistemleri Elektronik San. ve Ticaret Ltd. Şti.	01.01.2016	1 year
F2-15	152.782	28.12.2016	2.954	3.000	Semih Cesur	01.08.2016	1 year
17 F2-16	174.544	28.12.2016	3.375	2.676	Het Otomasyon Görüntü ve Ses Sistemleri Elektronik San. ve Ticaret Ltd. Şti.	01.01.2016	1 year
F3-01	106.430	28.12.2016	2.058	2.920	Duygu Akay	01.09.2016	1 year



Information Regarding Portfolio Assets Leased		Insurance Value (TL)	Rent Appraisal Date	Rent Appraisal Value (TL)	Monthly Rent (TL)	Leasee	Lease Start	Lease Term
	F3-01	101.594	28.12.2016	1.964	1.970	Tülin Özdemir	01.07.2016	1 year
	F3-01	96.631	28.12.2016	1.868	1.920	Nur Nikolay Çerkezo	01.11.2016	1 year
	F3-01	44.433	28.12.2016	859	630	Berrin - Bünyamin Özgültekin	01.10.2016	1 year
19	F3-02	174.544	28.12.2016	3.375	1.773	Emor Emlak Org. Kırtasiye Tic. Ltd. Şti.	01.03.2016	1 year
20	F3-03	174.544	28.12.2016	3.375	1.773	Emor Emlak Org. Kırtasiye Tic. Ltd. Şti.	01.03.2016	1 year
21	F3-04	174.544	28.12.2016	3.375	3.481	E-Lab Sağlık Hizmetleri A.Ş.	01.07.2016	1 year
22	F3-05	162.907	28.12.2016	3.150	3.248	E-Lab Sağlık Hizmetleri A.Ş.	01.07.2016	1 year
23	F3-06	325.815	28.12.2016	6.300	10.090	Akbank A.Ş.	01.04.2014	5 years
24	F3-07	325.815	28.12.2016	6.300	5.341	Gülşay Egemen	01.11.2016	1 year
25	F3-08	162.907	28.12.2016	3.150	2.670	Gülşay Egemen	01.11.2016	1 year
26	F3-09	162.907	28.12.2016	3.150	2.255	STR Film Yapımcılığı Eğitim Turizm Ltd. Şti.	01.03.2016	1 year
27	F3-10	162.907	28.12.2016	3.150	2.255	STR Film Yapımcılığı Eğitim Turizm Ltd. Şti.	01.03.2016	1 year
28	F3-11	162.907	28.12.2016	3.150	2.505	Duru Otomotiv Turizm Tic. Ltd. Şti.	01.04.2016	1 year
29	F3-12	136.029	28.12.2016	2.630	1.927	Berrin - Bünyamin Özgültekin	01.10.2016	1 year
	F3-12	59.492	28.12.2016	1.150	843	Berrin - Bünyamin Özgültekin	01.10.2016	1 year
	F3-12	130.294	28.12.2016	2.519	1.865	Santeks Saner Tekstil Ticaret Ltd. Şti.	01.03.2016	1 year
30	F4-01	77.007	28.12.2016	1.489	1.511	Gülşay Egemen	01.08.2016	1 year
	F4-01A	78.660	28.12.2016	1.521	1.700	Osman Gül	01.10.2016	1 year
31	F4-02	81.097	28.12.2016	1.568	1.800	Gülşay Egemen	01.01.2016	1 year
	F4-02A	81.810	28.12.2016	1.582	935	Rota Kafe İşletmeleri Tur. İnş. San. Tic. Ltd. Şti.	01.03.2016	1 year
32	F4-03	90.417	28.12.2016	1.748	1.787	Bambino Oyuncak Sanayi Ticaret Ltd. Şti.	01.03.2016	1 year
	F4-03A	94.211	28.12.2016	1.822	1.077	Rota Kafe İşletmeleri Tur. İnş. San. Tic. Ltd. Şti.	01.03.2016	1 year
33	F4-04	77.787	28.12.2016	1.504	1.950	Mino Gıda Ticaret ve Sanayi Ltd. Şti.	01.11.2016	1 year
	F4-04A	85.121	28.12.2016	1.646	973	Rota Kafe İşletmeleri Tur. İnş. San. Tic. Ltd. Şti.	01.03.2016	1 year



Information Regarding Portfolio Assets Leased		Insurance Value (TL)	Rent Appraisal Date	Rent Appraisal Value (TL)	Monthly Rent (TL)	Leasee	Lease Start	Lease Term
34	F4-05	79.491	28.12.2016	1.537	5.584	Candostlar Kuaför Güzellik Salon İşl. Ltd. Şti.	01.06.2016	1 year
	F4-05A	83.416	28.12.2016	1.613	1.155	Akip Gıda Sanayi Ticaret A.Ş.	01.11.2016	1 year
35	F4-06	81.257	28.12.2016	1.571	5.709	Candostlar Kuaför Güzellik Salon İşl. Ltd. Şti.	01.06.2016	1 year
	F4-06A	85.270	28.12.2016	1.649	1.181	Akip Gıda Sanayi Ticaret A.Ş.	01.11.2016	1 year
36	F4-07	126.983	28.12.2016	2.455	1.758	Akip Gıda Sanayi Ticaret A.Ş.	01.11.2016	1 year
	F4-07A	39.545	28.12.2016	765	2.778	Candostlar Kuaför Güzellik Salon İşl. Ltd. Şti.	01.06.2016	1 year
37	F4-08	162.907	28.12.2016	3.150	2.256	Akip Gıda Sanayi Ticaret A.Ş.	01.11.2016	1 year
38	F4-09	162.907	28.12.2016	3.150	1.862	Rota Kafe İşletmeleri Tur. İnş. San. Tic. Ltd. Şti.	01.03.2016	1 year
39	F4-10	104.381	28.12.2016	2.018	1.193	Rota Kafe İşletmeleri Tur. İnş. San. Tic. Ltd. Şti.	01.03.2016	1 year
	F4-10A	51.289	28.12.2016	994	1.013	Bambino Oyuncak Sanayi Ticaret Ltd. Şti.	01.03.2016	1 year
- Fethiye Hillside Beach Club Holiday Village (*)		89.225.797	28.12.2016	17.142.000	14.991.766	Attaş Alarko Turistik Tesisler A.Ş.		
					14.916.766	Attaş Alarko Turistik Tesisler A.Ş.	21.04.2004	Unlimited
					75.000	Tanita Tasarım Organizasyon İnş. Taah. Ltd. Şti	06.04.2016	1 Season

Footnotes:

(*) The main operator of Hillside Beach Club Holiday Resort in Fethiye is Attaş Alarko Turistik Tesisler A.Ş. According to the operation contract, the annual rent income is minimum USD 2.582.000. This rent includes 2 shops within the Holiday Resort. Pursuant to the operation contract, the rent income from the said shops belongs to the operator. Leasing is done by our company and the rent earned from these shops is deducted from the main rent income of USD 2.582.000. Value appraisal report covers the entire facility, including these shops. Hillside Beach Club Holiday Resort in Fethiye has been rented for Turkish lira equivalent of US Dollar. Turkish lira value of the rent changes according to the change in the exchange rate. In addition to the annual fixed rent of USD 2.582.000, if the amount of land allocation fee paid in TL to the Ministry of Forestry for the facility, the rent for land paid in TL at 2 % of the operation income, and the annual gross operation profit of the operator exceed USD 3.500.000, 50 % of the sum in excess is added to the annual rent.



PROPOSAL FOR PROFIT DISTRIBUTION

We propose ;

- The profit for the period as in the financial statements presented to the approval of the General Assembly is TL 133.207.239. As the total of the first order general legal reserves set aside in previous years has reached the legal ceiling, therefore the first order general legal reserve not to be set aside,
- To distribute TL10.650.794, from the net distributable profit of TL 133.207.239 for the term to shareholders as dividend,
- To set aside TL 1.011.825 out of the profit to be distributed as second order general legal reserves,
- To transfer the remaining sum to extraordinary reserves,
- To start profit distribution as of the 31th of May 2017.

Board of Directors

According to this and in accordance with the Capital Markets Regulations, the Articles of Association and other relevant laws, profit distribution is as follows.

Profit for the Period	TL 133.207.239
First Order General Legal Reserves (has reached the ceiling)	–
Net Distributable Profit for the Period	TL 133.207.239
Dividends to Shareholders (cash)	TL 10.650.794
Second Order General Legal Reserves	TL 1.011.825
Balance to be Transferred to Extraordinary Reserves.....	TL 121.544.620
Ratio of Dividends to Total Issued Capital	100,00 %
Ratio of Dividends to Net Distributable Profit	8,00 %



REPORT ON COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

PART I – STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Our Company has shown the necessary rigor for the application of the Corporate Governance Principles published by the Capital Markets Board. All the principles held compulsory in the Corporate Governance Communiqué have been applied by our Company. Since our company is in the third group, the exemption in the first clause of article 6 of the Communiqué has been applied and the independent board members have been determined as two members.

Many of the Corporate Governance Principles that are not compulsory have been applied, those not applicable have been explained. Explanations regarding the subject are given in their relevant sections. The Corporate Governance Committee is continuing its work.

PART II – SHAREHOLDERS

2.1. Unit in Charge of Relations with Shareholders

The duties of the unit in charge of relations with shareholders are carried out by the manager of the Investor Relations Department form within the company.

The manager of the Investor Relations Department is Metin Franko. The Manager holds Advance Level (Level 3) Licence of the Activities of the Capital Markets and the Corporate Governance Rating Licence.

The manager of the Investor Relations Department is responsible to General Manager Harun Hanne Moreno. The report regarding the activities conducted was presented to the Board of Directors on 16.01.2017.

Fatma Acar has been appointed to conduct the activities of the Investor relations Department.

For Communication :

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Fax : +90 212 261 84 31
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Activities carried out during the term include the Coordination of the Corporate Governance Implementations, fulfilling the obligations arising from the Capital Markets Regulations and answering requests of investors. Questions of 27 investors have been answered during the year.

2.2. Exercise of Right to Obtain Information by the Shareholders

Our Company is very particular about every shareholder's right to information. All information and disclosures that can affect access to shareholder's rights are updated and presented to shareholders under "Investor Relations" in our company's web-site.

Questions of the shareholders commonly relate to investments, turnover, capital increase and dividend payments of the Company. Questions and answers given were communicated to the Board of Directors.

The Company's Articles of Association contain no provision regarding appointment of an special auditor. No request was made during the year for appointment of an special auditor.



2.3. General Assembly Meetings

The Ordinary Annual General Assembly meeting of the company was held at the company headquarters at Muallim Naci Cad. No. 69 Ortaköy, Istanbul, with a quorum of 59,22 %. The meeting was attended by representatives of the media.

In addition to the methods dictated by the legislation, announcement of the Ordinary General Meeting is made at least 3 weeks prior to the meeting using all means of communications including electronic communications so as to ensure notifying as many shareholders as possible. Invitation to the meeting was made at the Public Disclosure Platform (KAP), the web-site of the Company, the Turkish Trade Registry Gazette, and a newspaper with national circulation.

The media, stakeholders and the top and middle level executives of the Company have the right to attend the Ordinary General Assembly on condition complying with internal guidelines regarding the operating principles and methods of the General Assembly holding the meeting and participation.

The invitation, agenda, sample procurement, annual report, auditors' report, financial statements, profit distribution proposal by the Board of Directors are presented to shareholders at the company's headquarters prior to the general assembly meeting. Moreover, this information can be found in the "Investor Relations" link of our Company's web-site. The profit distribution proposal is disclosed to the public on the Public Disclosure Platform (KAP) before the General Assembly.

At the general assembly meetings, the shareholders exercise their right to ask questions and such questions are duly answered. No proposal was made other than by the major shareholders.

The minutes of the Ordinary General Assembly are open to all shareholders at the company headquarters. Moreover, the minutes of the General Assembly and the List of Participants are disclosed to the public on the Public Disclosure Platform (KAP) and in the "Investor Relations" link in our company's web-site after the meeting.

The Company's articles of association contain no provision regarding vesting the authority for making decisions on splitting, sale, purchasing and letting of assets in the general assembly.

The Company has not made any donations or aid during the term. Moreover, it has no spending within the framework of social responsibility projects. Social contributions are made by way of the foundation established by the GYO Association of which we are a member and the group of companies that are the main shareholders.

2.4. Voting Rights and Minority Rights

Voting rights bear no concession. Minority shares are not represented at the management. No cumulative voting is applicable. Voting rights are not determined at less than one twentieth of the capital by the Articles of Association.

The direct participations and the share ratio of our company are as stated below. The company has no mutual participation exceeding 5 %.



Subsidiaries	Declared Capital (TL)	Share (TL)	Share (%)
Alsim Alarko Sanayi Tesisleri ve Tic. A.Ş.	172.687.080	1.196	0,00
Alarko Konut Projeleri Geliştirme A.Ş.	22.193.713	143	0,00
Alarko Holding A.Ş.	223.467.000	608.222	0,27

2.5. Profit Share Rights

The company has no shares bearing dividend concession. Profit distribution is carried out within the period set forth in the applicable laws.

Our company has a profit distribution policy. This policy figures in our company's annual report, the report of compliance with Corporate Governance Principles and is announced to the public in the Company's web-site.

Our Company distributes its profits within the frame of Capital Market Legislation, Turkish Commercial Code, Tax Legislation, other concerned legislation and the provisions stipulated under the Articles of Association of the Company.

The amount of profit to be distributed is determined by taking into consideration the funds that may be needed in line with the investment policy and other cash needs of the company.

In principle, our company will distribute every year at least 5% of its distributable profit for the term to its shareholders in cash as dividend or as non-paid by adding it to the capital. In case of occurrence of extraordinary economic circumstances, a dividend at a lower rate than the above indicated one may be distributed or no dividend may be distributed. Such a case is announced to the public with a special case announcement containing a justification by passing a resolution from the Board of Directors.

The Board of Directors passes a a resolution containing its proposal for the distribution of profit every year within the frame of profit distribution policy of the company and presents same to the approval of the General Assembly.

It is essential that the distribution of dividend is started on 31st of May every year in case the proposal of the Board of Directors related to the distribution of profit is approved by General Assembly. General Assembly of Shareholders may determine the date of distribution of profit provided that such date shall not be later than the last day of current accounting period during which the meeting is held. There is no privileges in profit distribution.

In principle our company effects no advance payments within the year on dividend payments.

The proposal of the Board of Directors on the distribution of profit for the term has been presented to the shareholders at the General Assembly.

Our Company distributed a profit of TL 6.710.000 in 2016.

2.6. Transfer of Shares

Articles of Association of the Company contains no provision restricting transfer of shares.



PART III – PUBLIC INFORMATION AND TRANSPARENCY

3.1. Corporate Internet web-site and its contents :

Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. has a web-site. The Company's web-site address is www.alarkoyatirim.com.tr. Matters specified in the Corporate Governance Principles have been included in the web-site.

Information in the web-site is also given in English for the benefit of international investors. "Report on Compliance with Corporate Governance Principles of Capital Markets Board" which contains a number of links for the following headings may accessed from the "Investor Relations" link of the web-site.

The information listed in article 3.1 in Part 2 of the Corporate Governance Principles can be accessed through the links stated below.

LIST OF LINKS :

PART I – STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

PART II – SHAREHOLDERS

- 2.1. Unit in Charge of Relations with Shareholders
- 2.2. Exercise of Right to Demand Information by the Shareholders
- 2.3. General Assembly Meetings
- 2.4. Voting Rights and Minority Rights
- 2.5. Profit Share Rights
- 2.6. Transfer of Shares

PART III – PUBLIC INFORMATION AND TRANSPARENCY

3.1. Company's Web-site and its contents

- Trade Register Information
- Recent partnership and management structure
- Detailed information on preference stocks
- Current text of Company's Articles of Association including date and issue number of Trade Register Gazettes where amendments there to are published.
- Announcement of special cases
- Annual Reports
- Periodic Financial Reports
- Registration statements and public offering circulars
- Agendas of General Assembly Meetings
- Lists of Attendance and Minutes of General Assembly Meetings
- Specimen form for voting by proxy
- Specimen forms for compulsory information prepared in collection of share certificates or proxy by way of invitation
- Profit Distribution Policy
- Information Policy
- Remuneration Policy
- Minutes of Board Meetings where important decisions are taken which may effect the value of Capital Market Instruments
- Frequently asked questions (demands for information, questions and denunciations to the Company and their answers).
- Capital Market Movements



- Working Principals of Committees and its Members
- Continuous Information Form
 - Portfolio Data
 - Ratios According to the Total Asset Value
 - Members of the Board of Directors and General Manager
 - Purpose / Strategy of Investment
 - Articles of Association
 - Explanations
 - Financial Statements
 - Explanation of Special Cases
 - Real Estate Appraisal (Inspection) Reports

3.2. Annual Report

PART IV – OWNERS OF INTEREST

- 4.1. Informing the Stakeholders
- 4.2. Participation of Stakeholders in Management
- 4.3. Human Resources Policy
- 4.4. Rules of Ethics and Social Responsibility

PART V – BOARD OF DIRECTORS

- 5.1. Structure and Composition of the Board of Directors
- 5.2. Operational Principles of Board of Directors
- 5.3. Number, Composition and Independence of Board of Director's sub-committees
- 5.4. Risk Management and Internal Audit Mechanism
- 5.5. Strategic Objectives of the Company
- 5.6. Financial Rights Granted

3.2. Annual Report

The Annual Report contains the information stated in the Report on Compliance with Corporate Governance Principles.

PART IV - OWNERS OF INTEREST

4.1. Informing the Stakeholders

Owners of interest of the Company are regularly informed on matters of interest to them. Stakeholders have the possibility to convey operations of the company which do not comply with the legislation and are unethical to the Committee in charge of Auditing and the committee of corporate governance through investor relations department.

Employees of the Company are informed through annual meetings regularly held. In addition, a more extensive information activity is carried out through our web-site, e-bulletins, technical publications and books.

Our company works on a customer focused basis and measures and evaluates customer satisfaction regularly. Questions referred to our company are answered within 48 hours at the latest after sales.

4.2. Participation of Owners of Interest in Management

No particular model has been developed regarding participation of owners of interest in the Company's management.

Rights of owners of interest are protected by virtue of applicable legislation.



4.3. Human Resources Policy

The Human resources policy of the company is defined in the manual “Our Policy” issued annually and announced to the employees in annual meetings.

Recruitment criteria are determined in writing and are complied with. The physiological, psychological and intellectual characteristics required by each job are taken into consideration in the recruitment process. These characteristics are measured and evaluated by a written test. Following the initial evaluation by the human resources department, the candidate is interviewed by the manager of the particular unit to employ him / her.

All employees are treated fairly and equally in terms of training and promotion opportunities, training plans and policies aiming at improving the knowledge, skills and experience of the employees are developed. Employees receive training regularly every year.

Job descriptions are developed for every position. Performance and reward criteria are determined on a yearly basis and are then implemented upon agreement with the employees. The performance and evaluation system used in measuring and evaluating individual performance is taken into account during wage and career planning.

On the other hand, a certain number of personnel are granted “Golden Badge” as a reward of their outstanding performance. And employees winning the “Invention Prize” competition are also awarded. Thus, the creative personnel are motivated.

A safe working environment is provided to the personnel and improvements are made continuously.

4.4. Rules of Ethics and Social Responsibility

Rules of ethics approved by the Company’s Board of Directors, agreed by all Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. personnel and managers and defined in the Alarko Group of Companies Philosophy are summarized here below.

These rules are integrated to the policies, objectives, procedures and principles of Alarko.

- Act honestly in all business activities towards the government, clients, shareholders, personnel, partners and sub- and by- industries,
- Protect the environment and maintain the inter-company social balance,
- Orient the customers without forcing and give priority to their needs,
- Maintain high-quality; try to supply the best at the lowest price even when the customers are satisfied and contented with what is given already,
- Achieve the profits deserved by the shareholders under the current conditions,
- Give priority to teamwork as a corporation performing systematically on the basis of pre-defined procedures; share profit, loss and success and failure.

Our policies are shaped by this philosophy. And this philosophy is affixed at easily visible points in various units of our Company. In addition, all employees are informed through annual Policy Meetings and Our Policy Book published. Our existing and newly recruited personnel are trained on this philosophy and related rules regularly.

Our philosophy comprising these rules of ethics is also published in the in-company intranet system and the www.alarkoyatirim.com.tr web-site. All Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. employees are obliged to conform to these rules. Rules of ethics are followed-up by the superiors of all employees in the hierarchical order. Employees are obliged to notify the management of any act or behavior contrary to the rules of ethics immediately. The rules of ethics are published in the Report on Compliance with Corporate Governance Principles link of the web-site.



Any infraction of rules noticed, notified or suspected by the Board of Auditors, General Manager or other managers are reviewed by the Board of Directors or instructed to be reviewed by the Board of Auditors to ensure compliance therewith. Disciplinary sanctions are applied to doers of actually proven infractions.

Social contributions are made through the education foundation established by the GYO Association of which we are a member and the group of companies that our our main shareholders.

There is no litigation or warning filed against our Company either during the current year or in the past for damages on the environment.

PART V – BOARD OF DIRECTORS

5.1. Structure and Composition of Board of Directors

Board of Directors

Mustafa Filiz	Chairman
Ahmet Önder Kazazoğlu	Vice Chairman
Mehmet Alper Kaptanoğlu	Member
Mehmet Ahkemoğlu	Member
Hilmi Önder Şahin	Member
Sarper Volkan Özten	Member (Independent)
Kudret Vurgun	Member (Independent)

Members of the Board of Directors don't have any executive duties in the Company.

There are 2 independent members on the Board of Directors.

For election to the Independent Membership, a Nomination Committee has not been constituted among the members of our company's Board of Directors. Hence, the Corporate Governance Committee undertook the duty of the Nomination Committee in accordance with the Corporate Governance Communiqué of the Capital Market Board. There was no situation to rule out their independence in the relevant term of activity of the Independent Members of the Board.

The CV's of the members of the Board of Directors, their term in office and their duties outside the company are published in the previous parts of the Annual Report and the web-site of the Company. They are not included here to avoid repetition.

The Corporate Governance Committee has been assigned to do the necessary work to ensure the target of having one female member in the Board of directors within a five year course. The Board of Directors will evaluate the work of the Committee annually.

Board members are in no way restricted in assuming position in other organizations or entites other than the company.

General Manager

Harun Hanne Moreno

Moreno was born in Istanbul in 1960. In 1982, he graduated from the Industrial Engineering Department of the Faculty of Engineering of Boğaziçi University. Moreno completed his MBA at the Social Studies Institute of the Faculty of Business Administration of the same university in 2002.

Harun Moreno started to work at the Alarko Group of Companies in 1986. Following various middle and top management positions in the various units of the group, he was appointed



general manager of the Alarko Real Estate Investment Partnership Co. in 2001. He is still holding this position.

Harun Hanne Moreno speaks English and Spanish. He is married and has two children.

5.2. Operational Principles of the Board of Directors

The Board of Directors convenes when it is deemed necessary from the point of view of the company's operations upon the invitation of the chairman or deputy chairman. However, meeting once a month is compulsory. The chairman of the Board confers with the other members of the Board and the General Manager and determines the agenda of the Board meetings and sends it to all members 3 days prior to the meeting. Members make a point of attending every meeting and expressing their opinions. Participation in the Board meeting can be done by any technological means that allows remote access. Remarks of members who are unable to attend the meeting but report them to the Board in writing are presented to the other members. No weighed voting right is granted to the Board members. Each member of the Board has one vote. In Board meetings related to related party transaction, the member of the relevant Board does not have a voting right. The meeting and resolution quorum of the Board meeting is stated in the Articles of Association. Decisions that present characteristics stated in the Communiqué of the Capital Markets Board the articles of the communiqué are applied. The powers and responsibilities of the Board members are given in the Articles of Corporation.

The Board of Directors convened 14 times during the term. All members have attended to the meetings held during the period. Board decisions have been taken unanimously. Therefore, there is no record of dissenting votes. In 2016 there were no related party transactions and transactions of important character to be presented to the approval of the independent members of the Board.

No malfunction insurance has been taken out for the losses and damages that may be caused to the company by the faults of the Members of the Board of Directors during their term in office.

5.3. Number, Structure and Independence of Committees Constituted in the Board

New committees have been established and their operation principles have been determined as of the Corporate Governance Communiqué of Capital Markets Board and the articles in Turkish Commercial Code.

Hence;

- Corporate Governance Committee consisting of 4 members was established to develop corporate governance applications. Independent member Sarper Volkan Özten was elected as chairman of the committee and independent member Mustafa Filiz, Mehmet Ahkemoğlu and Metin Franko were elected as members of the Committee. The Corporate Governance Committee convened 2 time with the total number of members within the term and presented the Board a report regarding their activities.
- An Committee of Early Identification of Risks consisting of 4 members was constituted to detect the risks that our Company could be faced with and to organize an effective risk management system. Independent member Sarper Volkan Özten was elected as Chairman and Mustafa Filiz, Mehmet Ahkemoğlu and Hilmi Önder Şahin were elected as members of the Committee. The Committee of Early Identification of Risks convened 6 times with the total number of members within the term and presented the Board a report regarding their activities.
- Independent member Sarper Volkan Özten was elected as Chairman of the Auditing Committee within the Board and independent member Kudret Vurgun was elected as member. The Auditing Committee convened 5 times with the total number of members within the term and presented the Board a report regarding their activities.



Information regarding the activity areas, operating principles and the members of the committees has been disclosed to the public in the Public Disclosure Platform (KAP) and also in the web-site of our Company for the investors.

All of the committees consist of non-executive members.

As a result of the structuring of the Board, the number of Independent Board members is 2. Since the chairman of the committees constituted and all the members of the Auditing Committee have to be independent members, these members are active in more than one committee.

5.4. Risk Management and Internal Audit Mechanism

A risk governance and internal audit mechanism is established by the Board of Directors. Managerial risks are reviewed periodically by the Auditing Committee constituted by the Board members. The Committee has decided to establish, audit and update an internal control mechanism. The Auditing Group has been appointed to supervise the constitution of the internal control mechanism and to oversee its operability. The Auditing Group inspects the internal control mechanism regularly through the approved annual audit plans and communicates its opinions and findings to top management.

The Auditing Committee, the Committee of Early Identification of Risks and the Board determine the measures to be taken and instruct the company's managers through the General Manager.

5.5. Strategic Objectives of the Company

Our partnership is the first real estate investment company established in Turkey and publicly held by 49 % with the objective of using experience of the Alarko Group of Companies in the land development sector more efficiently.

The main purpose of our land development projects dating back 44 years is to provide people buildings that;

- Have perfectly designed infrastructures,
- Meet all requirements of contemporary life-style,
- Integrate and preserve all particulars of the natural environment,
- Construct dwellings that will always be profitable investments.
- We are aiming to strengthen our portfolio and obtain regular rent income.

At the same time, our publicly held Investment Partnership offers the opportunity of investing in securities which are of similar risk character but more liquid instruments instead of investing directly in such residences.

5.6. Pecuniary Rights

No pecuniary benefits such as honorariums, fees, premiums, bonuses are given to members of the Board of Directors except the independent members of the Board of Directors. The gross total of pecuniary benefits given to Independent Board members and top executives was TL 1.141.903 (Gross) in 2016.

Information regarding the remuneration principles of Members of the Board and top executives was given at the general assembly and it is also disclosed to the public in the web site and the Public Disclosure Platform (KAP).

There are no allowances, travel, accommodation and representation expenses and real and financial means, insurances and any similar collaterals given to the Members of the Board of Directors.

The company did not lend any money, provide loan facilities and provide security in favor of any Board member our executive of the Company.



INDEPENDENT AUDITORS' REPORT ON ANNUAL REPORT OF THE BOARD OF DIRECTORS

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

We have audited the annual report of Alarko Gayrimenkul Yatırım Ortaklığı Anonim Şirketi (the "Company") for the accounting period ended 31 December 2016.

Responsibility of the Board of Directors for the Annual Report

Pursuant to article 514 of the Turkish Commercial Code No. 6102 ("TCC") and the provisions of the Communiqué on the Principles of Financial Reporting In Capital Markets (series II-14.1) ("the Communiqué") of the Capital Markets Board ("CMB") of Turkey, the Company management is responsible for the preparation and fair presentation of the annual report consistent with the financial statements and for the internal controls considered necessary for the preparation of a report of such quality.

Responsibility of the Independent Auditor

Our responsibility is to express an opinion, based on the independent audit we have performed on the Company's annual report in accordance with article 397 of the TCC and the Communiqué, on whether the financial information provided in this annual report is presented fairly and consistent with the Company's financial statements on which the auditor's report dated 27 February 2017 has been issued.

Our independent audit has been performed in accordance with the Independent Auditing Standards as endorsed by CMB and Independent Auditing Standards which are part of Turkish Auditing Standards promulgated by the Public Oversight, Accounting and Auditing Standards Authority of Turkey. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the financial information provided in the annual report is free from material misstatement and consistent with the financial statements. This independent audit involves the application of auditing procedures in order to obtain audit evidence on historical financial information. The selection of these procedures is based in the professional judgment of the independent auditor. We believe that the audit evidence we have obtained during our independent audit is sufficient and appropriate to provide a basis for our opinion.

Opinion

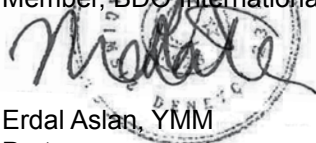
In our opinion, the financial information provided in the annual report of the Board of Directors is presented fairly and consistent with the audited financial statements in all material respects.

Independent Auditor's Responsibility Arising from Other Regulatory Requirements

Pursuant to paragraph 3 of article 402 of the TCC 6102, within the framework of the ISA 570 "Going Concern", no material uncertainty has come to our attention which causes us to believe that the Company will not be able to continue as a going concern in the foreseeable future.

Istanbul,
27 February 2017

BDO Denet Bağımsız Denetim
ve Danışmanlık A.Ş.
Member, BDO International Network


Erdal Aslan, YMM
Partner



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Alarko Gayrimenkul Yatırım Ortaklığı Anonim Şirketi ("the Company") as of 31 December 2016 and the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Turkish Accounting Standards ("TAS") published by the Public Oversight Accounting and Auditing Standards Authority ("POA") and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey and the Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority. These standards require that ethical requirements are complied with and that the audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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





Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Alarko Gayrimenkul Yatırım Ortaklığı Anonim Şirketi as at 31 December 2016, and their financial performance and cash flows for the year then ended in accordance with the TAS.

Reports on Independent Auditor's Responsibilities Arising from Other Regulatory Requirements

1. Pursuant to Article 398 of the Turkish Commercial Code ("TCC") no. 6102, the auditor's report on early detection of risk system and the authorized committee is submitted to the Company's Board of Directors on 27 February 2017.
2. Pursuant to subparagraph 4, Article 402 of "TCC", no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January – 31 December 2016 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.
3. Pursuant to subparagraph 4, Article 402 of "TCC", the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

Istanbul,
27 February 2017

BDO Denet Bağımsız Denetim
ve Danışmanlık A.Ş.
Member, BDO International Network



Erdal Aslan, YMM
Partner



**FINANCIAL STATEMENTS AUDITED
BY INDEPENDENT AUDITORS**



ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
AUDITED STATEMENTS OF FINANCIAL POSITION
AS OF 31 DECEMBER 2016 AND 31 DECEMBER 2015 (TL)

ASSETS	Notes	Current Period 31 December 2016	Previous Period 31 December 2015
CURRENT ASSETS		354.401.310	284.873.223
Cash and Cash Equivalents	3	68.682.082	48.761.157
Financial Assets	4	254.724.594	202.452.849
Trade Receivables		16.181.512	14.574.365
Trade Receivables from Related Parties	5,22	16.032.283	14.484.726
Trade Receivables from Unrelated Parties	5	149.229	89.639
Inventories	7	14.547.444	17.328.264
Prepaid Expenses		32.659	110.579
Other Current Assets	13	233.019	1.646.009
NON - CURRENT ASSETS		363.809.249	305.556.084
Financial Assets	4	2.634.939	1.856.415
Other Receivables	6	15.788	15.165
Other Receivables from Unrelated Parties		15.788	15.165
Investment Properties	8	361.046.000	303.609.000
Tangible Assets	9	53.690	60.582
Intangible Assets		58.832	14.689
Goodwill		–	–
Other Intangible Assets	10	58.832	14.689
Prepaid Expenses		–	233
TOTAL ASSETS		718.210.559	590.429.307

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



LIABILITIES	Notes	Current Period 31 December 2016	Previous Period 31 December 2015
SHORT - TERM LIABILITIES		3.732.052	3.416.499
Trade Payables		1.767.351	1.759.505
Trade Payables to Related Parties	5,22	42.351	14.826
Trade Payables to Unrelated Parties	5	1.725.000	1.744.679
Employee Benefit Obligations	12	77.415	66.380
Other Payables	6	5.560	30.096
Other Payables to Unrelated Parties		5.560	30.096
Deferred Income		29.296	25.878
Other Short Term Liabilities	13	1.852.430	1.534.640
LONG TERM LIABILITIES		950.456	752.384
Other Payables	6	606.309	467.455
Other Payables to Unrelated Parties		606.309	467.455
Long Term Provisions		344.147	284.929
Long Term Provisions for Employee Benefits	12	344.147	284.929
EQUITY		713.528.051	586.260.424
Equity Attributable to the Parent Company			
Paid-In Capital	14	10.650.794	10.650.794
Capital Adjustment Differences	14	54.712.578	54.712.578
Accumulated Other Comprehensive Income / Losses Not to be Reclassified in Profit / Loss		(17.903)	(9.767)
Remeasurement Gains / Losses on Defined Benefit Plans		(17.903)	(9.767)
Accumulated Other Comprehensive Income / Losses to be Reclassified in Profit / Loss		1.372.145	593.621
Remeasurement and Reclassification Gains / Losses on Financial Assets Available for Sale	4	1.372.145	593.621
Restricted Profit Reserves	14	4.202.891	3.585.146
Retained Earnings / Accumulated Losses	14	509.400.307	384.936.809
Net Profit / Loss for the Period	21	133.207.239	131.791.243
TOTAL LIABILITIES AND EQUITY		718.210.559	590.429.307



ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
AUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2016 AND 31 DECEMBER 2015 (TL)

	Notes	Current Period 1 January 2016 31 December 2016	Previous Period 1 January 2015 31 December 2015
PROFIT OR LOSS			
Revenue	15	23.791.105	21.002.300
Cost of Sales (-)	15	(2.780.820)	(2.470.000)
GROSS PROFIT / (LOSS)		21.010.285	18.532.300
General Administration Expenses (-)	16,17	(5.338.706)	(4.959.464)
Other Operating Income	18	125.577.714	126.010.962
Other Operating Losses (-)	18	(8.200.217)	(7.830.122)
OPERATING PROFIT / (LOSS)		133.049.076	131.753.676
Income From Investing Activities	19	158.163	37.567
OPERATING PROFIT / (LOSS) BEFORE FINANCIAL INCOME / EXPENSES		133.207.239	131.791.243
PROFIT / (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	20	133.207.239	131.791.243
Tax (Expense) / Income for the Period		-	-
Deferred Tax (Expense) / Income		-	-
Tax Expense / Income Related to Continuing Operations		-	-
PROFIT / (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		133.207.239	131.791.243
PROFIT / (LOSS) FOR THE PERIOD	21	133.207.239	131.791.243
OTHER COMPREHENSIVE INCOME			
Items not to be Reclassified in Profit or Loss Revaluation Gains and Losses on Defined Benefit Plans	12	(8.136)	645
Items to be Classified in Profit or Loss Revaluation Gains and Losses on Financial Assets Available for Sale	14	778.524	(851.511)
OTHER COMPREHENSIVE INCOME / (EXPENSE)		770.388	(850.866)
TOTAL COMPREHENSIVE INCOME / (EXPENSE)		133.977.627	130.940.377
Earnings Per Share			
Earnings / (Loss) Per Share From Continuing Operations	21	12,5068	12,3738

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

ALARCO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
AUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2016 AND 31 DECEMBER 2015 (TL)

	Paid-in Capital	Capital Adjustment Differences	Remeasurement Gains / Losses on Defined Benefit Plans	Revaluation and Reclassification Gains / Losses From Accumulated other Comprehensive Income and Expenses Not to be Reclassified in Profit or Loss	Revaluation and Reclassification Gains / Losses From Accumulated other Comprehensive Income and Expenses Not to be Reclassified in Profit or Loss	Restricted Profit Reserves	Prior Year Profit / (Loss)	Net Profit / (Loss) for the Period	Equity
Balance as at 1 January 2015 (Opening)	10.650.794	54.712.578	(10.412)	1.445.132	3.137.812	312.238.288	78.151.728	460.325.920	
Transfers	-	-	-	-	447.334	72.698.521	(73.145.855)	-	
Total Comprehensive Income / (Expense)	-	-	645	(851.511)	-	-	131.791.243	130.940.377	
Dividends	-	-	-	-	-	-	(5.005.873)	(5.005.873)	
Balance as at 31 December 2015 (Closing)	10.650.794	54.712.578	(9.767)	593.621	3.585.146	384.936.809	131.791.243	586.260.424	
Balance as at 1 January 2016 (Opening)	10.650.794	54.712.578	(9.767)	593.621	3.585.146	384.936.809	131.791.243	586.260.424	
Transfers	-	-	-	-	617.745	124.463.498	(125.081.243)	-	
Total Comprehensive Income / (Expense)	-	-	(8.136)	(778.524)	-	-	133.207.239	133.977.627	
Dividends	-	-	-	-	-	-	(6.710.000)	(6.710.000)	
Balance as at 31 December 2016 (Closing)	10.650.794	54.712.578	(17.903)	1.372.145	4.202.891	509.400.307	133.207.239	713.528.051	

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





ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
AUDITED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED
31 DECEMBER 2016 AND 31 DECEMBER 2015 (TL)

	Notes	Current Period 31 December 2016	Previous Period 31 December 2015
A. CASH FLOWS FROM OPERATING ACTIVITIES		26.910.528	18.721.704
Profit / Loss for the Period		133.207.239	131.791.243
Adjustments Related to Reconciliation of Net Profit / Loss for the Period		(109.415.289)	(114.155.047)
Depreciation and Amortization adjustments	9,10	20.670	17.389
Adjustments Related to Impairment and Reversal of Impairment	8	(57.215.318)	(65.769.614)
Adjustments Related to Provisions		51.082	46.137
Adjustments Related to Other Items Providing Cash Flows From Investing or Financing Activities	4	(52.271.745)	(48.453.102)
Other Adjustments Related to Profit / Loss Reconciliation	5	22	4.143
Working Capital Changes		3.118.578	1.085.508
Adjustments Related to Decrease / Increase in Trade Receivables	5,22	(1.607.169)	(1.672.982)
Adjustments Related to Decrease / Increase in Other Operating Receivables	6	(623)	498
Adjustments Related to Decrease / Increase in Inventories	7	2.780.820	2.470.000
Adjustments Related to Decrease / Increase in Trade Payables	5,22	7.846	245.966
Adjustments Related to Increase / Decrease in Other Operating Liabilities	6	114.318	59.188
Adjustments Related to Other Increase / Decrease in Working Capital		1.823.386	(17.162)
Cash Flows Provided From Operating Activities		26.910.528	18.721.704
B. CASH FLOWS FROM INVESTING ACTIVITIES		(279.603)	(1.261.716)
Cash Outflows from Acquisition of Tangible and Intangible Assets	9,10	(57.921)	(1.830)
Cash Outflows from Acquisition of Investment Properties	8	(221.682)	(1.259.886)
C. CASH FLOWS FROM FINANCING ACTIVITIES		(6.710.000)	(5.005.873)
Dividends Paid	14	(6.710.000)	(5.005.873)
Net Increase / (Decrease) in Cash and Cash Equivalents		19.920.925	12.454.115
Cash and Cash Equivalents at the Beginning of the Period	3	48.761.157	36.307.042
Cash and Cash Equivalents at the End of the Period	3	68.682.082	48.761.157

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



ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED** **31 DECEMBER 2016 AND 31 DECEMBER 2015**

1- ORGANIZATION AND PRINCIPAL ACTIVITIES

The company name of Aletim Alarko Elektrik Tesisat ve İnşaat Malzemeleri Anonim Şirketi founded on 6 June 1978 was changed to Alarko Gayrimenkul Yatırım Ortaklığı Anonim Şirketi (the Company) upon being published in the Turkish Trade Register Gazette dated 6 August 1996 nr 4096. The Company applied to the Capital Markets Board on 31 October 1996 for the registration of a document related to share certificates to be issued for the capital increase in its shareholders; and the document was registered by the CMB certificate Nr GYO 1/1552 dated 31 December 1996 in accordance with the Capital Markets Law.

The Company operates as a real estate partnership in accordance with the statements and regulations of the Capital Markets Board. In this context, the Company invests in real estates, real estate projects, and capital market instruments. Accordingly, the Company acts in accordance with the regulations and legislation of the Capital Markets Board in its principal activities, investment portfolio policies, and administrative limits.

As of 31 December 2016 and 31 December 2015, the shareholders and the shareholding structure of the Company at historic values is as follows:

	31 December 2016		31 December 2015	
	Shareholding (%)	Book Value (TL)	Shareholding (%)	Book Value (TL)
Alarko Holding A.Ş.	16,42	1.748.258	16,42	1.748.258
Alsim Alarko Sanayi Tesisleri ve Tic. A.Ş.	34,78	3.704.641	34,78	3.704.641
Public offering	48,77	5.194.442	48,77	5.194.442
Other (*)	0,03	3.453	0,03	3.453
Total	100,00	10.650.794	100,00	10.650.794

(*) Represents total of shareholdings less than 10 %.

As of 31 December 2016 and 31 December 2015, the difference arising from restatement of the nominal value of the share capital amounts to TL 54.712.578 (Note 14 (b)).

The address of the Company's Head Office is as follows: Muallim Naci Caddesi, No:69 P.K. 34347 Ortaköy – Beşiktaş/ İstanbul

The majority of the Company shares belong to Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. and 49,00% of the Company shares is traded at the Istanbul Stock Exchange since 1996.

As of 31 December 2016 and 31 December 2015, the average number of the Company personnel is 7 and 7, respectively.



The share certificates constituting the Company's share capital are classified in three groups, namely, Group A, Group B, and Group C. A Group share owners are granted the right to nominate four candidates for the Board of Directors and B Group share owners are granted the right to nominate three candidates for the Board of Directors. There are no other rights granted to the shareholders other than the right to nominate candidates for the Board of Directors.

2- PRESENTATION OF THE FINANCIAL STATEMENTS

i) Basis of Presentation :

The Company maintains its books of account and prepares its statutory financial statements in accordance with the prevailing commercial and financial legislation. The accompanying financial statements are prepared in accordance with the provisions of the "Communiqué Related to the Financial Reporting Principles at the Capital Markets" (Communiqué) Nr. II/14.1 of the Capital Markets Board (CMB) published in the Official Gazette dated 13 June 2013 Nr 28676, taking as basis the Turkish Accounting Standards /Turkish Financial Reporting Standards and the related appendices and interpretations (TAS/TFRS) put into effect by the Public Oversight Accounting and Auditing Standards Authority (POA) as per the Article 5 of the Communiqué.

As required by the TFRS 1, comparative financial statements are prepared on the same basis. As stated below, certain adjustments and classifications have been made during the preparation of the accompanying financial statements in order to comply with the TAS/TFRS (Note 2 (iii)).

The accompanying financial statements are presented in accordance with the principles the application of which is required by the announcement published in the weekly bulletin dated 7 June 2013 nr 2013/19 of the CMB.

The functional currency of the Company is Turkish Lira (TL) and the accompanying financial statements and related notes are presented in TL.

The Company's financial statements as of 31 December 2016 have been submitted to the approval of the Board of Directors by the Management on 27 February 2017.

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

ii) Adjustment of Financial Statements During Hyper-Inflationary Periods :

TAS 29 deals with the effects of inflation on financial statements and requires that financial statements prepared in the currency of a high inflation economy be stated in terms of the measuring unit current at the reporting date and that corresponding figures for previous periods be restated in the same terms. As per the resolution of the CMB dated 17 March 2005 Nr 11/367 the application of inflation adjustment of the financial statements has ended in 2005, hence the financial statements are restated at the purchasing value of the Turkish Lira as at 31 December 2004. The additions to non-monetary items subsequent to 1 January 2005 are stated at their nominal values.

iii) Adjustments :

The accompanying financial statements are prepared in accordance with TAS/TFRS with the below mentioned adjustments which are not stated in the statutory records:



- Provision for doubtful receivables
- Calculation of rediscount on customers
- Depreciation adjustment in relation to the useful lives of tangible assets
- Termination indemnity adjustment as per TAS 19
- Valuation of financial assets quoted at the stock exchange by market value
- Provisions for unused leaves
- Valuation of investment properties at fair value
- Valuation of financial assets held to maturity at the cost value amortized as per the effective interest method.

iv) Offsetting :

Offsetting financial assets and liabilities can only be made under the conditions where the offsetting transaction is legally allowed and the company has an intention in this respect or where the acquisition of assets and fulfillment of liabilities are realized simultaneously.

v) Accounting Policies, Changes and Errors in Accounting Estimates :

Significant changes in the accounting policies and significant accounting errors are applied retroactively and the prior period financials are re-adjusted. In the event that the changes in the accounting estimates are related to one period only, they are applied only to the period in which the change has been made; however, if they are related to the future periods, they are applied both to the period in which the change has been made and the future periods.

vi) Comparative Information and Adjustment of Prior Period Financial Statements :

The statements of financial position as of 31 December 2016 and 31 December 2015 and the related notes as well as the statements of comprehensive income, the statements of changes in equity, and cash flows, and the notes to these financial statements for the years then ended are presented comparatively. In order to comply with the presentation of the current period financial statements, comparative information is reclassified when deemed necessary.

vii) The New and Revised Turkish Accounting / Financial Reporting Standards :

The Company has adopted all TAS/IFRS and related interpretations promulgated by POA which are effective as of the reporting period.

The standards, amendments and interpretations which are effective as of 1 January 2016 have no impact on the financial statements for the accounting periods ending 31 December 2016.

Some of the new standards, amendments and interpretations are not yet effective as of 31 December 2016, hence not adopted in the accompanying financial statements. The new standards and interpretations are expected to have no significant impact on the Company's financial statements.

The new standards, amendments and interpretations which are effective as of 1 January 2016 are as follows:

IFRS 11 – “Acquisition of an Interest in a Joint Operation” (Amendment)

IFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment requires



the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in TFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in TFRS 3 and other TFRSs except for those principles that conflict with the guidance in this TFRS. In addition, the acquirer shall disclose the information required by TFRS 3 and other TFRSs for business combinations. The amendment is effective prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. This amendment will not have an impact on the financial position or performance of the Company.

TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to TAS 16 and TAS 38)

The amendments to TAS 16 and TAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016. The amendments will not have an impact on the financial position or performance of the Company.

TAS 16 Property, Plant and Equipment and TAS 41 Agriculture

The amendment is effective for annual periods beginning on or after 1 January 2016. These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. TAS 16 is amended to provide guidance that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in TAS 16. Consequently, the amendments include them within the scope of TAS 16, instead of TAS 41. The produce growing on bearer plants will remain within the scope of TAS 41. This amendment will not have an impact on the financial position or performance of the Company.

TFRS 14, “Regulatory Deferral Accounts”

The amendment is effective for annual periods beginning on or after 1 January 2016. This amendment permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt I-TFRS. However, to enhance comparability with entities that already apply TFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. This amendment will not have an impact on the financial position or performance of the Company.

TAS 27 “Separate Financial Statements”

The amendment is effective for annual periods beginning on or after 1 January 2016. This amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. This amendment will not have an impact on the financial position or performance of the Company.

TFRS 10 “Consolidated financial statements” and TAS 28 “Investments in associates and joint ventures”

The amendment is effective for annual periods beginning on or after 1 January 2016. These amendments address an inconsistency between the requirements in TFRS 10 and those in TAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed



in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. This amendment will not have an impact on the financial position or performance of the Company.

TAS 1 “Presentation of the Financial Statements”

The amendment is effective for annual periods beginning on or after 1 January 2016. With this amendment, it is aimed to improve presentation and disclosure in financial reports. This amendment will not have an impact on the financial position or performance of the Company.

TFRS 10 “Consolidated financial statements” and TAS 28 “Investments in associates and joint ventures”

The amendment is effective for annual periods beginning on or after 1 January 2016. These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries. This amendment will not have an impact on the financial position or performance of the Company.

Annual Improvements to TFRS - 2012-2014 Cycle

POA issued, Annual Improvements to TFRS 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related basis for conclusions. The standards affected and the subjects of the amendments are as follows:

- TFRS 5 Non-current Assets Held for Sale and Discontinued Operations – change in disposal methods
- TFRS 7 Financial Instruments: Disclosures – service contracts; applicability of TFRS 7 amendments to the interim condensed financial statements
- TAS 19 Employee Benefits – regional market issues regarding discount rate
- TAS 34 Interim Financial Reporting – disclosure of information a different section in the financial report

Standards, amendments and improvements which are not yet effective and not early adopted:

Standards, amendments and improvements to existing standards that are issued by not yet effective up to the date of issuance of the financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, when the new standards and interpretations become effective.

TFRS 15 - “Revenue from Contracts with Customers”

In May 2014, TASB issued TFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). TFRS 15 is effective for annual periods beginning on or after 1 January 2018. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied with



no restatement of the prior periods but additional disclosures are required. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

TFRS 9 “Financial Instruments” – Final Version (2014)

TFRS 9 introduces a logical approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of credit losses and a single model that is applicable to all financial instruments subject to impairment accounting. In addition, TFRS 9 addresses the so-called ‘own credit’ issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have chosen to measure that debt at fair value. The standard also includes an improved hedge accounting model to better link the economics of risk managements with its accounting treatment. TFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Furthermore, early adoption is also permitted regarding only the amendments related to the Company’s own credit risks without changing the accounting of financial instruments. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

TAS 7 “Statement of Cash Flows”

Effective for annual periods beginning on or after 1 January 2017. The improvements are part of the Board’s Disclosure Initiative. The amendments require companies to provide information about changes in their financing liabilities and come as a response to requests from investors for information that helps them better understand changes in a company’s debt. The amendments will help to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes (such as foreign exchange gains or losses). The Company is in the process of assessing the impact of the new standard on the financial position of the Company.

TAS 12 “Income taxes”

Effective from annual periods beginning on or after 1 January 2017. The amendment clarifies the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset’s tax base. It also clarifies certain other aspects of accounting for deferred tax assets. This amendment will not have an impact on the financial position or performance of the Company.

TFRS 16 “Leases”

Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted if TFRS 15, ‘Revenue from Contracts with Customers’, is also applied. New standard 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. The Company is in the process of assessing the impact of the new standard on the financial position of the Company.

TFRS 2 “Share-based Payments” (Amendments)

The TASB issued amendments to TFRS 2 Share-based Payments, clarifying how to account for certain types of share-based payment transactions. The amendments provide



requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. TASB has now added guidance that introduces accounting requirements for cash-settled share-based payments that follows the same approach as used for equity-settled share-based payments. In the event that certain conditions are fulfilled, the portion of the share-based payments that is withheld shall be accounted for as equity-settled. The amendment is effective for annual periods beginning on or after 1 January 2018. Earlier adoption is permitted. The Company is in the process of assessing the impact of the new standard on the financial position of the Company.

TAS 40 “Investment Property” (Amendment)

Effective for annual periods beginning on or after 1 January 2018. This amendment addresses the classification of investment property and states that an entity shall transfer a property to or from investment property when there is evidence of a change in use. The Company is in the process of assessing the impact of the new standard on the financial position of the Company.

Annual Improvements 2014–2016 Cycle

Effective for annual periods beginning on or after 1 January 2018. These amendments affect 3 standards.

Deleted the short term exemptions in TFRS 1 “First-time Adoption of Turkish Financial Reporting Standards”, TFRS 7, TAS 19, and TFRS 10 starting as of 1 January 2018.

Clarified the scope of TFRS 12 “Disclosure of Interests in Other Entities”. This improvement shall be effective retroactively for annual periods beginning on or after 1 January 2017.

TAS 28 “Investments in Associates and Joint Ventures”, clarified the election to measure at fair value through profit or loss an investment in an associate or a joint venture.

The Company is in the process of assessing the impact of the new standard on the financial position of the Company.

IFRS Interpretation 22 “Foreign Currency Transactions and Advance Consideration”

Effective for annual periods beginning on or after 1 January 2018. This interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. It provides guidance for single or multiple payments or receipts. This guidance aims to reduce diversity of applications. The Company is in the process of assessing the impact of the new standard on the financial position of the Company.

viii) Summary of Significant Accounting Policies and Valuation Methods :

(a) Financial Instruments :

Financial instruments consist of the financial assets and liabilities stated below :

i. Cash and Cash Equivalents

Cash and cash equivalents consist of cash, banks, deposits in other financial institutions, other money market placements, and short term repurchase agreements of 3 months or less.



Bank accounts consist of demand and time deposit accounts and the related interest accrued. Turkish Lira deposit accounts are stated at face values and foreign currency accounts are translated into Turkish Lira at the foreign currency buying rate issued by the Central Bank as at the reporting date.

Cash and cash equivalents are stated at their acquisition costs plus accrued interests.

Fair Value

As the foreign currency cash and cash equivalents are translated into Turkish Lira at the foreign exchange rates valid at the reporting date, it is assumed that the fair values of these assets approximate to their book values.

As the deposit accounts and cash are converted into cash in very short terms, and as there is no risk of value decrease, their book values are deemed to approximate their fair values.

ii. Financial Assets Held to Maturity

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity that an enterprise has the positive intent and ability to hold to maturity. Held-to-maturity investments are recognized at the acquisition cost amortised according to the effective interest method less impairment value and the related income is calculated using the effective interest method.

iii. Financial Assets Available for Sale

Financial assets available for sale are financial assets not classified either as held to maturity or held for trading.

Any gains or losses arising from changes in the fair value of financial assets available for sale, except those related to impairment and foreign exchange differences accounted for in the income statement, are recognized directly in the owner's equity until the said financial assets are derecognised.

During the process of derecognition, the earnings and losses previously recognized under equity are transferred to the statement of income.

iv. Trade Receivables

Trade receivables are financial assets created by the Company through selling goods and services directly to the customers. Trade receivables are subject to rediscount. Provisions for doubtful trade receivables are made by the Company management taking into consideration the amount of the overdue receivables, guarantees received, past experiences and current economic outlook.

Fair Value

Discounted trade receivables for which provisions for doubtful receivables are accrued are assumed to approximate to the fair values of these assets.

v. Trade Payables

Trade payables are financial assets created by the Company through buying goods and services directly to the suppliers. Trade payables are stated at their discounted values.



Fair Value

Discounted cost values of trade payables are assumed to approximate to the fair values of these assets.

vi. Impairment of Financial Assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. In the presence of such objective evidence, the Company determines the related amount of impairment.

A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

(b) Related Parties :

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
 - (i) has control or joint control over the reporting entity,
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

- (b) An entity is related to a reporting entity if any of the following conditions applies:
 - (i) The entity and the reporting entity are members of the same group.
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity

A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged. The shareholders of the Company and the companies that they own and their executives and other groups known to be related to them are defined as related parties in the financial statements.

Within the scope of this report, the Company shareholders, Alarko Holding A.Ş. and Alarko Holding Group Companies, their executive staff, and other companies controlled by or related to these companies are defined as related parties.



(c) Inventories :

Inventories are valued at their restated acquisition cost; however, the expertise values creating basis for the fair values of unsold inventories and the contract totals of inventories of which sales contracts are signed during the current period are compared with the restated acquisition costs, and if the expertise value and the contract total are lower than the restated acquisition cost, provision is made for impairment within the frame of conditions stated in the "Impairment of Assets" section. Impairment loss is determined for all inventories separately.

(d) Investment Properties :

Investment properties are properties held to earn rentals or for capital appreciation or both, recognized at fair value. Income or losses arising from change fair value change in investment properties are recognized as profit or loss for the period of change.

(e) Tangible Assets :

Tangible assets are stated at cost less their accumulated depreciation and impairment loss, if any. Tangible assets have been restated using the measuring unit current at 31 December 2004 from the dates of acquisition. Additions made subsequent to 1 January 2005 are stated at their nominal values. Tangible assets are depreciated over their inflation-adjusted values by straight-line method and the nominal values of additions subsequent to 1 January 2005 as per their useful lives stated below:

Buildings	2% – 2,5%
Land improvements	10%
Machinery, plant, and equipment	20% – 25%
Furnitures and fixtures	6% – 25%
Other tangible assets	20%

Repair and maintenance expenses are expensed when realized. In case the repair and maintenance expenses provide an increase or an observable development in tangible assets, they are capitalized.

In case the book value of a tangible asset is higher than the recoverable value, the book value is decreased to the recoverable amount.

The profit or loss arising from the sale of a tangible asset is determined by comparing the restated amount of the assets sold and the amount collected and reflected to the income or loss for the current period.

(f) Intangible Assets :

Intangible assets are stated at cost less their accumulated amortisation and impairment loss, if any. The acquisition values of intangible assets are considered in the restatement of intangible assets as at 31 December 2004. Additions made subsequent to 1 January 2005 are stated at their nominal values. Intangible assets are amortized over their inflation-adjusted values and the nominal values of additions subsequent to 1 January 2005 over the rates stated below :

Leasehold improvements	3% – 50%
Rights	3,125% – 33,33%



(g) Assets and Liabilities in Foreign Currency :

Foreign currency assets and liabilities recognized in the statement of financial position are translated into Turkish Lira at the foreign exchange rates announced by the Turkish Central Bank at the reporting dates. Transactions in foreign currencies during the period are translated into Turkish Lira at the actual rates applicable on the transaction date. Exchange gains and losses resulting from such translations are included in the statements of comprehensive income.

(h) Impairment of Assets :

In case the book value of an asset exceeds its recoverable value, a provision for impairment loss is made so as to bring the book value of the asset down to the level of its fair value and the provision is recorded in the statement of comprehensive income as expense.

On the other hand, the recoverable value of cash generating assets is the higher of the value computed by subtracting the sales value of the asset from its fair value compared to the value in use of the asset. The value in use of the said assets is the present value of the cash flows expected to be obtained from the assets. For the calculation of the value in use, the future cash flow estimates are discounted to their present value by using the time value of money and the discount rate before tax which reflects risks attributable to the asset.

(i) Deferred Taxes :

Deferred taxes are calculated on the temporary differences that arise between the deductible tax base and the book values of assets and liabilities, by using the liability method. The main temporary differences arise from the income and expense items recognised in different periods with respect to the TAS/TFRS and the tax legislation. While deferred tax liabilities are calculated for all taxable temporary differences, deferred tax assets consisting of deductible temporary differences are calculated with the assumption that the Company will have taxable income during the future periods.

An enterprise should offset current tax assets and current tax liabilities if the enterprise has a legally enforceable right to set off the recognised amounts, provided that the tax assets and tax liabilities are subject to the tax legislation of the same jurisdiction.

In accordance with Article 5 of the Corporation Tax Law, the Company's corporate earnings are exempt from Corporation Tax. Therefore no deferred tax calculation was made.

(j) Income Taxes :

Under the Turkish Tax Code, a company that has its head office or place of business in Turkey is subject to a corporate tax.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

Corporate earnings are subject to corporation tax at a rate of 20%. Whether exempted or not, dividends paid in cash to real persons with full liability and real persons and entities with limited liability (non-residents) are subject to income tax withholding at a rate of 15%. However, income tax withholding is not applicable to the dividends arising



from 1998 and prior years' profits and from the exempt profits relating to the years 1999, 2000, 2001 and 2002 as well as income and profits corresponding to the above mentioned investment allowance taxed at the rate of 19,8%. Addition of current year and prior year profits (retained earnings) to share capital has not been regarded as distribution of profits and therefore no withholding tax is applicable to these earnings. On the other hand, no withholding tax is applicable to entities with full liability in profit distributions.

Further, provisional corporation tax is paid at a rate of 20% on the profits declared for interim periods to be deducted from the corporation tax.

With respect to the article 298 (bis) of the Tax Law amended by Law 5024, the financial statements of the tax payers whose earnings are determined on balance sheet basis are not subject to inflation adjustment because the inflation adjustment application which started in 2004 has ended as the increase in the Producers Price Index for the last 36 months and the last 12 months are below 100% and 10%, respectively at March 2005. In the 2016 and 2015 accounting periods, the criteria of 100% and 10% have not been realized simultaneously in the Producers Price Index and for that reason no inflation adjustment has been applied.

The earnings of companies that are granted the Real Estate Investment Trust (REIT) status is exempt from Corporate Tax and provisional corporate tax as per the article 5, section 1, paragraph d/4 of the Corporate Tax Law nr 5520. On the other hand, as per the article 15, paragraph 3 of the Corporate Tax Law, the percentage of the income tax withholding required to be made over the earnings of these partnerships that are subject to exemption is currently zero in accordance with the Ministerial Council Decision nr 2010/14594 (nr 2003/6577 for 2008). For that reason, no tax calculation has been made in relation to the 31 December 2016 and 31 December 2015 accounting periods (Note 20).

(k) Provision for Termination Indemnity :

Under Turkish Labour Law Article 25/II, the Company is required to pay termination indemnities to each employee who completes one year of service and whose employment is terminated upon causes that qualify the employee to receive termination indemnity, is called up for military service, leaves within one year after marriage (women only), and to those employees who retire or die. The amount payable consists of one month's salary for each year of service. This entitlement is limited to TL 4.297,21 in respect of each year of service as of 31 December 2016 (31 December 2015- TL 3.828,37).

The Company has determined the termination indemnity liability stated in the accompanying financial statements as per the recognition and valuation principles stated in "Employee Benefits" TAS 19. As the characteristics of the termination indemnity liabilities are similar to the "Post Employment Benefit Plans" stated in this standard, these liabilities are calculated and stated in the financial statements on the basis of below mentioned "Proposed Unit Loan Method" and other various assumptions.

- The dates that the employees will gain their pension rights are determined with respect to the current social security laws with consideration to their past employment durations.
- In calculating the current value of future liabilities that may arise due to the retirement or contract termination of an employee, it is assumed that the current



salaries and wages or, if higher than the value of the termination indemnity upper limit determined by the Labour Law for 31 December 2016, the termination indemnity upper limit, to remain constant for restatement purposes, and this value is reduced by the actual discount rate of 3,55% (31 December 2015- 3,74%) calculated based upon the assumption that the expected annual inflation rate will be 7,00 % (31 December 2015 – 7,00%) and the expected discount rate will be 10,80% (31 December 2015 – 11%) which represents the proposed average interest rate per annum of the government bonds, in order to determine the current net value of the termination indemnity liability at the balance sheet date.

(I) Revenues and Expenses :

The accrual basis of accounting is applied for the recognition of revenues and expenses. The accrual concept requires that revenue, income and profits are matched with costs, expenses and losses belonging to the same period.

Revenue

Sales consist of sales revenue generated from real estate sold and rents received from property held for investment purposes. Sales are accounted for by the accrual principle, calculated over the fair value of prospect or realized income upon services provided, reliable determination of the income amount, and potential economic benefits to flow to the Company in relation to the subject transaction.

Rent income from investment properties

Rental income from investment properties are recognized on accrual basis. Income is recognized when it is probable that the economic benefits associated with the transaction shall flow to the entity and the amount of income can be measured reliably. Income is measure at the fair value of consideration received or to be received. Income acquired through reflecting to lessees the expenses related to investment properties is recognized in the period that the service is rendered.

Revenue from real estate sales

Revenue from real estate sales is recognized when (provided that) all the following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership;
- The Company 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 shall flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

In the event that the contract terms related to projects sold by the Company fulfill the abovementioned conditions, the sales revenue and cost are reflected in the financial statements.

If there is a significant amount of financial cost involved with the sales, the fair value of the sale is determined by discounting the receivables. The interest rate used in determining the current value of receivables is the rate at which the nominal value of



the sales total is discounted to the cash price of the service. The difference between the nominal value of the sales consideration and the fair value calculated accordingly is accounted for as interest income in the related periods.

Cost of sales mainly consists of the cost of real estate sold and the expenses made in relation to these properties.

(m) Earnings / (Loss) per Share :

Earnings / (loss) per share is calculated by dividing the net profit or loss for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Companies in Turkey can increase their share capital through distributing shares (bonus shares) from retained earnings and differences arising from inflation adjustment of equity to their current shareholders. When calculating profit / (loss) per share, these bonus shares are recognized as issued shares. Therefore, the weighted average of shares used in the calculation of profit / (loss) per share is derived through retroactive application with respect to bonus shares.

(n) Accounting Estimates :

During the preparation of financial statements in accordance with the TAS / TFRS, the Management may make assumptions and estimates that might affect the book value of the assets and liabilities stated in the financial statements as of the reporting period, explanations regarding unrecognized liabilities, and income and expense totals related to the period. However, actual results may vary from these results.

(o) Borrowing Costs :

Borrowing costs are recognized as expense. Borrowing costs related to the qualifying assets are included directly in the cost of the related qualifying asset. Capitalization of borrowing costs shall cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

(p) Events After the Reporting Period :

The Company updates disclosures that are related to the conditions existing at the end of the reporting period so as to reflect any relevant information received after the reporting period. Non-adjusting events shall be disclosed if they are of such importance that non disclosure would affect the ability of users to make proper evaluations and decisions.

(r) Conditional Assets and Liabilities :

Assets and liabilities that originate from past incidents and whose presence is not fully under the company management control as it can only be confirmed through the realization of one or more indefinite incidents to take place in the future are not included in the financial statements and are classified as conditional liabilities and assets.

(s) Statement of Cash Flows :

In the statement of cash flows, current period cash flows are classified as principal activities, investing activities, and financing activities, and reported accordingly.



Cash flows arising from principal activities are those that are related to the Company operations.

Cash flows from investing activities are those used by/provided from the Company's investments (i.e. fixed asset investments and financial investments).

Cash flows from financing activities represent the financial sources used in the Company's finance operations and their repayments.

Cash and cash equivalents in the statement of cash flows comprise cash, banks and short term investments of short maturity (up to 3 months) and high liquidity which are easily convertible to specific amounts of cash and maturing in a maximum of 3 months.

(t) Supplementary note: Control of Compliance to Portfolio Limitations

The information provided in the said note (Note 27) is summarized information derived from financial statements as per the article 16 of the Capital Markets Board Communiqué II-14.1 "Principles Regarding Financial Reporting on Capital Markets" and prepared within the frame of provisions related to compliance to portfolio limitations stated in the CMB Communiqué Serial III No 48.1 "Principles Regarding Real Estate Investment Trusts".

3- CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following (TL) :

	31 December 2016	31 December 2015
Banks	67.864.943	48.049.142
- TL demand deposit	54.766	38.171
- Foreign currency time deposit *	67.810.177	48.010.971
Type B Liquid Fund	817.139	712.015
Total (Note 23 (i))	68.682.082	48.761.157

* As of 31 December 2016, the interest rate on USD time deposits at banks varies between 1,85 % - 3,60 % and the accrued interest amounts to TL 77.234; the interest rate on Euro time deposits at banks varies between 1,70 % - 1,75 % and the accrued interest amounts to TL 20.165 (31 December 2015 – USD deposits: 1,85% - 2,75%, TL 23,784, Euro deposits: 1,70% - 1,75%, TL 6,596)

The Company has no blocked deposits at banks as of 31 December 2016 and 31 December 2015.

4- FINANCIAL ASSETS

As of 31 December 2016 and 31 December 2015, the breakdown of the Company's financial assets is as follows:



Financial assets held to maturity;

Currency	31 December 2016			31 December 2015		
	Book Value (TL)	Interest Rate	Maturity	Book Value (TL)	Interest Rate	Maturity
USD	254.724.594	% 3,75	14.07.2017	189.816.705	%3,50	26.09.2016
	-	-	-	6.131.014	%3,50	26.09.2016
	-	-	-	6.505.130	%3,50	26.09.2016
Total	254.724.594			202.452.849		

As of 31 December 2016, financial assets held to maturity consist of Eurobonds of which coupon payment date is 14 July 2017 (31 December 2015 – 26 September 2016).

Financial assets available for sale;

	31 December 2016		31 December 2015	
	Participation Rate (%)	Amount (TL)	Participation Rate (%)	Amount (TL)
Alsim Alarko Sanayi Tesisleri ve Tic. A.Ş.(*)	0,00	1.196	0,00	1.196
Alarko Konut Projeleri Geliştirme A.Ş. (*)	0,00	143	0,00	143
Alarko Holding A.Ş.(*)	0,00	2.633.600	0,00	1.855.076
Total	0,00	2.634.939	0,00	1.856.415

* Participation rate is lower than 1%.

Investment in Alarko Holding A.Ş. is based on the stock price which is the current best bid at the Istanbul Stock Exchange expected to approach its fair value as of 31 December 2016 and 31 December 2015. The Company monitors the increases and decreases related to fair value recognition in the Shareholder's Equity account under "Accumulated other comprehensive income and expenses to be reclassified in profit and loss" account in the financial statements. Accordingly, the value increase of TL 593.621 as of 31 December 2015 together with the value increase of TL 778.524 has resulted in a total value increase of TL 1.372.145 (Note 14 (c)).

The participation totals in Alarko Deyaar Gayrimenkul Geliştirme A.Ş. and Alsim Alarko Sanayi Tesisleri ve Tic. A.Ş. have been valued at their restated cost values as they have no quoted value in the organized markets and their fair values cannot be determined reliably.



5- TRADE RECEIVABLES AND PAYABLES

Trade receivables consist of the following (TL) :

	31 December 2016	31 December 2015
Trade receivables, net	149.229	89.639
Doubtful trade receivables	9.773	54.839
Provision for doubtful trade receivables (-)	(9.773)	(54.839)
Total (Note 23 (i))	149.229	89.639
Due from related parties, net (Notes 22 (a) and 23 (i))	16.032.283	14.484.726
Grand Total	16.181.512	14.574.365

As of 31 December 2016 and 31 December 2015, the changes in provision for doubtful trade receivables during the period consist of the following (TL) :

	31 December 2016	31 December 2015
Provision for doubtful trade receivables at the beginning of the period	54.839	167.523
Receivables regarded uncollectible	(25.066)	-
Provisions no longer required (Note 18)	(20.000)	(112.684)
Provision for doubtful trade receivables at the end of the period (Note 23 (i))	9.773	54.839

Trade payables consist of the following (TL) :

	31 December 2016	31 December 2015
Suppliers, net	1.725.000	1.744.679
Due to related parties (Notes 22 (b) and Note 23 (ii))	42.351	14.826
Total	1.767.351	1.759.505



6- OTHER RECEIVABLES AND PAYABLES

Other long term receivables consist of the following (TL) :

	31 December 2016	31 December 2015
Deposits and guarantees given	15.788	15.165
Total (Note 23 (i))	15.788	15.165

Short term other payables consist of the following (TL) :

	31 December 2016	31 December 2015
Balances due to Alarko Central Administration	5.560	892
Other miscellaneous debts	-	29.204
Total (Note 23(ii))	5.560	30.096

Long term other payables consist of the following (TL) :

	31 December 2016	31 December 2015
Deposits and guarantees received (Note 23 (ii))	606.309	467.455

7- INVENTORIES

Inventories consist of real estate held for trading. As of 31 December 2016 and 31 December 2015, breakdown of inventories is as follows :

	31 December 2016			31 December 2015			
	Restated Book Value (TL)	Sales Value (TL)	Expertise Value (TL)	Restated Book Value (TL)	Sales Value (TL)	Expertise Value (TL)	Expertise Date
Real Estate Project							
Land share (1 Parcel Lot) and project cost							
Projects unsold	11.275.709	-	17.215.000	14.056.529	-	19.154.000	28.12.2015
Total	11.275.709	-	17.215.000	14.056.529	-	19.154.000	-
Land in Büyükc�kmece							
Land Cost (3 Parcel Lots)	3.271.735	-	49.700.000	3.271.735	-	48.200.000	28.12.2015
Total	14.547.444	-	66.915.000	17.328.264	-	67.354.000	-





Real Estate Construction Project: The construction license of 63 villas and 1 social facility constructed on an area of 239.466 m² on section 106, parcel 18 in Büyükçekmece Eskice District included in the investment properties portfolio is received on 21 October 2005 and the sales transactions have started. As of 31 December 2016, sales contracts have been made for 54 villas (31 December 2015 - 51 villas).

As per the valuation report dated 28 December 2016, the expertise value of the company is stated at the average of two methods, namely, sales comparison approach and income capitalization approach.

Land in Büyükçekmece: There are 3 parcels of land with a total area of 622.651 m². As per the valuation report dated 28 December 2016, the expertise value of the company is stated by using sales comparison approach and development approach, the first of which is taken as basis in the study.

As of 31 December 2016 and 31 December 2015, the All Risk on Construction and Employer's Liability Insurance totals for the Real Estate Project amount to TL 39.499.444 and TL 41.144.480, respectively (Note 26).

As of 31 December 2016, the Company's real estate held for trading have been valued by the valuation company A Artıbir Gayrimenkul Değerleme A.Ş. (31 December 2015 - A Artıbir Gayrimenkul Değerleme A.Ş.)

8- INVESTMENT PROPERTIES

Investment properties consist of the following (TL) :

Fair Value	Investment Properties
As of 1 January 2015	236.579.500
Additions	1.259.886
Increase arising from changes in fair value (Note 18)	65.769.614
Disposals	–
As of 31 December 2015	303.609.000
Additions	221.682
Increase arising from changes in fair value (Note 18)	57.215.318
Disposals	–
As of 31 December 2016	361.046.000

As of 31 December 2016 and 31 December 2015, the total insurance on investment properties is TL 106.107.609 and TL 96.076.970, respectively (Note 26).



31 December 2016 and 31 December 2015, the market values of investment properties are as follows:

31 December 2016

Name of Real Estate	Date of Expertise Report	Market Value (TL)
Hillside Beach Club Holiday Village	28.12.2016	202.495.000
Etiler Alkent Sitesi – Shops	28.12.2016	16.268.000
Büyükçekmece Alkent 2000 – Shops	28.12.2016	7.824.000
Eyüp Topçular – Factory	28.12.2016	43.391.000
Ankara Çankaya Business Center	28.12.2016	5.140.000
İstanbul Karaköy Business Center	28.12.2016	8.493.000
İstanbul Şişhane Business Center	28.12.2016	7.435.000
Land in Maslak (*)	28.12.2016	70.000.000
Total		361.046.000

Name of Real Estate	Valuation Methods Used	Valuation Method Taken as Basis
Hillside Beach Club Holiday Village	Income Capitalization, Cost analysis	Cost Analysis
Etiler Alkent Sitesi – Shops	Sales Comparison, Income Capitalization	Average
Büyükçekmece Alkent 2000– Shops	Sales Comparison, Income Capitalization	Average
Eyüp Topçular- Factory	Sales Comparison, Cost Analysis	Average
Ankara Çankaya Business Center	Sales Comparison, Income Capitalization	Average
İstanbul Karaköy Business Center	Sales Comparison, Income Capitalization	Average
İstanbul Şişhane Business Center	Sales Comparison, Income Capitalization	Average
Land in Maslak	Sales Comparison, Development	Average

31 December 2015

Name of Real Estate	Date of Expertise Report	Market Value (TL)
Hillside Beach Club Holiday Village	28.12.2015	170.000.000
Etiler Alkent Sitesi – Shops	28.12.2015	14.800.000
Büyükçekmece Alkent 2000 – Shops	28.12.2015	7.000.000
Eyüp Topçular – Factory	28.12.2015	39.681.000
Ankara Çankaya Business Center	28.12.2015	5.025.000
İstanbul Karaköy Business Center	28.12.2015	6.675.000
İstanbul Şişhane Business Center	28.12.2015	6.221.000
Land in Maslak (*)	28.12.2015	54.207.000
Total		303.609.000



Name of Real Estate	Valuation Methods Used	Valuation Method Taken as Basis
Hillside Beach Club Holiday Village	Income Capitalization, Cost analysis	Cost Analysis
Etiler Alkent Sitesi – Shops	Sales Comparison, Income Capitalization	Average
Büyükçekmece Alkent 2000– Shops	Sales Comparison, Income Capitalization	Average
Eyüp Topçular- Factory	Sales Comparison, Cost Analysis	Average
Ankara Çankaya Business Center	Sales Comparison, Income Capitalization	Average
İstanbul Karaköy Business Center	Sales Comparison, Income Capitalization	Average
İstanbul Şişhane Business Center	Sales Comparison, Income Capitalization	Average
Land in Maslak (*)	Sales Comparison, Development	Average

As of 31 December 2016, the investment properties of the Company are valued by A Artıbir Gayrimenkul Değerleme A.Ş. (31 December 2015 - Reel Gayrimenkul Değerleme ve Danışmanlık A.Ş.)

* Article 24/c of the Capital Markets Board Communiqué Serial III-48.1 “Communiqué regarding the change in the communiqué on principles regarding Real Estate Investment Trusts” published in the Official Gazette dated 28 May 2013 and number 28660 promulgates that the rate of lands and registered lands which are in the portfolio, but which in spite of a period of 5 years having elapsed from their acquisition, have not been administered for any project development cannot exceed 20% of the portfolio value. The project development practices related to the land in Maslak continue and the land does not exceed 20% of the total assets of the Company (Note 27).

9- TANGIBLE ASSETS

As of 31 December 2016, tangible assets consist of the following (TL) :

Cost ;

	Opening 1 January 2016	Additions	Disposals	Closing 31 December 2016
Land improvements	123.365	–	–	123.365
Buildings	311	–	–	311
Plant, machinery and equipment	4.216	–	–	4.216
Furniture and fixtures	116.790	2.832	(17.493)	102.129
Other tangible assets	27.373	–	–	27.373
Sub Total	272.055	2.832	(17.493)	257.394
Accumulated depreciation;				
Land improvements	123.365	–	–	123.365
Buildings	311	–	–	311
Plant, machinery and equipment	4.216	–	–	4.216
Furniture and fixtures	56.208	9.724	(17.493)	48.439
Other tangible assets	27.373	–	–	27.373
Sub Total (Note 17)	211.473	9.724	(17.493)	203.704
Net Book Value	60.582	–	–	53.690



As of 31 December 2015, tangible assets consist of the following (TL) :

Cost ;

	Opening 1 January 2015	Additions	Disposals	Closing 31 December 2015
Land improvements	123.365	–	–	123.365
Buildings	311	–	–	311
Plant, machinery and equipment	4.216	–	–	4.216
Furniture and fixtures	114.960	1.830	–	116.790
Other tangible assets	27.373	–	–	27.373
Sub Total	270.225	1.830	–	272.055
Accumulated depreciation;				
Land improvements	123.365	–	–	123.365
Buildings	311	–	–	311
Plant, machinery and equipment	4.216	–	–	4.216
Furniture and fixtures	46.651	9.557	–	56.208
Other tangible assets	27.373	–	–	27.373
Sub Total (Note 17)	201.916	9.557	–	211.473
Net Book Value	68.309	–	–	60.582

As of 31 December 2016 and 31 December 2015, the total insurance on tangible assets amounts to TL 99.417 and TL 82.140, respectively (Note 26).

10- INTANGIBLE ASSETS

As of 31 December 2016, intangible assets consist of the following (TL) :

Cost ;

	Opening 1 January 2016	Additions	Disposals	Closing 31 December 2016
Rights	33.334	13.110	–	46.444
Other intangible assets	126.845	41.979	–	168.824
Sub Total	160.179	55.089	–	215.268
Accumulated amortisation ;				
Rights	20.264	9.518	–	29.782
Other intangible assets	125.226	1.428	–	126.654
Sub Total (Note 17)	145.490	10.946	–	156.436
Net Book Value	14.689	–	–	58.832



As of 31 December 2015, intangible assets consist of the following (TL) :

Cost ;

	Opening 1 January 2015	Additions	Disposals	Closing 31 December 2015
Rights	33.334	–	–	33.334
Other intangible assets	126.845	–	–	126.845
Sub Total	160.179	–	–	160.179
Accumulated amortisation ;				
Rights	12.928	7.336	–	20.264
Other intangible assets	124.730	496	–	125.226
Sub Total (Note 17)	137.658	7.832	–	145.490
Net Book Value	22.521	–	–	14.689

11- PROVISIONS, CONDITIONAL ASSETS AND LIABILITIES

- a) As stated among the Company's inventories, investment properties and fixed asset accounts as of 31 December 2016 and 31 December 2015;

There is a right of easement in relation to the stores in Etiler Alkent Sitesi in Beşiktaş District dated 14 October 1987 nr. 6430 to be utilized on behalf of the Company property on section 1411, parcel 1 and against that on section 1408, parcel 1 to benefit from central heating facilities; and there is a right of easement for a period of 49 years at a fee of TL 7,72 to construct 1,5 m wide channels in some parts of the heating installations.

Furthermore, there is a personal right of easement for the owners of the property on section 1410 parcel 1 to benefit from the unused parking lot as stated in the project against the same parcel by voucher dated 26 February 1992 nr 784.



- b) The guarantees, sureties, and mortgages given by the Company in the name of its own corporate body are as follows (TL) :

Guarantees, sureties, and mortgages given by the Company	31 December 2016	31 December 2015
A. Total amount of guarantees, sureties, and mortgages given by the Company in the name of its own corporate body	1.953.633	947.141
B. Total amount of guarantees given in favor of entities included in full consolidation	–	–
C. Total amount of guarantees, sureties, and mortgages given as collateral for third parties' liabilities to ensure continuity of ordinary trade operations	–	–
D. Total amount of other guarantees, sureties, and mortgages given		
i. Total amount of guarantees, sureties, and mortgages given in the name of the Parent Company	–	–
ii. Total amount of guarantees, sureties, and mortgages given in the name of other group companies not covered by articles B and C above	–	–
iii. The total amount of the guarantees, sureties and mortgages given in the name of third parties not covered by article C above	–	–
Total	1.953.633	947.141

As of 31 December 2016 and 31 December 2015, there are no other guarantees, sureties and mortgages given by the Company.

- c) The total amount of guarantee letters and notes received by the Company in each period are set out in the table below (TL) :

	31 December 2016	31 December 2015
Guarantee notes received	1.136.841	963.905
Guarantee letters received	805.796	1.340.885
Total	1.942.637	2.304.790

- d) The Company's overdue receivables which are deemed uncollectible and the related provisions consist of the following (TL) :

	Uncollectible Receivables	Provisions
31 December 2016	9.773	9.773
31 December 2015	54.839	54.839



12-EMPLOYEE BENEFITS

Short term provisions consist of the following (TL) :

	31 December 2016	31 December 2015
Employee benefit obligations	77.415	66.380

Long term provisions consist of the following (TL) :

Provisions for employee benefits:

	31 December 2016	31 December 2015
Provision for termination indemnity at the beginning of the period	228.555	184.313
Interest expense	24.684	20.274
Service expense	27.839	24.613
Payments made during the period	(6.876)	—
Actuarial loss / (gain)	8.136	(645)
Provision for termination indemnity at the end of the period	282.338	228.555

Provision for unused leaves:

	31 December 2016	31 December 2015
Provision for unused leaves at the beginning of the period	56.374	55.124
Increase / (decrease) during the period	5.435	1.250
Provision for unused leaves at the end of the period	61.809	56.374

13- OTHER ASSETS AND LIABILITIES

Other current assets consist of the following (TL) :

	31 December 2016	31 December 2015
Contractual income accruals	—	1.481.481
Prepaid taxes and funds	233.019	164.528
Total	233.019	1.646.009

Other short term liabilities consist of the following (TL) :

	31 December 2016	31 December 2015
VAT payable	1.399.248	1.386.338
Other taxes payable	453.182	148.302
Total (Note 23 (ii))	1.852.430	1.534.640



14- EQUITY

a) Paid-in Capital

As of 31 December 2016 and 31 December 2015, the Company's registered share capital amounts to TL 20.000.000 while the issued and paid-in capital amounts to TL 10.650.794. The issued capital consists of 1.065.079.400 shares of Kr 1 nominal value each. The Company's shareholding structure is elaborated in Note 1.

b) Capital Adjustment Differences

As of 31 December 2016 and 31 December 2015, the difference arising from restatement of nominal capital amounts to TL 54.712.578 (Note 1).

c) Financial Assets Value Increase Fund

Investment in Alarko Holding A.Ş. is based on the stock price which is the current best bid at the Istanbul Stock Exchange which is expected to approach its fair value as of 31 December 2016 and 31 December 2015. The Company monitors the increases and decreases which arise from fair value recognition under "Accumulated Other Comprehensive Income and Expenses to be Reclassified in Profit or Loss" in the Shareholder's Equity account in the financial statements. Accordingly, there is a value increase of TL 778.524 as of 31 December 2016 and a value decrease of TL 851.511 as of 31 December 2015 both of which is stated in the "Accumulated Other Comprehensive Income and Expenses to be Reclassified in Profit or Loss" account (Note 4).

d) Restricted Profit Reserves

As of 31 December 2016, the restricted profit reserves consist of legal reserves amounting to TL 4.202.891 (31 December 2015 – TL 3.585.146).

Legal reserves, which are divided as First Legal Reserve and Second Legal Reserve as per the Turkish Commercial Code, are appropriated as below:

- First Legal Reserve: Appropriated out of net profit at the rate of 5% until such reserve is equal to 20% of issued and fully paid capital.
- Second Legal Reserve: Appropriated out of net profit at the rate of 10% of distributions after providing for First Legal Reserve and an amount equal to 5% of capital as dividends.

Legal reserves which do not exceed one half of share capital may only be used to absorb losses or for purposes of continuity of the business in times of business difficulties and to prevent unemployment or lessen its effects.

e) Retained Earnings / (Accumulated Losses)

Breakdown of retained earnings / (accumulated losses) is as follows (TL) :

	31 December 2016	31 December 2015
Extraordinary reserves	384.936.809	312.238.288
Retained earnings	124.463.498	72.698.521
Total	509.400.307	384.936.809



The following decisions are made at the Ordinary General Meeting of the Company held on 25 March 2016:

The profit for the period stated in the 2015 financial statements amounts to TL 131.791.243 and the first legal reserve made in the prior years reached the defined ceiling; hence the Company shall not make first level legal reserves. A portion of TL 6.710.000 out of the net distributable profit for the period (TL 141.791.243) shall be distributed as dividends in cash. Second level legal reserves shall be made in the amount of TL 617.745 calculated over the total distributed amount. The balance shall be added to the extraordinary reserves. Dividend distribution shall begin as of 31 May 2016. The dividend distribution process is realized such that the receivables dividends of shares listed at the stock exchange are transferred to the members' bank accounts at Takasbank A.Ş. until 2 June 2016.

15- SALES AND COST OF SALES

Sales revenues consist of the following (TL) :

	1 January 2016 31 December 2016	1 January 2015 31 December 2015
Rental income	18.530.081	18.298.910
Income from real estate sales	5.261.024	2.703.390
Total	23.791.105	21.002.300

Cost of real estate sold (TL) :

	1 January 2016 31 December 2016	1 January 2015 31 December 2015
Cost of real estate sold	2.694.214	2.470.000
Cost of land sold	86.606	–
Total	2.780.820	2.470.000

16- GENERAL ADMINISTRATION EXPENSES

General administration expenses consist of the following (TL) :

	1 January 2016 31 December 2016	1 January 2015 31 December 2015
General administration expenses	5.338.706	4.959.464
Total	5.338.706	4.959.464



17- EXPENSES BY NATURE

General administration expenses consist of the following (TL) :

	1 January 2016 31 December 2016	1 January 2015 31 December 2015
Outsourced repair work and services	1.284.909	1.430.829
Personnel expenses	1.761.904	1.516.718
Lawsuits, execution and notary expenses	17.129	13.785
Taxes, duties, and fees	1.271.345	1.133.704
Rental expenses	391.773	294.743
Bank expenses	60.187	50.090
Other consultancy expenses	11.940	13.340
Legal consultancy expenses	49.352	41.295
Financial consultancy and audit expenses	38.072	55.148
Publishing expenses	14.040	13.668
Depreciation and amortisation	20.670	17.389
Communication expenses	8.794	7.832
Other	408.591	370.923
Total	5.338.706	4.959.464

Depreciation and amortisation expenses consist of the following (TL) :

	1 January 2016 31 December 2016	1 January 2015 31 December 2015
General administration expenses	20.670	17.389
Total	20.670	17.389

	1 January 2016 31 December 2016	1 January 2015 31 December 2015
Tangible assets (Note 9)	9.724	9.557
Intangible assets (Note10)	10.946	7.832
Total	20.670	17.389

Expenses related to employee benefits consist of the following (TL) :

	1 January 2016 31 December 2016	1 January 2015 31 December 2015
General administration expenses	1.761.904	1.516.718
Total	1.761.904	1.516.718



	1 January 2016 31 December 2016	1 January 2015 31 December 2015
Wages and salaries	1.512.977	1.309.413
Personnel transportation expenses	34.302	35.470
Personnel catering expenses	26.634	22.142
Personnel health expenses	6.950	6.081
Other personnel expenses	181.041	143.612
Total	1.761.904	1.516.718

18-OTHER OPERATING INCOME / (EXPENSES)

Other operating income consists of the following (TL) :

	1 January 2016 31 December 2016	1 January 2015 31 December 2015
Increase due to change in fair value (note 8)	57.215.318	65.769.614
Turkish ministry of environment and forestry – Rent	1.474.152	1.481.480
Turkish ministry of environment and forestry – Land appropriation	289.848	274.529
Income from real estate other than rental income	58.950	60.002
Provisions no longer required (note 5)	20.000	112.684
Electricity, water, transmission line	10.601	10.041
Foreign exchange gains	59.336.629	52.966.414
Interest income	6.689.599	5.155.990
Gain on sale of other marketable securities	66.774	141.130
Income from maturity differences	466	11.331
Rediscount interest income	2.760	982
Other	412.617	26.765
Total	125.577.714	126.010.962

Other operating expenses consist of the following (TL) :

	1 January 2016 31 December 2016	1 January 2015 31 December 2015
Foreign exchange losses	6.061.350	5.504.196
Rediscount interest expenses	5.262	2.760
Turkish ministry of environment and forestry – Rental provision	1.713.137	1.734.154
Turkish ministry of environment and forestry – Land appropriation	289.848	274.529
Turkish ministry of environment and forestry – Damages for unlawful occupation	–	196.497
Electricity, water, transmission line	10.601	10.041
Other	120.019	107.945
Total	8.200.217	7.830.122



19- INCOME / (EXPENSES) FROM INVESTING OPERATIONS

Income from investing operations consist of the following (TL) :

	1 January 2016 31 December 2016	1 January 2015 31 December 2015
Dividend income	158.141	37.567
Profit on sale of tangible assets	22	-
Total	158.163	37.567

20- TAX ASSETS AND LIABILITIES

In Turkey, the corporation tax rate for 2016 is 20% (31 December 2015 – 20%). This rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation through addition of disallowable expenses to the commercial revenues of the companies with respect to the tax legislation.

Calculation of current period corporation tax is as follows (TL) :

	31 December 2016	31 December 2015
As per statutory books	133.207.239	131.791.243
Other deductions	(133.207.239)*	(131.791.243)*
Sub total	-	-
Tax rate (%)	20	20
Tax provision	-	-

* Due to the Company's REIT status, the income for the current period is stated as other deductions (Note 2 (viii) (j)).

Deferred Tax Assets and Liabilities

Due to the Company's REIT status, no deferred tax calculation has been made as of 31 December 2016 and 31 December 2015 (Note 2 (viii) (j)).

21- EARNINGS PER SHARE

Calculation of earnings / (loss) per share is made as follows :

	31 December 2016	31 December 2015
Profit / (loss) for the period	133.207.239	131.791.243
Weighted average number of ordinary shares for the reporting period (per share of TL 1 nominal value)	10.650.794	10.650.794
Earnings / (loss) per share	12,5068	12,3738



22- RELATED PARTY DISCLOSURES

a) Balances due from related parties consist of the following (TL) :

	31 December 2016		31 December 2015	
	Trade	Non Trade	Trade	Non Trade
Attaş Alarko Turistik Tesisler A.Ş.	16.037.545	–	14.487.486	–
Less: Deferred Income	(5.262)	–	(2.760)	–
Total (Note 5)	16.032.283	–	14.484.726	–

b) Balances due to related parties consist of the following (TL) :

	31 December 2016		31 December 2015	
	Trade	Non Trade	Trade	Non Trade
Alarko Holding A.Ş.	41.058	–	13.581	–
Alarko Carrier San. ve Tic. A.Ş.	1.293	–	1.245	–
Total (Note 5)	42.351	–	14.826	–

c) Purchases made from and sales made to related parties consist of the following (TL) :

The Company has generated income and incurred expenses as a result of the below mentioned transactions realized with related parties.

	31 December 2016	31 December 2015
Expenses		
Foreign exchange losses	–	130.323
Rental expenses	391.773	294.743
Services received	638.682	920.701
Rediscount expenses	5.262	2.779
Other expenses	32.571	18.012
Total	1.068.288	1.366.558



31 December 2016 31 December 2015

Income		
Rental income	13.737.992	14.453.257
Turkish ministry of environment and forestry – Land appropriation	300.449	274.529
Turkish Ministry of environment and forestry – Rent (2%)	1.474.152	1.481.480
Foreign exchange gains	575.470	–
Other	39.646	10.041
Total	16.127.709	16.219.307

Breakdown of invoiced transactions with related parties on company basis is as follows (TL) :

Purchases	31 December 2016			31 December 2015		
	Goods	Services	Other	Goods	Services	Other
Attaş Alarko Turistik Tesisler A.Ş.	221.682	–	430.648	1.259.886	–	867.877
Alarko Carrier San. ve Tic. A.Ş.	–	–	3.212	–	–	1.661
Alarko Holding A.Ş.	55.089	141.364	412.341	–	185.927	311.094
Total	276.771	141.364	846.201	1.259.886	185.927	1.180.632

Sales	31 December 2016			31 December 2015		
	Goods	Services	Other	Goods	Services	Other
Attaş Alarko Turistik Tesisler A.Ş.	–	–	15.567.234	–	–	15.718.684
Alarko Carrier San. ve Tic. A.Ş.	–	–	560.475	–	–	500.623
Total	–	–	16.127.709	–	–	16.219.307

As of 31 December 2016 and 31 December 2015, there are no doubtful receivables arising from related parties.

As of 31 December 2016 and 31 December 2015, the salaries and similar remuneration provided to top management amounts to TL 1.141.903 and TL 1.004.424, gross, respectively.



23- NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Financial instruments and financial risk management

Due to the nature of its operations, the Company is exposed to various financial risks including the effects of changes in foreign exchange rates and interest rates on debt and capital market prices. The Company's total risk management program focuses on the unpredictability of financial markets, and aims to minimize its potential negative impact on the Company's financial performance.

Risk management is implemented within the frame of the following policies :

i. Credit Risk

The collection risk of the Company is basically attributed to its trade receivables. Trade receivables are valued by the Company management taking into account the past experiences and the current economic outlook; and they are recognized in the statement of financial position, net, after provisions for doubtful receivables are made when necessary.

As of 31 December 2016, maturity and guarantee structure of the Company's receivables and cash and cash equivalents consist of the following (TL) :

	Receivables						
	Trade Receivables			Other Receivables			Bank Cash and Cash Equivalents
	Related Party	Other Party	Related Party	Third Parties	Deposits		
31 December 2016							
Maximum credit risk exposure as of the reporting date (A+B+C+D+E) (1) (Notes 3,5,6)	16.032.283	149.229	-	15.788	67.864.943	817.139	
- Maximum risk secured by guarantee	-	149.229	-	-	-	-	
A- Net book value of financial assets neither overdue nor impaired (2) (Notes 3,5,6)	16.032.283	149.229	-	15.788	67.864.943	817.139	
B- Net book value of financial assets of which conditions are negotiated otherwise considered as impaired or overdue.	-	-	-	-	-	-	
C- Net book value of assets overdue but not impaired (3) Portion secured by guarantee	-	-	-	-	-	-	
D- Net book value of impaired assets	-	-	-	-	-	-	
- Overdue (gross book value) (Note 5)	-	9.773	-	-	-	-	
- Impairment (-) (Note 5)	-	(9.77)	-	-	-	-	
- Net value under guarantee	-	-	-	-	-	-	
E- Off-balance sheet items having credit risk	-	-	-	-	-	-	

(1) In determining the credit amounts, factors that increase credit reliability, i.e. the guarantees received, are not taken into consideration.

(2) No impairment or credit risk is anticipated in relation to the financial assets that are not overdue or impaired

(3) As the overdue financial assets that are not impaired have short term maturities, they are not expected to create impairment loss in the future either.





As of 31 December 2015, maturity and guarantee structure of the Company's receivables and cash and cash equivalents consist of the following (TL) :

	Receivables						Bank Cash and Cash Equivalents
	Trade Receivables			Other Receivables			
	Related Party	Other Party	Related Party	Third Parties	Deposits		
31 December 2015							
Maximum credit risk exposure as of the reporting date							
(A+B+C+D+E) (1) (Notes 3,5,6)	14.484.726	89.639	-	15.165	48.049.142	712.015	
- Maximum risk secured by guarantee	-	89.639	-	-	-	-	
A- Net book value of financial assets							
neither overdue nor impaired (2) (Notes 3,5,6)	14.484.726	89.639	-	15.165	48.049.142	712.015	
B- Net book value of financial assets of which conditions are negotiated otherwise considered as impaired or overdue.	-	-	-	-	-	-	
C- Net book value of assets overdue but not impaired (3)	-	-	-	-	-	-	
Portion secured by guarantee	-	-	-	-	-	-	
D- Net book value of impaired assets	-	-	-	-	-	-	
- Overdue (gross book value) (Note 5)	-	54.839	-	-	-	-	
- Impairment (-) (Note 5)	-	(54.839)	-	-	-	-	
- Net value under guarantee	-	-	-	-	-	-	
E- Off-balance sheet items having credit risk	-	-	-	-	-	-	

(1) In determining the credit amounts, factors that increase credit reliability, i.e. the guarantees received, are not taken into consideration.

(2) No impairment or credit risk is anticipated in relation to the financial assets that are not overdue or impaired

(3) As the overdue financial assets that are not impaired have short term maturities, they are not expected to create impairment loss in the future either.



As of 31 December 2016 and 31 December 2015, there are no receivables overdue but not impaired.

ii. Liquidity Risk

Liquidity risk arises during funding of the Company operations and management of the open position. Liquidity risk comprises the risk of not funding the operations at an appropriate maturity and rate and also the risk of not liquidating an asset at a reasonable price in an appropriate time frame.

The following table shows the maturity breakdown of the Company's non-derivative short term financial liabilities as of 31 December 2016 and 31 December 2015 (TL):

31 December 2016	Book Value	Total Cash Outflows	Less than 3 months	3-12 months	1-5 years
Other trade payables to related parties (Note 5)	42.351	42.351	42.351	–	–
Other trade payables (Note 5)	1.725.000	1.725.000	1.725.000	–	–
Other payables (Notes 6)	611.869	611.869	5.560	–	606.309
Other short term liabilities (Notes 13)	1.852.430	1.852.430	1.852.430	–	–

31 December 2015	Book Value	Total Cash Outflows	Less than 3 months	3-12 months	1-5 years
Other trade payables to related parties (Note 5)	14.826	14.826	14.826	–	–
Other trade payables (Note 5)	1.744.679	1.744.679	1.744.679	–	–
Other payables (Notes 6)	497.551	497.551	30.096	–	467.455
Other short term liabilities (Notes 13)	1.534.640	1.534.640	1.534.640	–	–



The maturity structure of the assets and liabilities prepared according to their remaining terms as of 31 December 2016 is set out in the table below (TL):

31 December 2016

Monetary Assets	0-1 months	1-3 months	3-6 months	6-12 months	More than 1 year	Total
Cash and cash equivalents	871.905	—	—	—	—	871.905
Inventories	—	—	2.260.000	12.287.444	—	14.547.444
Other assets	32.659	—	233.019	—	—	265.678
Trade and other receivables, net	149.229	—	—	—	15.788	165.017
Due from related parties, net	1.474.152	—	—	—	—	1.474.152
Total Assets in TL	2.527.945	—	2.493.019	12.287.444	15.788	17.324.196
Cash and cash equivalents	67.810.177	—	—	—	—	67.810.177
Financial assets	—	—	—	254.724.594	—	254.724.594
Trade receivables, net	—	—	—	—	—	—
Due from related parties, net	14.558.131	—	—	—	—	14.558.131
Total Assets in Foreign Currency	82.368.308	—	—	254.724.594	—	337.092.902
Total Monetary Assets	84.896.253	—	2.493.019	267.012.038	15.788	354.417.098
Monetary Liabilities						
Trade payables	1.725.000	—	—	—	—	1.725.000
Due to related parties	42.351	—	—	—	—	42.351
Provision for termination indemnity	—	—	—	—	282.338	282.338
Deposits and guarantees received	—	—	—	—	20.031	20.031
Advances received	29.296	—	—	—	—	29.296
Employee benefits	77.415	—	—	—	—	77.415
Provisions for other short term debts and expenses	1.857.990	—	—	—	61.809	1.919.799
Total Liabilities in TL	3.732.052	—	—	—	364.178	4.096.230
Total Liabilities in Foreign Currency	—	—	—	—	586.278	586.278
Total Monetary Liabilities	3.732.052	—	—	—	950.456	4.682.508



The maturity structure of the assets and liabilities prepared according to their remaining terms as of 31 December 2015 is set out in the table below (TL):

31 December 2015

Monetary Assets	0-1 months	1-3 months	3-6 months	6-12 months	More than 1 year	Total
Cash and cash equivalents	750.186	—	—	—	—	750.186
Inventories	—	—	2.260.000	—	15.068.264	17.328.264
Other assets	31.902	59.777	1.494.768	170.141	—	1.756.588
Trade and other receivables, net	89.639	—	—	—	15.165	104.804
Due from related parties, net	—	—	—	—	—	—
Total Assets in TL	871.727	59.777	3.754.768	170.141	15.083.429	19.939.842
Cash and cash equivalents	32.300.258	15.710.713	—	—	—	48.010.971
Financial assets	—	—	—	202.452.849	—	202.452.849
Trade receivables, net	—	—	—	—	—	—
Due from related parties, net	14.484.726	—	—	—	—	14.484.726
Total Assets in Foreign Currency	46.784.984	15.710.713	—	202.452.849	—	264.948.546
Total Monetary Assets	47.656.711	15.770.490	3.754.768	202.622.990	15.083.429	284.888.388
Monetary Liabilities						
Trade payables	1.744.679	—	—	—	—	1.744.679
Due to related parties	14.826	—	—	—	—	14.826
Provision for termination indemnity	—	—	—	—	228.555	228.555
Deposits and guarantees received	—	—	—	—	20.039	20.039
Advances received	8.816	17.062	—	—	—	25.878
Employee benefits	66.380	—	—	—	—	66.380
Provisions for other short term debts and expenses	1.564.736	—	—	—	56.374	1.621.110
Total Liabilities in TL	3.399.437	17.062	—	—	304.968	3.721.467
Total Liabilities in Foreign Currency	—	—	—	—	447.416	447.416
Total Monetary Liabilities	3.399.437	17.062	—	—	752.384	4.168.883

iii. Market Risk

Market risk is the risk of encountering a fluctuation in the fair value of a financial asset or in future cash flows arising from changes in market prices which may lead to a negative impact on the entity. The standard market risk factors are foreign exchange rates, interest rates, and commodity prices.

iv. Foreign Currency Risk

Foreign currency risk stems from the change in the value of a financial instrument depending on a change in foreign exchange rate. The Company may face foreign currency risk because of its foreign currency denominated receivables and payables. The Company continuously monitors the said risk and takes the necessary precautions. The main foreign currencies constituting the said risk are USD and EURO.

As of 31 December 2016, the Company's net foreign currency position is TL 336.506.624 (31 December 2015 – TL 264.501.130). An increase/decrease of 10% in the foreign exchange rates will increase/decrease the Company's profit by a total of TL 33.650.662, respectively.



Foreign Currency Position

On totals basis;

	31 December 2016	31 December 2015
A. Foreign currency assets	337.092.902	264.948.546
B. Foreign currency liabilities	586.278	447.416
Net foreign currency position (A-B)	336.506.624	264.501.130

Foreign Currency Position

Breakdown on foreign currency basis;

	31 December 2016		
	TL Equivalent (Functional Currency)	USD	Euro
1. Trade Receivables	14.558.131	4.136.773	-
2a. Monetary Financial Assets (Cash, Bank Accounts Incl.)	322.534.771	84.459.598	6.820.819
2b. Non-Monetary Financial Assets	-	-	-
3. Other	-	-	-
4. Current Assets (1+2+3)	337.092.902	88.596.371	6.820.819
5. Trade Receivables	-	-	-
6a. Monetary Financial Assets	-	-	-
6b. Non-Monetary Financial Assets	-	-	-
7. Other	-	-	-
8. Non-Current Assets (5+6+7)	-	-	-
9. Total Assets (4+8)	337.092.902	88.596.371	6.820.819
10. Trade Payables	-	-	-
11. Financial Liabilities	-	-	-
12.a Monetary Other Liabilities	-	-	-
12.b Non-Monetary Other Liabilities	-	-	-
13. Short Term Liabilities (10+11+12)	-	-	-
14. Trade Payables	-	-	-
15. Financial Liabilities	-	-	-
16.a Monetary Other Liabilities	586.278	166.594	-
16.b Non-Monetary Other Liabilities	-	-	-
17. Long Term Liabilities (14+15+16)	586.278	166.594	-
18. Total Liabilities (13+17)	586.278	166.594	-
19. Net Foreign Currency Asset / (Liability) Position (9-18)	336.506.624	88.429.777	6.820.819
20. Monetary Assets Net Foreign Currency Asset / (Liability) Position (1+2a+5+6a-10-11-12a-14-15-16a)	336.506.624	88.429.777	6.820.819



31 December 2015

	TL Equivalent (Functional Currency)	USD	Euro
1. Trade Receivables	14.484.726	4.981.678	-
2a. Monetary Financial Assets (Cash, Bank Accounts Incl.)	250.463.820	78.785.243	6.730.818
2b. Non-Monetary Financial Assets	-	-	-
3. Other	-	-	-
4. Current Assets (1+2+3)	264.948.546	83.766.921	6.730.818
5. Trade Receivables	-	-	-
6a. Monetary Financial Assets	-	-	-
6b. Non-Monetary Financial Assets	-	-	-
7. Other	-	-	-
8. Non-Current Assets (5+6+7)	-	-	-
9. Total Assets (4+8)	264.948.546	83.766.921	6.730.818
10. Trade Payables	-	-	-
11. Financial Liabilities	-	-	-
12.a Monetary Other Liabilities	-	-	-
12.b Non-Monetary Other Liabilities	-	-	-
13. Short Term Liabilities (10+11+12)	-	-	-
14. Trade Payables	-	-	-
15. Financial Liabilities	-	-	-
16.a Monetary Other Liabilities	447.416	153.878	-
16.b Non-Monetary Other Liabilities	-	-	-
17. Long Term Liabilities (14+15+16)	447.416	153.878	-
18. Total Liabilities (13+17)	447.416	153.878	-
19. Net Foreign Currency Asset / (Liability) Position (9-18)	264.501.130	83.613.043	6.730.818
20. Monetary Assets Net Foreign Currency Asset / (Liability) Position (1+2a+5+6a-10-11-12a-14-15-16a)	264.501.130	83.613.043	6.730.818



Foreign currency position sensitivity analysis as of 31 December 2016 is as follows (TL) :

Table of Foreign Currency Position Sensitivity Analysis

31 December 2016

	Profit / Loss		Equity	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
	When USD changes by 10% against TL		When USD changes by 10% against TL	
1- USD net assets / liabilities	31.120.207	(31.120.207)	–	–
2- Amount hedged from USD risk (-)	–	–	–	–
3- USD Net Effect (1+2)	31.120.207	(31.120.207)	–	–
	When Euro changes by 10% against TL		When Euro changes by 10% against TL	
4- Euro net assets / liabilities	2.530.455	(2.530.455)	–	–
5- Amount hedged from Euro risk (-)	–	–	–	–
6- Euro Net Effect (4+5)	2.530.455	(2.530.455)	–	–
Total (3+6)	33.650.662	(33.650.662)	–	–



Foreign currency position sensitivity analysis as of 31 December 2015 is as follows (TL) :

Table of Foreign Currency Position Sensitivity Analysis

31 December 2015

	Profit / Loss		Equity	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
	When USD changes by 10% against TL		When USD changes by 10% against TL	
1- USD net assets / liabilities	24.311.328	(24.311.328)	–	–
2- Amount hedged from USD risk (-)	–	–	–	–
3- USD Net Effect (1+2)	24.311.328	(24.311.328)	–	–
	When Euro changes by 10% against TL		When Euro changes by 10% against TL	
4- Euro net assets / liabilities	2.138.785	(2.138.785)	–	–
5- Amount hedged from Euro risk (-)	–	–	–	–
6- Euro Net Effect (4+5)	2.138.785	(2.138.785)	–	–
Total (3+6)	26.450.113	(26.450.113)	–	–

v. Interest Risk

The Company's activities are exposed to interest rate risk due to the differences in payment date and payment amounts or restructuring of interest sensitive assets and liabilities. Corresponding interest rate risk is managed by natural measures aimed to balance assets and liabilities having interest rate sensitivity.

As of 31 December 2016 and 31 December 2015, the Company does not have significant financial assets with interest sensitivity.

vi. Share Price Risk

The Company is exposed to stock price risk which is the risk of encountering price changes in securities included in the Company portfolio. As of 31 December 2016, if there is a 10% increase/decrease in the best bid among current orders pending at the Istanbul Stock Exchange which are used in valuation of these securities with other variables remaining constant, the Company's equity will be higher/lower by a total of TL 263.360, net, without any effect in profit/loss (31 December 2015 – TL 185.508) (Note 4).



vii. Capital Risk Management

For proper management of capital risk, the Company aims ;

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

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

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

There's basically no change in the Company's general strategy with respect to the previous year. As of 31 December 2016 and 31 December 2015, the ratio of the total equity to net debts is as follows:

	31 December 2016	31 December 2015
Total debt	4.682.508	4.168.883
<u>Less: cash and cash equivalents</u>	<u>(68.682.082)</u>	<u>(48.761.157)</u>
<u>Net debt</u>	<u>(63.999.574)</u>	<u>(44.592.274)</u>
Total equity	713.528.051	586.260.424
Debt / Equity Ratio	(9) %	(8) %

24-INSTRUMENTS (Disclosures Related to Fair Value and Hedge Activities)

Financial Instruments

Financial instruments comprise financial assets and financial liabilities. Financial instruments may create/affect/decrease liquidity risk, credit risk and stock market risk in the financial statements of the Company. All financial assets are reviewed to prevent impairment risk.

Fair value is the value of an asset or liability in an arms length transaction between knowledgeable and willing parties.

The Company has determined the fair value of its financial instruments by using current market information at present and by using appropriate valuation methods. However, assessing market information and forecasting actual values requires judgment. The forecasts presented as a conclusion may not always represent the values that are acquired by the Company in current market transactions.



Methods and assumptions used to estimate the fair value of financial instruments are as follows :

Financial Assets

Balances denominated in foreign currency are translated by using the exchange rates valid at the balance sheet date. It is foreseen that these balances are close to their carrying values. The fair values of certain financial assets, which also include cash and cash equivalents, are considered to approximate their carrying values due to their short term nature.

The carrying values of trade receivables along with the related allowances for uncollectability are estimated to represent their fair values.

The fair values of investments held to maturity are calculated by deducting impairment losses, if any, from the cost values amortized by the effective interest method.

The fair values of financial assets which are available for sale and traded in active markets correspond to the best bid among current orders pending at the balance sheet date. The fair values of financial assets available for sale which are not traded in active markets cannot be determined reliably; hence, they are assumed to be equivalent to their restated cost values.

Financial Liabilities

Trade payables have been presented at their fair values.

The fair value of financial assets and liabilities are determined as follows:

Level 1: Fair value of financial assets and liabilities is measured at quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Fair value of financial assets and liabilities is measured at prices other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Fair value of financial asset and liabilities is measured using inputs that are not based on observable inputs of the active markets.

The hierarchical levels of the assets and liabilities stated at fair value are as follows:

Fair value level as of the reporting date

31.12.2016	Level 1	Level 2	Level 3
Financial assets			
Financial assets held for trading	2.633.600	–	–
Investment properties	–	361.046.000	–
Total	2.633.600	361.046.000	–



31.12.2015	Level 1	Level 2	Level 3
Financial assets			
Financial assets held for trading	1.855.076	–	–
Investment properties	–	303.609.000	–
Total	1.855.076	303.609.000	–

25- EVENTS AFTER THE REPORTING PERIOD

The termination indemnity upper limit which stood at TL 4.297,21 as of 31 December 2016 has been increased to TL 4.426,16 with effect from 1 January 2016 (31 December 2015 – TL 3.828,37).

26- OTHER ISSUES MATERIALLY AFFECTING THE FINANCIAL STATEMENTS OR REQUIRING DISCLOSURE FOR A PROPER INTERPRETATION AND UNDERSTANDING OF THE FINANCIAL STATEMENTS

Insurance totals of assets for the respective periods are as follows (Notes 7,8 and 9) ;

	31 December 2016	31 December 2015
Inventories (Note 7)	39.499.444	41.144.480
Investment properties (Note 8)	106.107.609	96.076.970
Tangible assets (Note 9)	99.417	82.140
Total	145.706.470	137.303.590

27- SUPPLEMENTARY NOTES: MONITORING COMPLIANCE WITH PORTFOLIO RESTRICTIONS

As of 31 December 2016 and 31 December 2015, compliance with portfolio restrictions is monitored as follows:



	Main Account Items of Unconsolidated / Separate Financial Statements	Related Regulation	Current Period (TL) 31 December 2016	Prior Period (TL) 31 December 2015
A	Money Market and Capital Market Instruments	Art. 24/(b)	326.040.276	253.069.082
B	Real estates, real estate projects and rights supported by real estates	Art. 24/(a)	375.593.444	320.937.264
C	Affiliates	Art. 24/(b)	1.339	1.339
	Due from Related Parties (Non-Trade)	Art. 23/(f)	-	-
	Other Assets		16.575.500	16.421.622
D	Total Assets	Art. 3/(p)	718.210.559	590.429.307
E	Financial Liabilities	Art. 31	-	-
F	Other Financial Liabilities	Art. 31	-	-
G	Lease Obligations	Art. 31	-	-
H	Due to Related Parties (Non-Trade)	Art. 23/(f)	-	-
I	Equity	Art. 31	713.528.051	586.260.424
	Other Liabilities		4.682.508	4.168.883
D	Total Liabilities and Equity	Art. 3/(p)	718.210.559	590.429.307
	Other Financial Informations Related with Unconsolidated Financial Statements	Related Regulation	Current Period (TL) 31 December 2016	Prior Period (TL) 31 December 2015
A1	Part of Money Market Instruments and Capital Market Instruments Held for Real Estates (3 Years)	Art. 24/(b)	-	-
A2	Time and Demand Deposits in TL/ Foreign Currency	Art. 24/(b)	67.864.943	48.049.142
A3	Foreign Capital Market Instruments	Art. 24/(d)	-	-
B1	Real estates, real estate projects and rights supported by real estates	Art. 24/(d)	-	-
B2	Lands Held Idle	Art. 24/(c)	73.271.735	57.478.735
C1	Foreign Investments	Art. 24/(d)	-	-
C2	Participation in the Operating Company	Art. 28/1(a)	1.339	1.339
J	Non-cash Loans	Art. 31	1.953.633	947.141
K	Mortgage lien on lands to be administrated for projects and the property of which does not belong to the company	Art. 22/(e)	-	-
L	All of the money and capital markets in a single investment company Tools	Art. 22/(l)	2.633.600	1.855.076

	Portfolio Limitations	Related Regulation	Current Period 31 December 2016	Prior Period 31 December 2015	Ratio of Minimum/ Maximum
1	Mortgage lien on lands to be administrated for projects and the property of which does not belong to the company	Art. 22/(e)	% 0,00	% 0,00	≤ % 10
2	Real estates, real estate projects and rights supported by real estates	Art. 24/(a),(b)	% 52,30	% 54,36	≥ % 51
3	Money Market and Capital Market Instruments and Subsidiaries	Art. 24/(b)	% 45,40	% 42,86	≤ % 49
4	Real estates, real estate projects and rights supported by real estates, Subsidiaries, Capital Market Instruments	Art. 24/(d)	% 0,00	% 0,00	≤ % 49
5	Lands Held Idle	Art. 24/(c)	% 10,20	% 9,74	≤ % 20
6	Participation in the Operating Company	Art. 28/1 (a)	% 0,00	% 0,00	≤ % 10
7	Borrowing Limit	Art. 31	% 0,27	% 0,16	≤ % 500
8	Time and Demand Deposits in TL/ Foreign Currency	Art. 24/(b)	% 9,45	% 8,14	≤ % 10
9	All of the money and capital markets in a single investment company Tools	Art. 22/(l)	% 0,37	% 0,31	≤ % 10



As promulgated by the Communiqué Serial: III, No: 48.1 issued in the Official Gazette dated 28.05.2013, the Article 27(c) of the “Communiqué on Principles Regarding Real Estate Investment Trusts” states that “The rate of lands and registered lands which are in the portfolio but which, in spite of a period of five years having elapsed from their acquisition, have not been administrated for any project development cannot exceed 20% of the total assets.” As per the financial statements as of 31 December 2016, the ratio of the Company’s plots of land to the total assets is 10,20% which is a rate that falls within the limit stated in the Communiqué.

Further to the above, the Article 24(a) of the Communiqué Serial: III No: 48.1 on the “Principles Regarding Real Estate Investment Trusts” is stated as follows: “REICs are required to invest in real estate, rights supported by real estate, and real estate projects at a minimum rate of 51% of their portfolio values”. As per the financial statements of 31 December 2016, this rate is 52,30% and stays within the limits introduced by the Communiqué.

Further, the Article 24(b) of the Communiqué Serial: III No: 48.1 on the “Principles Regarding Real Estate Investment Trusts” is stated as follows: “REICs can invest in the assets stated in Article 22.1(k) and the investments stated in Article 28 of the Communiqué up to a maximum of 49% of the portfolio value.” As per the financial statements of 31 December 2016, this rate is 45,40% and stays within the limits introduced by the Communiqué.

The article 24 (b) of the said communiqué promulgates that “The companies can invest in time deposit and demand deposits in Turkish Liras or any foreign currency for investment purposes at a maximum rate of 10% of their total assets”. In the 31 December 2016 financial statements, this rate is 9,45% and stays within the limits introduced by the Communiqué.

The borrowing limit and the rates of participation in the operating company are also contained within the said limits. There are no other portfolio limitations.

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