

**ALARKO GAYRİMENKUL YATIRIM ORTAKLIĐI
ANONİM ŐİRKETİ**

**Convenience translation into English of
Financial Statements
for the year ended 31 December 2016
and
Independent Auditor's Report
(Originally issued in Turkish)**

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

Financial Statements
for the year ended 31 December 2016

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ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

Statements of Financial Position
as of 31 December 2016 and 31 December 2015
(TL)

	Notes	31 December 2016	31 December 2015
ASSETS			
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 from an integral part of these financial statements.

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

Statements of Financial Position
as of 31 December 2016 and 31 December 2015
(TL)

	Notes	31 December 2016	31 December 2015
LIABILITIES			
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

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

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

Statements of Profit or Loss and Other Comprehensive Income
for the years ended 31 December 2016 and 31 December 2015
(TL)

	Notes	1 January 2016 31 December 2016	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		133.207.239	131.791.243
- Tax (expense) / income for the period	20	-	-
- Deferred tax (expense) / income	20	-	-
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		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 operator	21	12,5068	12,3738

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

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

Statements of Changes in Equity
for the years ended 31 December 2016 and 31 December 2015
(TL)

	Paid-in capital	Capital adjustment differences	Revaluation and measurement gains/losses related to 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 to be reclassified in profit or loss	Restricted profit reserves	Retained earnings/ (Accumulated losses)		Equity
			Remeasurement gains/losses on defined benefit plans	Revaluation and reclassification gains/losses on financial assets available for sale		Prior year profit/ (loss)	Net profit/ (loss) for the period	
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 from an integral part of these financial statements.

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

Statements of Cash Flows
for the years ended 31 December 2016 and 31 December 2015
(TL)

	<u>Notes</u>	<u>31 December 2016</u>	<u>31 December 2015</u>
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			
Cash outflows form acquisition of investment properties	9,10 8	(57.921) (221.682)	(1.830) (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 from an integral part of these financial statements.

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

Notes to the financial statements
for the year ended 31 December 2016

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:

Shareholders	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 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.

2. Presentation of the Financial Statements (continued)

iii. Adjustments:

The accompanying financial statements are prepared in accordance with TAS/IFRS 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.

2. Presentation of the Financial Statements (continued)

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

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

TFRS 11 - "Acquisition of an Interest in a Joint Operation" (Amendment)

TFRS 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.

2. Presentation of the Financial Statements (continued)

vii. New and Revised Turkish Accounting / Financial Reporting Standards (continued):

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 TFRSs - 2012-2014 Cycle

POA issued, Annual Improvements to TFRSs 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.

2. Presentation of the Financial Statements (continued)

vii. New and Revised Turkish Accounting / Financial Reporting Standards (continued):

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.

2. Presentation of the Financial Statements (continued)

vii. New and Revised Turkish Accounting / Financial Reporting Standards (continued):

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.

2. Presentation of the Financial Statements (continued)

vii. New and Revised Turkish Accounting / Financial Reporting Standards (continued):

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.

2. Presentation of the Financial Statements (continued)

viii. Summary of significant accounting policies and valuation methods (continued)

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 in 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.

2. Presentation of the Financial Statements (continued)

viii. Summary of significant accounting policies and valuation methods (continued)

(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.

2. Presentation of the Financial Statements (continued)

viii. Summary of significant accounting policies and valuation methods (continued)

(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%
Furniture 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 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%

2. Presentation of the Financial Statements (continued)

viii. Summary of significant accounting policies and valuation methods (continued)

(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/IFRS 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 recognized 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.

2. Presentation of the Financial Statements (continued)

viii. Summary of significant accounting policies and valuation methods (continued)

(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).

2. Presentation of the Financial Statements (continued)

viii. Summary of significant accounting policies and valuation methods (continued)

(k) Provision for Termination Indemnity (continued):

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.

(l) 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.

2. Presentation of the Financial Statements (continued)

viii. Summary of significant accounting policies and valuation methods (continued)

(l) Revenues and Expenses (continued):

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.

2. Presentation of the Financial Statements (continued)

viii. Summary of significant accounting policies and valuation methods (continued)

(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".

Notes to the financial statements
for the year ended 31 December 20163. Cash and Cash Equivalents

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

	<u>31 December 2016</u>	<u>31 December 2015</u>
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	<u>817.139</u>	<u>712.015</u>
Total (Note 23(i))	<u>68.682.082</u>	<u>48.761.157</u>

* 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.

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

Notes to the financial statements
for the year ended 31 December 2016

4. Financial Assets

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

Financial assets held to maturity;

<u>Currency</u>	<u>31 December 2016</u>			<u>31 December 2015</u>		
	<u>Book value (TL)</u>	<u>Interest rate</u>	<u>Maturity</u>	<u>Book value (TL)</u>	<u>Interest rate</u>	<u>Maturity</u>
USD	254.724.594	% 3,75	14.07.2017	189.816.705	% 3,50	26.09.2016
USD	-	-	-	6.131.014	% 3,50	26.09.2016
USD	-	-	-	6.505.130	% 3,50	26.09.2016
Total	<u>254.724.594</u>			<u>202.452.849</u>		

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;

	<u>31 December 2016</u>		<u>31 December 2015</u>	
	<u>Participation Rate (%)</u>	<u>Amount (TL)</u>	<u>Participation Rate (%)</u>	<u>Amount (TL)</u>
Alsim Alarko Sanayi Tesisleri ve Tic. A.Ş. (*)	-	1.196	-	1.196
Alarko Konut Projeleri Geliştirme A.Ş. (*)	-	143	-	143
Alarko Holding A.Ş.*	-	<u>2.633.600</u>	-	<u>1.855.076</u>
TOTAL	-	<u>2.634.939</u>	-	<u>1.856.415</u>

(*) 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.

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Notes to the financial statements
for the year ended 31 December 2016

5. Trade Receivables and Payables

Trade receivables consist of the following (TL) :

	<u>31 December 2016</u>	<u>31 December 2015</u>
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 (Note 22(a) ve 23(i))	<u>16.032.283</u>	<u>14.484.726</u>
Grand Total	<u>16.181.512</u>	<u>14.574.365</u>

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) :

	<u>31 December 2016</u>	<u>31 December 2015</u>
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))	<u>9.773</u>	<u>54.839</u>

Trade payables consist of the following (TL) :

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

6. Other Receivables and Payables

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

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

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

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

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

	<u>31 December 2016</u>	<u>31 December 2015</u>
Deposits and guarantees received (Note 23 (ii))	606.309	467.455

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

Notes to the financial statements
for the year ended 31 December 2016

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)	Expertise Date	Restated Book Value (TL)	Sales Value (TL)	Expertise Value (TL)	Expertise Date
<u>Real Estate Project</u>								
Land share (1 parcel lot) and project cost								
Projects unsold	11.275.709	-	17.215.000	28.12.2016	14.056.529	-	19.154.000	28.12.2015
Total	11.275.709	-	17.215.000		14.056.529	-	19.154.000	
<u>Land in Büyükçekmece</u>								
Land cost (3 parcel lots)	3.271.735	-	49.700.000	28.12.2016	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.)

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

Notes to the financial statements
for the year ended 31 December 2016

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	<u>303.609.000</u>
Additions	221.682
Increase arising from changes in fair value (Note 18) 57.215.318	
Disposals	-
As of 31 December 2016	<u><u>361.046.000</u></u>

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 (TL):

Name of Real Estate	31 December 2016	
	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	<u>70.000.000</u>
Total		<u><u>361.046.000</u></u>

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

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

Notes to the financial statements
for the year ended 31 December 2016

8. Investment Properties (continued)

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

<u>Name of Real Estate</u>	31 December 2015	
	<u>Date of Expertise Report</u>	<u>Market Value (TL)</u>
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		<u>303.609.000</u>

<u>Name of Real Estate</u>	<u>Valuation methods used</u>	<u>Valuation method taken as basis</u>
Hillside Beach Club Holiday Village	Income Capitalization, Cost Analysis	Cost Analysis
Etiler Alkent Sitesi - Shops	Sales Comparison, Income Capitalizatio	Average
Büyükçekmece Alkent 2000- Shops	Sales Comparison, Income Capitalizatio	Average
Eyüp Topçular- Factory	Sales Comparison, Cost Analysis	Average
Ankara Çankaya Business Center	Sales Comparison, Income Capitalizatio	Average
İstanbul Karaköy Business Center	Sales Comparison, Income Capitalizatio	Average
İstanbul Şişhane Business Center	Sales Comparison, Income Capitalizatio	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 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).

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

Notes to the financial statements
for the year ended 31 December 2016

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	<u>272.055</u>	<u>2.832</u>	<u>(17.493)</u>	<u>257.394</u>

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)	<u>211.473</u>	<u>9.724</u>	<u>(17.493)</u>	<u>203.704</u>
Net Book Value	<u>60.582</u>	<u>-</u>	<u>-</u>	<u>53.690</u>

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Notes to the financial statements
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9. Tangible Assets (continued)

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

Cost ;

	Opening 1 January 2015	Additions	Disposal	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
<u>Accumulated depreciation ;</u>				
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).

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Notes to the financial statements
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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

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Notes to the financial statements
for the year ended 31 December 2016

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	<u>31 December 2016</u>	<u>31 December 2015</u>
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	<u>1.953.633</u>	<u>947.141</u>

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) :

	<u>31 December 2016</u>	<u>31 December 2015</u>
Guarantee notes received	1.136.841	963.905
Guarantee letters received	<u>805.796</u>	<u>1.340.885</u>
Total	<u>1.942.637</u>	<u>2.304.790</u>

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Notes to the financial statements
for the year ended 31 December 2016

11. Provisions, Conditional Assets and Liabilities (continued)

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

	<u>Uncollectible Receivables</u>	<u>Provisions</u>
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) :

	<u>31 December 2016</u>	<u>31 December 2015</u>
Employee benefit obligations	<u>77.415</u>	<u>66.380</u>

Long term provisions consist of the following (TL) :

Provisions for employee benefits:

	<u>31 December 2016</u>	<u>31 December 2015</u>
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)	<u>8.136</u>	<u>(645)</u>
Provision for termination indemnity at the end of the period	<u>282.338</u>	<u>228.555</u>

Provision for unused leaves:

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

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13. Other Assets and Liabilities

Other current assets consist of the following (TL) :

	<u>31 December 2016</u>	<u>31 December 2015</u>
Contractual income accruals	-	1.481.481
Prepaid taxes and funds	<u>233.019</u>	<u>164.528</u>
Total	<u>233.019</u>	<u>1.646.009</u>

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

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

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).

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

Notes to the financial statements
for the year ended 31 December 2016

14. Equity (continued)

b) 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:

a) 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.

b) 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) :

	<u>31 December 2016</u>	<u>31 December 2015</u>
Extraordinary reserves	384.936.809	312.238.288
Retained earnings	<u>124.463.498</u>	<u>72.698.521</u>
Total	<u>509.400.307</u>	<u>384.936.809</u>

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) :

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

Cost of real estate sold (TL) :

	<u>1 January 2016</u> <u>31 December 2016</u>	<u>1 January 2015</u> <u>31 December 2015</u>
Cost of real estate sold	2.694.214	2.470.000
Cost of land sold	<u>86.606</u>	-
Total	<u>2.780.820</u>	<u>2.470.000</u>

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Notes to the financial statements
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16. General Administration Expenses

General administration expenses consist of the following (TL) :

	<u>1 January 2016</u> <u>31 December 2016</u>	<u>1 January 2015</u> <u>31 December 2015</u>
General administration expenses	5.338.706	4.959.464
Total	<u>5.338.706</u>	<u>4.959.464</u>

17. Expenses by Nature

General administration expenses consist of the following (TL) :

	<u>1 January 2016</u> <u>31 December 2016</u>	<u>1 January 2015</u> <u>31 December 2015</u>
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	<u>408.591</u>	<u>370.923</u>
Total	<u>5.338.706</u>	<u>4.959.464</u>

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

	<u>1 January 2016</u> <u>1 December 2016</u>	<u>1 January 2015</u> <u>December 2015</u>
General administration expenses	<u>20.670</u>	<u>17.389</u>
Total	<u>20.670</u>	<u>17.389</u>

	<u>1 January 2016</u> <u>1 December 2016</u>	<u>1 January 2015</u> <u>December 2015</u>
Tangible assets (Note 9)	9.724	9.557
Intangible assets (Note 10)	<u>10.946</u>	<u>7.832</u>
Total	<u>20.670</u>	<u>17.389</u>

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Notes to the financial statements
for the year ended 31 December 2016

17. Expenses by Nature (continued)

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

	1 January 2016 <u>31 December</u> <u>2016</u>	1 January 2015 <u>31 December</u> <u>2015</u>
General administration expenses	1.761.904	1.516.718
Total	<u>1.761.904</u>	<u>1.516.718</u>
	1 January 2016 <u>31 December</u> <u>2016</u>	1 January 2015 <u>31 December</u> <u>2015</u>
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	<u>181.041</u>	<u>143.612</u>
Total	<u>1.761.904</u>	<u>1.516.718</u>

18. Other Operating Income / (Expenses)

Other operating income consists of the following:

	1 January 2016 <u>31 December</u> <u>2016</u>	1 January 2015 <u>31 December</u> <u>2015</u>
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	<u>412.617</u>	<u>26.765</u>
Total	<u>125.577.714</u>	<u>126.010.962</u>

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18. Other Operating Income / (Expenses) (continued)

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	<u>120.019</u>	<u>107.945</u>
Total	<u>8.200.217</u>	<u>7.830.122</u>

19. Income from Investing Operations

Income from investing operations consists 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	<u>22</u>	<u>-</u>
	<u>158.163</u>	<u>37.567</u>

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	<u>-</u>	<u>-</u>
Tax rate (%)	20	20
Tax provision	<u>-</u>	<u>-</u>

* 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)).

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21. Earnings per Share

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

	<u>31 December 2016</u>	<u>31 December 2015</u>
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) :

	<u>31 December 2016</u>		<u>31 December 2015</u>	
	<u>Trade</u>	<u>Non-Trade</u>	<u>Trade</u>	<u>Non-Trade</u>
Attaş Alarko Turistik Tesisler A.Ş.	16.037.545	-	14.487.486	-
Less: Deferred income	<u>(5.262)</u>	-	<u>(2.760)</u>	-
Total (Note 5)	<u>16.032.283</u>	<u>-</u>	<u>14.484.726</u>	<u>-</u>

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

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

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22. Related Party Disclosures (continued)

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:

	<u>31 December 2016</u>	<u>31 December 2015</u>
<u>Expenses</u>		
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	<u>32.571</u>	<u>18.012</u>
Total	<u>1.068.288</u>	<u>1.366.558</u>
	<u>31 December 2016</u>	<u>31 December 2015</u>
<u>Income</u>		
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	<u>39.646</u>	<u>10.041</u>
Total	<u>16.127.709</u>	<u>16.219.307</u>

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22. Related Party Disclosures (continued)

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

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

<u>Purchases</u>	31 December 2016			31 December 2015		
	Goods	Services	Other	Goods	Services	Other
Attaş Alarko Turistik Tes. 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

<u>Sales</u>	31 December 2016			31 December 2015		
	Goods	Services	Other	Goods	Services	Other
Attaş Alarko Turistik Tes. 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.

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23. Nature and Level of Risks Arising from Financial Instruments (continued)

i. Credit Risk (continued)

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				Bank Deposits	Cash and Cash Equivalents
	Trade Receivables		Other Receivables			
	Related Party	Other Party	Related Party	Other Party		
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)	-	-	-	-	-	-
- Impairment (-) (Note 5)	-	9.773	-	-	-	-
- Net value under guarantee	-	(9.773)	-	-	-	-
E- Off-balance sheet items having credit risk	-	-	-	-	-	-
Maximum credit risk exposure as of the reporting date (A+B+C+D+E) (1) (Notes 3,5,6)	-	-	-	-	-	-

(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.

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

Notes to the financial statements
for the year ended 31 December 2016

23. Nature and Level of Risks Arising from Financial Instruments (continued)

i. Credit Risk (continued)

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 Deposits	Cash and Cash Equivalents
	Trade Receivables		Other Receivables			
	Related Party	Other Party	Related Party	Other Party		
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)	-	-	-	-	-	-
- Impairment (-) (Note 5)	-	54.839	-	-	-	-
- Net value under guarantee	-	(54.839)	-	-	-	-
E- Off-balance sheet items having credit risk	-	-	-	-	-	-
Maximum credit risk exposure as of the reporting date (A+B+C+D+E) (1) (Notes 3,5,6)	-	-	-	-	-	-

(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.

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Notes to the financial statements
for the year ended 31 December 2016

23. Nature and Level of Risks Arising from Financial Instruments (continued)

i. Credit Risk (continued)

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 (Note 6)	611.869	611.869	5.560	-	606.309
Other short term liabilities (Note 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 (Note 6)	497.551	497.551	30.096	-	467.455
Other short term liabilities (Note 13)	1.534.640	1.534.640	1.534.640	-	-

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Notes to the financial statements
for the year ended 31 December 2016

23. Nature and Level of Risks Arising from Financial Instruments (continued)

ii. Liquidity Risk (continued)

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):

Monetary Assets	31 December 2016					Total
	0-1 month	1-3 months	3-6 months	6-12 months	More than 1 year	
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

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Notes to the financial statements
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23. Nature and Level of Risks Arising from Financial Instruments (continued)

ii. Liquidity Risk (continued)

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):

Monetary Assets	31 December 2015					Total
	0-1 month	1-3 months	3-6 months	6-12 months	More than 1 year	
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

Notes to the financial statements
for the year ended 31 December 201623. Nature and Level of Risks Arising from Financial Instruments (continued)

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;

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

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Notes to the financial statements
for the year ended 31 December 2016

23. Nature and Level of Risks Arising from Financial Instruments (continued)

iv. Foreign Currency Risk (continued)

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

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Notes to the financial statements
for the year ended 31 December 2016

23. Nature and Level of Risks Arising from Financial Instruments (continued)

iv. Foreign Currency Risk (continued)

Foreign Currency Position

Breakdown on foreign currency basis;

	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

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Notes to the financial statements
for the year ended 31 December 2016

23. Nature and Level of Risks Arising from Financial Instruments (continued)

iv. Currency Risk (continued)

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 asset/liability	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 asset/liability	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)	-	-

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Notes to the financial statements
for the year ended 31 December 2016

23. Nature and Level of Risks Arising from Financial Instruments (continued)

iv. Currency Risk (continued)

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 asset/liability	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 asset/liability	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)	-	-

Notes to the financial statements
for the year ended 31 December 201623. Nature and Level of Risks Arising from Financial Instruments (continued)

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 185.508, 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:

	<u>31 December 2016</u>	<u>31 December 2015</u>
Total debt	4.682.508	4.168.883
Less: cash and cash equivalents	<u>(68.682.082)</u>	<u>(48.761.157)</u>
Net debt	<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.

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Notes to the financial statements
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24. Financial Instruments (Disclosures related to fair value and hedge activities) (continued)

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

Fair value level as of the reporting date

<u>31.12.2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets			
Financial assets held for trading	2.633.600	-	-
Investment properties	-	361.046.000	-
TOTAL	2.633.600	361.046.000	
<u>31.12.2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
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);

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

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Notes to the financial statements
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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 Satements	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)	Md. 24/(b)	-	-
A2	Time and Demand Deposits in TL/Foreign Currency	Md. 24/(b)	67.864.943	48.049.142
A3	Foreign Capital Market Instruments	Md. 24/(d)	-	-
B1	Real estates, real estate projects and rights supported by real estates	Md. 24/(d)	-	-
B2	Lands Held Idle	Md. 24/(c)	73.271.735	57.478.735
C1	Foreign Investments	Md. 24/(d)	-	-
C2	Participation in the Operating Company	Md. 28/1(a)	1.339	1.339
J	Non-cash Loans	Md. 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	Md. 22/(e)	-	-
L	All of the money and capital markets in a single investment company Tools	Md. 22/(l)	2.633.600	1.855.076

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Notes to the financial statements
for the year ended 31 December 2016

27. Supplementary Notes: Monitoring Compliance with Portfolio Restrictions (continued)

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

	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 54,36 % 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 42,40% 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.