



ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
Annual Report 2020

March 29, 2021
General Assembly Meeting
2020 Fiscal Year

Registered Capital
TL 150.000.000

Issued Capital
TL 64.400.000



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MESSAGE FROM THE BOARD OF DIRECTORS

Dear Shareholders,

The Covid-19 outbreak which affected the entire world has changed the economic environment significantly in 2020. It has had a deep impact on social life, including mainly travel, holiday, eating and entertainment habits. Thus, it has become unavoidable to adopt new business and working methods. Totally eliminating time and space concepts in business life, the outbreak has strengthened digitalization and remote working. Having quickly adapted to these extraordinary circumstances, our company has continued to carry out its activities uninterrupted using the methods of remote working and working from office. We have successfully managed this process thanks to our corporate capacity that has been built over the years.

All major economies of the world other than China significantly shrank in 2020 due to the impact of the outbreak, resulting in a shrinkage of 4.3% in the global economy in 2020. China has grown to a very limited extent, reaching only a growth rate of around 2.3%. On the other hand, a heavier shrinkage in the global economy was prevented thanks to the expansionary monetary policies and extraordinary incentives of all countries.

The negative impact of the outbreak on Turkish economy has started to be felt starting from March. Turkish economy shrank significantly in the second quarter of 2020 due to the negative impact of the outbreak on consumer behaviors and the measures leading in the restriction of economic activities. A recovery, albeit limit, was observed in the second half with the release of the postponed demand. The Turkish economy is expected to close the year with a growth rate of around 0.5% despite all the negative factors. However, the budget deficit and the current deficit increased significantly in 2020 due to the impact of the outbreak, resulting in increased inflation and a negative impact on employment.

If the vaccines developed for Covid-19 successfully work, the global economy is expected to undergo a mild recovery in 2021. We estimate that a high growth rate will be achieved in 2021 thanks to the base effect of the shrinkage in 2020 and the postponed demand expected to be released starting from the second half.

Turkish economy is expected to display a remarkable growth momentum in 2021 with the impact of the revival in the domestic demand as uncertainties caused by the outbreak diminish in time and the expected increase in exports as a result of the recovery of the global economy. Thus, we expect a partial recovery in current deficit and inflation and employment rates in 2021.

Being one of the driving forces of the Turkish economy, the construction sector continues to be a significant source of employment despite all negative circumstances. The sector has experienced a revival, albeit temporarily, in the first half of 2020 with the impact of the decrease in housing loan interest rates. However this was not enough for the depletion of the accumulated housing stocks. Taking into consideration the excess demand in the real estate market, our company aims to implement new projects when the economic circumstances become favorable.

Our company has successfully closed 2020 despite all the challenges posed by the outbreak. We would like to extend our gratitude to all of our employees who contributed to this result with full devotion and creative efforts, as well as our distinguished shareholders who always provided us with full support.

With these thoughts in mind, we would like to extend our kind regards to all of you, and wish you all a healthy and peaceful year.

Board of Directors



BOARD OF DIRECTORS AND AUDITORS

<u>Board of Directors</u>	<u>Duty</u>	<u>Commencement Date of Duty</u>	<u>Expiry Date of Duty</u>
Mustafa Filiz	Chairman	08.07.2020	08.07.2023
Ümit Nuri Yıldız	Vice Chairman	08.07.2020	08.07.2023
Mehmet Ahkemoğlu	Director	08.07.2020	08.07.2023
Alpaslan Serpen	Director	08.07.2020	08.07.2023
Ayhan Arı	Director	08.07.2020	08.07.2023
Mustafa Tansu Uslu	Director (Independent)	08.07.2020	08.07.2023
Kudret Vurgun	Director (Independent)	08.07.2020	08.07.2023

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

Auditor

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A Member Firm of Ernst & Young Global Limited)	08.07.2020	08.07.2021
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Independent Auditor

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A Member Firm of Ernst & Young Global Limited)	08.07.2020	08.07.2021
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Powers and Limits of Members of the Board of Directors

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



INFORMATION REGARDING MEMBERS OF THE BOARD

Mustafa FILİZ

Chairman of the Board of Directors

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

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

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

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

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

Ümit Nuri YILDIZ

Vice Chairman of the Board

Ümit Nuri Yıldız was born in Erzurum in 1966. He graduated from the Department of Business Administration, Faculty of Political Sciences of Ankara University in 1986. He obtained his MSc degree from University of Illinois. In 1987, he started working as Assistant Tax Inspector at Board of Auditors of the Ministry of Finance. Yıldız continued to work in the Ministry as Tax Inspector and Chief Tax Inspector until 1997. He was appointed Deputy General Manager of the Turkish Employment Organization in 1997. He resigned from his position and joined the Alarko Group of Companies in 1998. Yıldız who is presently working as Financial Analysis, System and Planning Coordinator at Alarko Group is also a member of the Board of various companies within the group. Yıldız speaks English and is married with two children.

Ümit Nuri Yıldız does not qualify as independent director according to the CMB's Communiqué Numbered II-17.1.

Mehmet AHKEMOĞLU

Member of the Board

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

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

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

Alpaslan SERPEN

Member of the Board

Born in 1977 in Balıkesir, Mr. Serpen graduated from the Department of Industrial Engineering, Faculty of Engineering, Middle Eastern Technical University in 1999. He received a Minor Degree in Finance, Department of Business Administration of METU during 1996-1999.

He embarked on his professional career in 1999 as Dealer in Department of Treasury Fund Management of Pamukbank. Joining Alarko Group of Companies as Feasibility Expert in 2005, Alpaslan Serpen worked in the fields of privatization tenders, acquisitions and mergers, investment planning, company valuation, strategic planning and energy investments. He currently serves as



Investment Planning Director of Alarko Group of Companies. Alpaslan Serpen is married and speaks English.

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

Ayhan ARI

Member of the Board

Born in 1968 in Sinop, Mr. Arı graduated from the Department of Finance, Faculty of Economic and Administrative Sciences, Marmara University in 1992.

He joined Alarko Group of Companies in 1996. He worked as Financial Affairs Manager at various levels for Alarko Land Development Group. He has been serving as Chief Financial Officer at Alarko Tourism Group since 2008. Married with two children.

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

Mustafa Tansu USLU

Independent Member of the Board

Mustafa Tansu Uslu was born in Istanbul in 1944. He graduated from the French high school for boys, Saint Joseph, in 1962 and the İ.T.Ü. Faculty of Mechanical Engineering in 1968.

Uslu started his professional life at Seka General Management at Dalaman and worked there in the years between 1970 and 1974. He joined the Alarko Group of Companies in 1974 and took over executive responsibility in various companies within the group until 2007. Uslu worked as an executive at Avrasya Teknoloji Mühendislik ve İnşaat A.Ş. in 2007-2008.

Uslu is married and has two children. He speaks French and English.

Mustafa Tansu Uslu qualifies as independent director according to the CMB's Communiqué Numbered II-17.1.

Kudret VURGUN

Independent Member of the Board

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

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



AGENDA OF THE ANNUAL GENERAL ASSEMBLY MEETING

1. Opening and moment of silence.
2. Deliberations and decision on the election of the Presiding Committee.
3. Deliberations and decision to authorize the Presiding Committee to sign the minutes of the General Assembly Meeting.
4. Reading and deliberation of the Annual Report of the Board of Directors, Auditor's Report and Independent Auditor's Report for the year 2020.
5. Reading, discussion and approval of the Statements of Financial Position and Statement of Comprehensive Income of 2020.
6. Deliberations and resolution for the acquittal of the Members of the Board of Directors for the activities in year 2020.
7. Deliberations and resolution on the proposal of the Board of Directors for the profit distribution of the year 2020.
8. Presenting information about donations made by the Company.
9. Deliberations and decision regarding the limits of donations to be made in 2021.
10. Deliberations and decision on the election of the Board of Directors and determination of the salaries and terms of office of the members.
11. Deliberations and resolution regarding vesting the power set out in articles 395 and 396 of the Turkish Commercial Code to the members of the Board of Directors.
12. Presenting information to General Assembly on procedures indicated in articles 1.3.6 of the "Corporate Governance Principles" in the annex of the Communiqué numbered II-17.1 of the Capital Market Board.
13. Deliberations and decision concerning the approving for the auditing of the company's accounts and operations for the year 2021 by an Independent Auditing Company selected by the Board of Directors in accordance with the Capital Markets Regulations and Turkish Commercial Code.
14. Remarks and suggestions.

Board of Directors



ANNUAL REPORT OF THE BOARD OF DIRECTORS

Dear Shareholders,

We hereby present the Annual Statement of Financial Position, Statement of Comprehensive Income and other financial statements which reflect the results of our company's activities in 2020 for your evaluation and criticism.

- 1) Our annual report covers the period between January 1, 2020 and December 31, 2020.
- 2) The members of the Board and the Statutory Auditors during 2020 are their terms of office are presented on page 4.

The financial statements which show the operational results obtained in 2020 were audited independently by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A Member Firm of Ernst & Young Global Limited)

- 3) The Board of Directors convened 21 times during the term. All members of the Board participated in 14 meetings. One Board member was unable to participate in 7 of the meetings due to an excuse. Board decisions have been taken unanimously. Therefore, there is no record of dissenting votes.
- 4) The company's registered capital ceiling in 2020 was TL 150.000.000.
- 5) Our issued capital is TL 64.400.000 and our net profit for the period TL 330.185.303.
- 6) The rate of participation to our Ordinary General Assembly Meeting held on July 08, 2020 was 58%. The shareholders that hold more than 10% of our capital are; Alarko Holding A.Ş. with 16,42% of the shares and Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. with 34,78% of the shares. 48,77% of the capital is offered to the public.

In the last three years of activity a cash dividend of 144% was paid in 2017, a cash dividend of 254% was paid in 2018 and a cash dividend of 63% was paid in 2019.

The proposal for profit distribution for the year 2020 submitted by the Board of Directors to the approval of the General Assembly is on page 21 of the report. At the time this report was written, the nominal value of TL 1 of our share certificate registered with the İstanbul Stock Exchange, where their transaction is carried out, was TL 26.

- 7) TL 1.125.000 was donated to in 2020.
- 8) There are no important lawsuits brought against our company which could impinge on its financial status or activities of the company as of 31 December 2020.
- 9) Shareholders who control the management, members of the board of directors, top executives and their spouses and blood and in-law relatives up to and including second kin have not executed any transaction which may lead to conflict of interest with the Company or its affiliates. Members of the Board have no transactions of their own or on behalf of others that could be within the scope of the noncompetition covenant.
- 10) Footnote 30 to the financial statements contains information related to checking compliance with portfolio limitations.



GENERAL INFORMATION REGARDING OUR ACTIVITIES

Designing and building projects with full infrastructure and recreational areas which are environmentally-friendly and fit for modern urbanization and managed by contemporary management organizations, our Company continues to invest in real estate and real estate projects, real estate related rights, and money and capital market instruments.

Most recently, the Company completed the construction and sales of 63 mansions as part of the Alkent 2000 Lake Mansions project, the third phase of our Alkent Istanbul 2000 project. Büyükçekmece Alkent 2000 Lake Mansions project has become a prestigious living center with social facilities, landscaping and private security as it consists of a single plot of land.

Project development works are ongoing for the lands in our portfolio. We also do research and feasibility surveys for suitable lands in major cities, particularly Istanbul, for new projects.

Together with the extension of the term of the construction right over “Hillside Beach Club” holiday resort to 49 years again, our rental income is expected to maintain a steady trajectory in the long-term. We estimate that the rental income which has not reached the expected level in 2020 because of the pandemic that affected the entire world will be restored to the normal level again in 2021 thanks to the global vaccination efforts and other measures taken.

The highly prestigious real estate that we added to our portfolio to generate rental income in previous years include the following: The five-star Hillside Beach Club Holiday Resort located in the Kalemaya village of Fethiye on a land of 100.037 m², with an indoor area of 23.922 m² and capacity of 781 beds; a factory building and plants located on a land of 13.503 m² in Eyüp, Istanbul with an area of 13.794 m²; 39 shops within the Alkent Etiler Mall with a land area of 4.233 m² in Etiler, Istanbul; the 4-story Alarko Business Center with a usable area of 1.730 m² located on Necatibey Street, Karaköy, Istanbul; Alarko-Dim Business Center, which consists of a 3-story shop and 3 office floors with a usable area of 750 m², located in Tepebaşı, Istanbul; 10 shops with a usable area of 784 m² in Istanbul Büyükçekmece Alkent 2000 Housing Complex; and the 6-story Alarko Business Center with a usable area of 1.943 m² located in Çankaya, Ankara.

In addition to investing in new projects, our Company will continue to derive the highest financial return from money and capital market instruments. Using the resources allocated for new projects in money and capital markets, our Company achieved a high level of financial return in 2020 thanks to its strong equity and liquidity structure.

ADDITIONAL INFORMATION REGARDING OUR ACTIVITIES

- 1) Our Company had no activities related to Research and Development in the financial term of 2020.
- 2) Information regarding the internal control system of our company and its internal and external auditing activities: Our Company conforms to the principles stated in the Corporate Governance Principles. Hence, an “Auditing Committee” was constituted within the Board of Directors and the committee’s work principles were determined by the Board. The results of the internal auditing reports drawn as a result of the inspections carried out in accordance with the internal control system set up and the audit reports drawn at the end of inspections carried out by the independent auditing companies are followed by the committee and reported to the Board. The financial statements showing the results of the activities of Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. for the year 2020 have been subject to independent auditing by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A Member Firm of Ernst & Young Global Limited). Both internal auditing and independent auditing were conducted twice within the financial period of 2020 and no adverse case was determined. Neither public nor special inspection was conducted within the term. The financial statements of the company were examined by the Auditing Committee and it was determined that they reflected the financial



status of the company correctly, and were in accordance with the records and that the results of 2020 were in compliance with the relevant laws and the Articles of Association.

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

Subsidiaries	Declared Capital (TL)	Share (TL)	Share (%)
Alarko Holding A.Ş.	435.000.000	1.183.962	0,27
Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş.	414.484.276	1.552	0,00
Alarko Konut Projeleri Geliştirme A.Ş.	22.193.713	143	0,00
Mosalarko A.O.	30.000.000 (Ruble)	3.000.000 (Ruble)	10,00

Information regarding our partnership ratios in our shareholdings as of 31 December 2020 and the dividends we have accumulated in 2019 and 2020 are given in note numbers 4 and 20 to the Financial Statements.

- 4) Our Company does not possess any own share in 2020. In 2018, the total number of the own shares that has been purchased by our company is 473.175 unit and the information on the share purchase is disclosed in note 15.
- 5) As there is no practice by the Company and the members of the Board of Directors against to the applicable laws and regulations, there is neither any administrative nor judicial litigation against the Company and the members of the Bord of Directors.
- 6) Objectives determined in former terms have been attained and there are no matters that have not been implemented in the decisions taken at the General Assemblies of the Company.
- 7) No extraordinary General Assembly was held during the term.
- 8) Our company made donations to Alarko Eğitim-Kültür Vakfı and the “Moving into the Future Through Schools” campaign organized by the Ministry of National Education of the Republic of Turkey within the scope of its social responsibility project. Social contributions are made through the GYO (Real Estate Investment) Association and Alarko Educational Cultural Foundation.
- 9) Our company is a dependent company of Alarko Holding A.Ş. as defined in Turkish Commercial Code Article 195 Paragraph 1. Our company has carried out some transactions of goods and services with the parent company and its affiliates. All aforesaid transactions are conducted in accordance with arm’s length principle.

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

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

- 10) After the operating year ended, our company has made a Board Decision for increasing its issued capital and authorized capital. The relevant explanations are provided on page 11 of our annual report under the heading “Amendments to the Articles of Association”.
- 11) There have been no legislative amendments that can seriously affect the Company’s activities within the term.
- 12) Conflict of interest does not exist between the Company and investment consulting institutions as well as rating instutions which render services to the Company.



AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND JUSTIFICATION OF SUCH AMENDMENTS

- In the Board Meeting held on 3 January 2020, it has been decided that the issued capital of our Company, which has an registered capital of TL 20.000.000 and an issued capital of TL 10.650.794, be increased by 5.374.920.600 Group C bearer shares each with a nominal value of 1 Kr and worth total TL 53.749.206 and thus be increased to TL 64.400.000 and that the share capital increase of TL 53.749.206 be covered by capital adjustment differences. An application has been filed with the Capital Markets Board on 14 January 2020. Necessary permissions were obtained from the Capital Markets Board with its letter dated 14 February 2020 and numbered 12233903-340.05.05-E.1875 for the certificate for issuing shares for the capital increase and amended texts of Articles 6 and 7 of the Articles of Association of the Company, and the certificate and the amended texts were registered by Istanbul Trade Registry on 21 February 2020.
- It was decided in the Board Meeting held on 22 January 2020 that, since the registered capital allowed by the Capital Markets Board will have completed the 5 year period in 2020, permission be obtained for time extension, and that the authorized capital of our company, which has an registered capital of TL 20.000.000, be increased to TL 150.000.000. An application has been filed with the Capital Markets Board on 28 January 2020. Necessary permissions were obtained from the Capital Markets Board with its letter dated 28 February 2020 and numbered 12233903-340.08-E.2457 for the amended text of Article 6 of the Articles of Association of the Company related to the increase of registered capital, and it was accepted in the Ordinary General Assembly for 2019.

FINANCIAL RIGHTS GRANTED TO BOARD MEMBERS AND TOP EXECUTIVES

Except for the Independent Members of the Board, no financial rights such as honorariums, fees, bonuses, premiums, profit share are granted to Board Members. The gross total of fees and similar financial rights provided to the Independent Board Members and top executives in 2020 was TL 1.379.722.

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



INFORMATION ABOUT HUMAN RESOURCES

The average number of employees on the 01.01.2020 - 31.12.2020 term is 3.

As of 31.12.2020, the company has calculated TL 217.655 employment termination indemnities with full provision.

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

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

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

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

CURRENT CAPITAL AND PARTNERSHIP STRUCTURE

Shareholders	Share Amount (TL)	Number of shares and votes	Ratio (%)	Number of (*) A Group shares and votes	Number of (**) B Group shares and votes	Number of C Group shares and votes
Alarko Holding A.Ş.	10.570.843	1.057.084.251	16,42	16.467.000	–	1.040.617.251
Alsım Alarko Sanayi Tesisleri ve Ticaret A.Ş.	22.400.102	2.240.010.210	34,78	–	23.500.000	2.216.510.210
Other	20.877	2.087.692	0,03	33.000	–	2.054.692
Public Offering	31.408.178	3.140.817.847	48,77	–	–	3.140.817.847
Total	64.400.000	6.440.000.000	100	16.500.000	23.500.000	6.400.000.000

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

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

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

In 2020 accounting period, the Company's Authorized Capital was increased to TL 150.000.000 from TL 20.000.000, and its Issued Capital was increased to TL 64.400.000 from TL 10.650.794. No change has been made in its shareholding structure.



PROFIT DISTRIBUTION POLICY

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

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

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

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

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

There is no privileges in profit distribution.

Our Company distributed a profit of TL 40.572.000 in 2020.

RISK MANAGEMENT AND INTERNAL AUDIT MECHANISM

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

Pursuant to this decision, the Auditing Group has been appointed to oversee the setting up of the internal control mechanism and supervise its operability. The Auditing Group supervises the internal control mechanism at predetermined periods in accordance with the approved annual plans and reports its views on matters determined to top management. Furthermore, the Auditing Committee and Early Detection of Risk Committee review related matters and advise the Board accordingly. The Auditing Committee and the Board determine the measures to be taken and instruction the managers of the company by way of the General Manager.

An Early Detection of Risk Committee consisting of three members has been established to determine risks likely to be encountered and to make recommendations to the Board in order to set up an effective risk management system and their operation principles have been approved by the Board. The Early Detection of Risk Committee convened 6 times in 2020 and the 6 reports of Committee were presented to the Board.



BOARD OF DIRECTORS

Structure and Composition of Board of Directors

Board of Directors

Mustafa Filiz	Chairman
Ümit Nuri Yıldız	Vice Chairman
Mehmet Ahkemoğlu	Member
Alpaslan Serpen	Member
Ayhan Arı	Member
Mustafa Tansu Uslu	Member (Independent)
Kudret Vurgun	Member (Independent)

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

There are 2 independent members on the Board of Directors.

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

Their independence declaration is as follows:

Declaration of Independence

I declare to the Board, the partners and all the related parties that I meet all the independence criteria specified in clauses 4.3.6 and 4.3.7 of the Corporate Governance Announcement number II-17.1 published by the Capital Markets Board, have the qualifications stipulated in the related legislation and the Articles of Association and in case there are any changes affecting my independence, I will duly inform the Board of the Alarko Real Estate Investment Partnership Co.

Name Surname : Mustafa Tansu USLU
Date : 12.06.2020

Declaration of Independence

I declare to the Board, the partners and all the related parties that I meet all the independence criteria specified in clauses 4.3.6 and 4.3.7 of the Corporate Governance Announcement number II-17.1 published by the Capital Markets Board, have the qualifications stipulated in the related legislation and the Articles of Association and in case there are any changes affecting my independence, I will duly inform the Board of the Alarko Real Estate Investment Partnership Co.

Name Surname : Kudret VURGUN
Tarih : 12.06.2020

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

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



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

General Manager

Harun Hanne Moreno

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

Harun Moreno started to work at the Alarko Group of Companies in 1986. Following various middle and top management positions in the various units of the group, he was appointed general manager of the Alarko Real Estate Investment Partnership Co. in 2001. He is still holding this position.

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

Operational Principles of the Board of Directors

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

The Board of Directors convened 21 times during the term. All members of the Board participated in 14 meetings. One Board member was unable to participate in 7 of the meetings due to an excuse. Board decisions have been taken unanimously. Therefore, there is no record of dissenting votes. In 2020 there were no related party transactions and transactions of important character to be presented to the approval of the independent members of the Board.

The faults of members of the board of directors and the harm they will give to the Company during their service are insured by Alarko Holding A.Ş.



ASSESSMENT OF THE OPERATING PRINCIPLES AND EFFECTIVENESS OF COMMITTEES OF THE BOARD OF DIRECTORS

Our Company's Board of Directors has established new committees and laid down their operating principles pursuant to the Capital Markets Board's Communiqué No. II-17.1 on Corporate Governance and the provisions of the Turkish Commercial Code.

All committee members are non-executive members.

Information on the purviews and operating principles of the committees and on their members is disclosed on the Public Disclosure Platform (PDP) and published on our corporate web site for investors for information purposes. Decisions taken as a result of independent studies conducted by committees are proposed to the Board of Directors, and the final decision is made by the Board of Directors.

For this purpose;

- A Corporate Governance Committee consisting of 4 members is established in order to develop corporate management practices, and Independent Member Mustafa Tansu USLU, is elected as the chairman of the Committee, Members Mustafa FİLİZ, Mehmet AHKEMOĞLU and Investor Relations Department manager Metin FRANKO are elected as Committee members. Corporate Governance Committee met 3 times in 2020 with full attendance of all members and submitted a report to the Board of Directors about its activities.

The Corporate Governance Committee;

- has supervised the works of Investor Relations department.
- has reviewed Company's performance evaluation system.
- has evaluated the implementation of corporate governance principles. In the evaluation, information has been obtained on Corporate Governance Principles Compliance Report prepared pursuant to the CMB's Communiqué No. II-17.1 on Corporate Governance.
- For the purpose of early detection of risks that may be encountered by our Company and establishment of an effective risk management system, an Early Risk Detection Committee consisting of 4 members has been established to give advices to the Board of Directors, and Independent Member Mustafa Kudret VURGUN has been elected as the Chairman of the Committee, Mustafa FİLİZ, Ümit Nuri YILDIZ and Mehmet AHKEMOĞLU were elected as member of the committee. Early Risk Detection Committee has 6 times in 2020 with the attendance of all members and the 6 reports of Committee were submitted to the Board of Directors.

Early Risk Detection Committee has carried out studies on early detection of the risks that may endanger the existence, development and continuation of the Company under the regulations and legal legislation, and on the implementation of appropriate measures related to determined risks and management of the risk.

- Independent Member Mustafa Tansu USLU has been elected as the Chairman and Independent Member Kudret VURGUN has been elected as the member of the Audit Committee which exists under the Board of Directors. The Audit Committee has met 5 times in 2020 with the attendance of all members and the results of meeting have been submitted to the Board of Directors in a report.

The Audit Committee;

- has supervised the operation and effectiveness of the internal control system by evaluating the reports issued by the Company management, independent audit firm and internal auditors.



- has submitted to the board of directors, for approval, its proposal for the independent audit firm following appointment of independent audit firm which will provide services to the Company and prior approval by the committee of the services to be obtained from this company.
- has submitted to the board of directors, for approval, the annual and interim financial statements to be disclosed to the public, together with its own evaluations, after taking the opinions of the company's chief operating officers and independent auditors on their truthfulness, accuracy and compliance with the accounting principles observed by the company.
- has reviewed the activities of the independent audit firm.

Nomination Committee and Remuneration Committee have not been established among Members of the Board of Directors, and pursuant to the CMB's Communiqué on Corporate Governance, the Corporate Governance Committee has performed the duties of the Nomination Committee and Remuneration Committee.

According to the organization of the Board of Directors, the Board has two independent members. As the chairmen of the committees and all members of the Audit Committee must be independent members, some independent members serve in several committees.

HUMAN RESOURCES POLICY

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

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

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

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

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

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

RULES OF ETHICS AND SOCIAL RESPONSIBILITY

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

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

- Act honestly in all business activities towards the government, clients, shareholders, personnel, partners and sub- and by- industries,



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

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

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

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

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

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

FINANCIAL INDEXES

According to the independently audited financial statements prepared as of December 31, 2020 financial indexes are as follows.

Financial Indexes	Year 2020	Year 2019
Net Sales	TL 26.828.787	TL 36.215.057
Net Profit for the Period	TL 330.185.303	TL 389.574.941
Current Ratio	59,72	58,21
Liquidity Ratio	59,42	57,90
Dept Equity Ratio	0,95 %	1,21 %
Total Assets	TL 1.827.244.961	TL 1.531.391.235

Analysis of the basic ratios regarding the term of 2020 shows that our Company's net working capital is adequate, that it can pay all its short term liabilities in cash or with economic assets that can be liquidated in a short period and also that its operating activities are financed with its equities. The Company's paid-in capital is TL 64.400.000, and it is in a position to pay its debts. The financial structure of the company is propitious to maintaining its activities. Hence, there are no precautions taken concerning this issue.

As of 31.12.2020, the number of shares at par value of TL 1,00 is 64.400.000 and the current value per share is TL 28.

Information regarding assets in our portfolio is summarized below :

i – Real Estates

Real Estates, Real Estate Projects, Chattel Real		Appraisal Date	Appraisal Value (TL)		Rent Appraisal Value (TL)	
			VAT excluded	VAT Included	VAT excluded	VAT Included
- Land in Büyükçekmece Eskice Village	Büyükçekmece / İstanbul, 3 parcels 622.651,10 m ² .	29.12.2020	88.520.000	104.453.600	-	-
- Maslak Land	Sarıyer / İstanbul, 2 parcels, in Maslak, on the Şişli - İstinye Büyükdere motorway 18.961,90 m ² .	29.12.2020	104.290.000	123.062.200	-	-
- İstanbul Şişhane Business Center	Beyoğlu / İstanbul, gross 730 m ² , 3 floors offices, 1 floor/entrance store, with elevator, generator, air conditioning and floor heating .	29.12.2020	13.000.000	15.340.000	51.000	55.080
- İstanbul Karaköy Business Center	Karaköy / İstanbul, gross 1.730 m ² , single block, elevator, air conditioning heating, ½ bought in 1997, ½ bought in 1999.	29.12.2020	15.480.000	18.266.400	71.000	76.680
- Ankara Çankaya Business Center	Çankaya / Ankara, gross 1.887 m ² , single block, 6 storeys, elevator, chiller air conditioning, natural gas heating.	29.12.2020	8.895.000	10.496.100	60.000	64.800
- Fethiye Hillside Beach Club Holiday Village	10.128,09 m ² , in Fethiye / Muğla, Parcel 3 with 1. Class Holiday Village in Kaya Village, Kalemaya Bay.	29.12.2020	70.895.000	83.656.100	-	-
- Fethiye Hillside Beach Club Holiday Village (usufruct)	Fethiye / Muğla, 2 parcels, 84.762 m ² , usufruct for parcel 1 in Kaya Village, Kalemaya Bay.	29.12.2020	683.705.000	806.771.900	33.450.000	36.126.000
- Factory and land in Eyüp - Topçular	Eyüp / İstanbul, 15.675 m ² , facilities located in Topçular neighborhood. Door no. 8, block 247, parcel 56.	29.12.2020	80.605.000	95.113.900	145.000	156.600
- 39 shops in Etiler Alkent Housing Estate	39 shops in Etiler Alkent Shopping Center in Beşiktaş, İstanbul.	29.12.2020	43.300.000	51.094.000	270.500	292.140
- 10 shops in Büyükçekmece Alkent 2000 Yeditepe Housing Estate	10 shops in Büyükçekmece Alkent 2000 Shopping Center in Büyükçekmece, İstanbul.	29.12.2020	15.050.000	17.759.000	69.000	74.520
TOTAL			1.123.740.000	1.326.013.200	34.116.500	36.845.820





ii – Money and Capital Market Instruments

Type	Total (TL)	Ratio (%)
Government Bonds and Bills	731.351.763	97,35
Share Certificates	10.205.753	1,36
Foreign Currency Time Deposits	7.890.112	1,05
Mutual Funds	1.624.750	0,22
TL Deposit	195.480	0,02
TOTAL	751.267.858	100

iii – Participations

Type	Total (TL)	Ratio (%)
Participations	11.042.001	51,97

INFORMATION REGARDING PORTFOLIO ASSETS LEASED

Information Regarding Portfolio Assets Leased	Insurance Value (TL)	Rent Appraisal Date	Rent Appraisal Value (TL)	Monthly Rent (TL)	
- İstanbul Şişhane Business Center	1.250.000	30.12.2019	43.950	-	Not rented as of 31.12.2020
- İstanbul Karaköy Business Center	2.900.000	30.12.2019	57.090	72.350	
- 39 shops in Etiler Alkent Shopping Center	4.250.000	30.12.2019	227.413	304.213	
- 10 shops in Büyükçekmece Alkent 2000	1.450.000	30.12.2019	68.640	148.437	
- Factory in Eyüp - Topçular	2.288.000	30.12.2019	100.000	120.000	
- Ankara Çankaya Business Center	2.450.000	30.12.2019	62.176	125.555	
- Fethiye Hillside Beach Club Holiday Village (*)	249.209.975	10.01.2020	32.280.000	21.947.722	

Dipnot:

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



PROPOSAL FOR PROFIT DISTRIBUTION

- We are proposing that, out of the profit for the period in the amount of TL 330.185.303 set forth in our company's 2020 financial statements submitted for the approval of our General Assembly, first order general legal reserves of TL 4.850.189 be set aside in accordance with the provisions of the Capital Market Legislation, Company's Articles of Association and the relevant legislation,
- Out of the net distributable profit for the period in the amount of TL 326.460.114 including donations made within the year worth TL 1.125.000, the TL 50.232.000 part be distributed to the shareholders in cash as dividends,
- Second order general legal reserves of TL 4.701.200 be set aside out of the distributable dividends,
- The remaining amount be added to the extraordinary reserves; and,
- Dividend distribution be started on 24 May 2021.

Board of Directors

Accordingly, dividend distribution will be made as follows pursuant to the provisions of the Capital Market Legislation, Company's Articles of Association and other legislation.

Profit for the Period	TL 330.185.303
First Order General Legal Reserves	TL 4.850.189
Net Distributable Profit for the Period	TL 325.335.114
Net Distributable Profit for the Period including Donations.....	TL 326.460.114
Dividends to be Distributed to the Shareholders in Cash	TL 50.232.000
Second Order General Legal Reserves	TL 4.701.200
Remaining Balance to be Transferred to Extraordinary Reserves	TL 270.401.914
Ratio of Dividends to the Issued Share Capital	78,00%
Rate of Dividends to the Net Distributable Profit for the	
Period including Donations.....	15,39%



REPORT ON COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

DECLARATION OF COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLES

Our company has taken due care in the observation of Corporate Governance Principles published by the Capital Markets Board. All of the obligatory principles defined in the Communiqué on Corporate Governance have been observed by our Company. Most of the non-obligatory Corporate Governance Principles have also been complied with, while those that could not be complied with have been explained in the relevant section. Please find the details on the issue in the following sections. The Corporate Governance Committee continues to perform its activities.

CORPORATE GOVERNANCE COMPLIANCE REPORT

Corporate Governance Compliance Report	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS						
1.1.2 - Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	X					
1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION						
1.2.1 - Management did not enter into any transaction that would complicate the conduct of special audit	X					
1.3. GENERAL ASSEMBLY						
1.3.2 - The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	X					
1.3.7 - Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.					X	There is no action within the scope of this article.
1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	X					
1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.	X					
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.	X					



Corporate Governance Compliance Report	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
1.4. VOTING RIGHTS						
1.4.1 - There is no restriction preventing shareholders from exercising their shareholder rights.	X					
1.4.2 - The company does not have shares that carry privileged voting rights.	X					
1.4.3 - The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.					X	The Company does not have any corporation with which it has cross shareholding that also brings along a domination relationship.
1.5. MINORITY RIGHTS						
1.5.1 - The company pays maximum diligence to the exercise of minority rights.	X					
1.5.2 - The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.			X			The articles of association stipulates that minority rights are not less than one-twentieth of the capital.
1.6. DIVIDEND RIGHT						
1.6.1 - The dividend policy approved by the General Shareholders' Meeting is posted on the company website.	X					
1.6.2 - The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	X					
1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.					X	Dividend distribution made.
1.6.4 - The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	X					
1.7. TRANSFER OF SHARES						
1.7.1 - There are no restrictions preventing shares from being transferred.	X					
2.1. CORPORATE WEBSITE						
2.1.1 - The company website includes all elements listed in Corporate Governance Principle 2.1.1.	X					



Corporate Governance Compliance Report	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
2.1.2 - The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.	X					
2.1.4 - The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.	X					
2.2. ANNUAL REPORT						
2.2.1 - The board of directors ensures that the annual report represents a true and complete view of the company's activities.	X					
2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	X					
3.1. CORPORATION'S POLICY ON STAKEHOLDERS						
3.1.1 - The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X					
3.1.3 - Policies or procedures addressing stakeholders' rights are published on the company's website.			X			The rights of stakeholders are protected under the legislation.
3.1.4 - A whistleblowing programme is in place for reporting legal and ethical issues.	X					
3.1.5 - The company addresses conflicts of interest among stakeholders in a balanced manner.	X					
3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT						
3.2.1 - The Articles of Association, or the internal regulations (terms of reference/manuals), regulate the participation of employees in management.			X			No special model is designed for employee participation in management.
3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them	X					
3.3. HUMAN RESOURCES POLICY						
3.3.1 - The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.	X					



Corporate Governance Compliance Report	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
3.3.2 - Recruitment criteria are documented.	X					
3.3.3 - The company has a policy on human resources development, and organises trainings for employees.	X					
3.3.4 - Meetings have been organised to inform employees on the financial status of the company, remuneration, career planning, education and health.	X					
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.	X					
3.3.6 - Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration.	X					
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	X					
3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.	X					
3.3.9 - A safe working environment for employees is maintained.	X					
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1 - The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X					
3.4.2 - Customers are notified of any delays in handling their requests.	X					
3.4.3 - The company complied with the quality standards with respect to its products and services.	X					
3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					
3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY						
3.5.1 - The board of the corporation has adopted a code of ethics, disclosed on the corporate website.	X					
3.5.2-The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	X					



Corporate Governance Compliance Report	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
4.1. ROLE OF THE BOARD OF DIRECTORS						
4.1.1 - The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	X					
4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.	X					
4.2. ACTIVITIES OF THE BOARD OF DIRECTORS						
4.2.1 - The board of directors documented its meetings and reported its activities to the shareholders.	X					
4.2.2 - Duties and authorities of the members of the board of directors are disclosed in the annual report.	X					
4.2.3 - The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	X					
4.2.4 - Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X					
4.2.5 - The roles of the Chairman and Chief Executive Officer are separated and defined.	X					
4.2.7 - The board of directors ensures that the Investor Relations department and the corporate governance committee work effectively. The board works closely with them when communicating and settling disputes with shareholders.	X					
4.2.8 - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.		X				The faults of members of the board of directors and the harm they will give to the Company during their service are insured by Alarko Holding A.Ş.
4.3. STRUCTURE OF THE BOARD OF DIRECTORS						
4.3.9 - The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.		X				Corporate Governance Committee was assigned to ensure that the Board of Directors has a female member and spend necessary efforts. The Board of Directors assesses the works of the Committee on an annual basis.



Corporate Governance Compliance Report	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
4.3.10 - At least one member of the audit committee has 5 years of experience in audit / accounting and finance	X					
4.4. BOARD MEETING PROCEDURES						
4.4.1 - Each board member attended the majority of the board meetings in person.	X					
4.4.2 - The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.	X					
4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.	X					
4.4.4 - Each member of the board has one vote.	X					
4.4.5 - The board has a charter/written internal rules defining the meeting procedures of the board.	X					
4.4.6 - Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.	X					
4.4.7 - There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.			X			No rules or restrictions have been laid down for preventing members of the board of directors from serving outside the company, and their services in this scope are presented to the shareholders in the general assembly meeting for information.
4.5. BOARD COMMITTEES						
4.5.5 - Board members serve in only one of the Board's committees.			X			As the chairmen of the Committees and all members of the Audit Committee must be independent members, some independent members serve in several committees.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	X					
4.5.7 - If external consultancy services are used, the independence of the provider is stated in the annual report.					X	The committees have not procured consulting services.
4.5.8 - Minutes of all committee meetings are kept and reported to board members.	X					



Corporate Governance Compliance Report	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
4.6. FINANCIAL RIGHTS						
4.6.1 - The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.	X					
4.6.4 - The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favour of them.	X					
4.6.5 - The individual remuneration of board members and executives is disclosed in the annual report.		X				The wages paid to members of the board of directors and managers with administrative responsibilities are explained in the annual report; however no explanation has been provided on an individual basis.



CORPORATE GOVERNANCE INFORMATION FORM

1. SHAREHOLDERS	
1.1. Facilitating the Exercise of Shareholders Rights	
The number of investor meetings (conference, seminar/etc.) organised by the company during the year	3 virtual meetings.
1.2. Right to Obtain and Examine Information	
The number of special audit request(s)	-
The number of special audit requests that were accepted at the General Shareholders' Meeting	-
1.3. General Assembly	
Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)	https://www.kap.org.tr/en/Bildirim/849968
Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time	No
The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9	-
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communiqué on Corporate Governance (II-17.1)	-
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communiqué on Corporate Governance (II17.1)	-
The name of the section on the corporate website that demonstrates the donation policy of the company	https://www.alarkoyatirim.com.tr/en/investor-relations/corporate-governance/articles-of-association.pdf
The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	https://www.kap.org.tr/en/Bildirim/857470
The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting	https://www.alarkoyatirim.com.tr/en/investor-relations/corporate-governance/articles-of-association.pdf , article no: 20,21,22,23,24
Identified stakeholder groups that participated in the General Shareholders' Meeting, if any	-
1.4. Voting Rights	
Whether the shares of the company have differential voting rights	No
In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares.	-
The percentage of ownership of the largest shareholder	34,78%
1.5. Minority Rights	
Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of the association	No
If yes, specify the relevant provision of the articles of association.	-
1.6. Dividend Right	
The name of the section on the corporate website that describes the dividend distribution policy.	https://www.alarkoyatirim.com.tr/index.php/en/investor-relations/corporate-governance/profit-distribution-policy
Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend.	Dividend distribution made.
PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends.	Dividend distribution made.



General Assembly Meetings

General Meeting Date	Meeting Date The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	Shareholder participation rate to the General Shareholders' Meeting	Percentage of shares directly present at the GSM	Percentage of shares represented by proxy	Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the voting levels for or against	Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions	The number of declarations by insiders received by the board of directors	The link to the related PDP general shareholder meeting notification
08.07.2020	0	57,83%	0,28%	57,55%	https://www.alarkoyatirim.com.tr/index.php/en/investor-relations/corporate-governance/general-assembly-participation-and-minutes	https://www.alarkoyatirim.com.tr/index.php/en/investor-relations/corporate-governance/general-assembly-participation-and-minutes	-	0	https://www.kap.org.tr/en/Bildirim/857470

2. DISCLOSURE AND TRANSPARENCY	
2.1. Corporate Website	
Specify the name of the sections of the website providing the information requested by the Principle 2.1.1.	https://www.alarkoyatirim.com.tr/index.php/en/investor-relations/corporate-governance
If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares.	https://www.alarkoyatirim.com.tr/index.php/en/investor-relations/corporate-governance/shareholder-structure
List of languages for which the website is available	Turkish, English
2.2. Annual Report	
The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.	
a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members	Information Regarding Members of the Board pages 5 Board of Directors - page 14
b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure	Assessment of The Operating Principles and Effectiveness of Committees of The Board of Directors - page 16
c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings	Operational Principles of the Board of Directors page 15
ç) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation	Additional Information Regarding Our Activities page 9
d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof	Annual Report of the Board of Directors - page 8
e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest	-



f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	Additional Information Regarding Our Activities page 9
g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results	Information About Human Resources - page 12, Human Resources Policy - page 17, Rules of Ethics and Social Responsibility page 17
3. STAKEHOLDERS	
3.1. Corporation's Policy on Stakeholders	
The name of the section on the corporate website that demonstrates the employee remedy or severance policy	-
The number of definitive convictions the company was subject to in relation to breach of employee rights	-
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Investor Relations Department Manager
The contact detail of the company alert mechanism	Metin Franko Tel: 0212 310 34 14 metin.franko@alarko.com.tr Fatma Acar Tel: (0212) 310 34 63 fatma.acar@alarko.com.tr
3.2. Supporting the Participation of the Stakeholders in the Corporation's Management	
Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies	-
Corporate bodies where employees are actually represented	-
3.3. Human Resources Policy	
The role of the board on developing and ensuring that the company has a succession plan for the key management positions	Succession plan is being conducted by the Board of Directors.
The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy.	http://www.alarkoyatirim.com.tr/index.php/en/investor-relations/annual-reports/HumanResourcesPolicy
Whether the company provides an employee stock ownership programme	There is no employee share ownership plan.
The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy.	http://www.alarkoyatirim.com.tr/index.php/en/investor-relations/annual-reports/HumanResourcesPolicy
The number of definitive convictions the company is subject to in relation to health and safety measures	-
3.5. Ethical Rules and Social Responsibility	
The name of the section on the corporate website that demonstrates the code of ethics	http://www.alarkoyatirim.com.tr/index.php/en/investor-relations/annual-reports/RulesofEthicsandSocialResponsibility
The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues.	http://www.alarkoyatirim.com.tr/index.php/en/investor-relations/annual-reports/RulesofEthicsandSocialResponsibility



Any measures combating any kind of corruption including embezzlement and bribery	http://www.alkoyatirim.com.tr/index.php/en/investor-relations/annual-reports/Risk Management and Internal Audit Mechanism
4. BOARD OF DIRECTORS - I	
4.2. Activity of the Board of Directors	
Date of the last board evaluation conducted	08.07.2020
Whether the board evaluation was externally facilitated	No
Whether all board members released from their duties at the GSM	Yes
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	-
Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	2
Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	Risk Management and Internal Audit Mechanism page 13
Name of the Chairman	Mustafa Filiz
Name of the CEO	General Manager - Harun Hanne Moreno
If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles	-
Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	-
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	-
The number and ratio of female directors within the Board of Directors	-

Composition of Board of Directors

Name, Surname of Board Member	Whether Executive Director Or Not	Whether Independent Director Or Not	The First Election Date To Board	Link To PDP Notification That Includes The Independency Declaration	Whether the Independent Director Considered By The Nomination Committee	Whether She/He is the Director Who Ceased to Satisfy The Independence or Not	Whether The Director Has At Least 5 Years' Experience On Audit, Accounting And/ Or Finance Or Not
Mustafa FİLİZ	Non-executive	Not independent director	08.07.2020	-	-	-	-
Ümit Nuri YILDIZ	Non-executive	Not independent director	08.07.2020	-	-	-	-
Mehmet AHKEMOĞLU	Non-executive	Not independent director	08.07.2020	-	-	-	-
Alpaslan SERPEN	Non-executive	Not independent director	08.07.2020	-	-	-	-
Ayhan ARI	Non-executive	Not independent director	08.07.2020	-	-	-	-
Mustafa Tansu USLU	Non-executive	Independent director	08.07.2020	-	Considered	No	Yes
Kudret VURGUN	Non-executive	Independent director	08.07.2020	-	Considered	No	Yes



4. BOARD OF DIRECTORS - II	
4.4. Meeting Procedures of the Board of Directors	
Number of physical board meetings in the reporting period (meetings in person)	21
Director average attendance rate at board meetings	97%
Whether the board uses an electronic portal to support its work or not	No
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	3
The name of the section on the corporate website that demonstrates information about the board charter	http://www.alarkoyatirim.com.tr/index.php/en/investor-relations/annual-reports/Operational Principles of the Board of Directors
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	-
4.5. Board Committees	
Page numbers or section names of the annual report where information about the board committees are presented	Assessment of The Operating Principles and Effectiveness of Committees of The Board of Directors - page 16
Link(s) to the PDP announcement(s) with the board committee charters	https://www.kap.org.tr/en/Bildirim/229158 https://www.kap.org.tr/en/Bildirim/198295

Composition of Board Committees - I

Names Of The Board Committees	Name Of Committees Defined As "Other" In The First Column	Name-Surname of Committee Members	Whether Committee Chair Or Not	Whether Board Member Or Not
Audit Committee	-	Mustafa Tansu USLU	Yes	Board Member
Audit Committee	-	Kudret VURGUN	No	Board Member
Corporate Governance Committee	-	Mustafa Tansu USLU	Yes	Board Member
Corporate Governance Committee	-	Mustafa FİLİZ	No	Board Member
Corporate Governance Committee	-	Mehmet AHKEMOĞLU	No	Board Member
Corporate Governance Committee	-	Metin FRANKO	No	Not Board Member
Committee of Early Detection of Risk	-	Kudret VURGUN	Yes	Board Member
Committee of Early Detection of Risk	-	Mustafa FİLİZ	No	Board Member
Committee of Early Detection of Risk	-	Ümit Nuri YILDIZ	No	Board Member
Committee of Early Detection of Risk	-	Mehmet AHKEMOĞLU	No	Board Member



4. BOARD OF DIRECTORS - III	
4.5. Board Committees - II	
Specify where the activities of the audit committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report / Assessment of The Operating Principles and Effectiveness of Committees of The Board of Directors - page 16
Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report / Assessment of The Operating Principles and Effectiveness of Committees of The Board of Directors - page 16
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website)	Corporate Governance Committee carries out the duties of the Nomination Committee.
Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report / Assessment of The Operating Principles and Effectiveness of Committees of The Board of Directors - page 16
Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website)	Corporate Governance Committee carries out the duties of the Remuneration Committee.
4.6. Financial Rights	
Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report)	Annual Report of the Board of Directors page 8, General Information Regarding Our Activities page 9
Specify the section of website where remuneration policy for executive and non-executive directors are presented.	https://www.alarkoyatirim.com.tr/index.php/en/investor-relations/corporate-governance/significant-management-board-resolutions
Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report)	Financial Rights Granted to Board Members And Top Executives - page 11

Composition of Board Committees - II

Names Of The Board Committees	Name of committees defined as "Other" in the first column	The Percentage Of Non-executive Directors	The Percentage Of Independent Directors In The Committee	The Number Of Meetings Held In Person	The Number Of Reports On Its Activities Submitted To The Board
Audit Committee	-	100%	100%	5	5
Corporate Governance Committee	-	100%	25%	3	3
Committee of Early Detection of Risk	-	100%	25%	6	6



COMPLIANCE FRAMEWORK FOR SUSTAINABILITY PRINCIPLES

General Principles

Within the scope of sustainability efforts, Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. focuses on implementing environmental, social and corporate governance principles for its practices and projects.

All past and ongoing projects focus on sensitivity towards environment, and we continuously enhance performance related to Occupational Health and Safety and Environmental Matters in all projects and measure such performance on both project and individual basis.

We try to ensure that importance is attached to these principles with respect to the management of the assets we lease to operator companies.

Within the scope of the activities carried out under the brand of Hillside Beach Club Holiday Resort in Fethiye, which is included in our company portfolio, Environmental Management Systems are periodically reported within the scope of "Management Revision Meetings".

The targets defined in the previous year and their achievement rates, as well as the next year's targets are shared in these meetings.

Environmental Principles

Within the scope of environmental principles, the Tourism Group that manages our Hillside Beach Club Holiday Resort enterprise in Fethiye in the capacity of management company holds ISO 18001, Foods Safety 22000, Environmental Management 14001 and Security Tourism certificates, Zero Waste Base Level Certificate, Blue Flag Certificate, HACCP Gold Certificate and Travelife Gold Certificate, and is subjected to regular audits and ensures compliance.

Compliance is ensured with the regulations on environmental pollution and pollution related to solid hazardous wastes. Compliance is ensured with ISO 18001 and Environmental Management 14001 practices and rules.

Sapling planting activities are carried out every year to fight with environmental problems, and efforts are spent with a view to reducing annual electricity, gas and water consumption. While progress is monitored with respect to the target of reducing chemical consumption, employees are also trained on the issue.

Social Principles

With respect to the employment contracts to be concluded with all employees to work at Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. and human resource procedures, strict compliance is ensured with the legal framework and legislation. Equal opportunities in recruitment are provided in line with the policies implemented within the scope of applicable legislation. Appropriate conditions are maintained as regards the prevention of discrimination, inequalities, human rights violations and child labor as required by the Labor and Social Security Legislation and Labor Law.

Processes and policies on the protection of personal data have been established, and are regularly revised and controlled.



Great importance is attached to customer satisfaction at our Hillside enterprise, and Customer Survey Form is used. The survey is regularly sent to customers every year, and their satisfaction is measured and necessary actions are taken immediately when needed.

The code of ethics and principles set forth in the “Philosophy of Alarko Group of Companies” adopted by all Members and Management of Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. and approved by the Board of Directors of the Company are included under the heading “Code of Ethics and Social Responsibility” of the Annual Report.

Corporate Governance Principles

Sustainability is the key area of focus of the corporate management strategy. A disciplinary procedure on anti-bribery and corruption is currently in place.



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INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

**To the General Assembly of Alarko Gayrimenkul
Yatırım Ortaklığı A.Ş.**

1) Opinion

We have audited the annual report of Alarko Gayrimenkul Yatırım Ortaklığı Anonim Şirketi ("the Company) for the period of 01.01.2020-31.12.2020.

In our opinion, the financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Company are presented fairly and consistent, in all material respects, with the audited full set financial statements and the information we obtained during the audit.

2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Report section of our report. We are independent of the Company in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Our Auditor's Opinion on the Full Set Financial Statements

We have expressed an unqualified opinion in our auditor's report dated 26 February 2021 on the full set financial statements of the Company for the period of 01.01.2020-31.12.2020.

4) The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC") and the provisions of the Communiqué II-14.1 on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") of the Capital Market Board ("CMB"), the management of the Company is responsible for the following items:

- a) Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.



- b) Preparation and fair presentation of the annual report; reflecting the operations of the Company for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the financial statements. The development of the Company and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.
- c) The annual report also includes the matters below:
- Subsequent events occurred after the end of the fiscal year which have significance,
 - The research and development activities of the Company,
 - Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Trade and related institutions.

5) Auditor's Responsibilities for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code and the Communiqué, on whether the financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Company's audited financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAS and the standards on auditing as issued by the Capital Markets Board of Turkey. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the financial statements.

The name of the engagement partner who supervised and concluded this audit is 26 February 2021.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited



26 February 2021
İstanbul, Türkiye



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INDEPENDENT AUDITOR'S REPORT

**To the General Assambley of
Alarko Gayrimenkul Yatırım Ortaklığı A.Ş.**

A) Report on the Audit of the Financial Statements

1) Opinion

We have audited the financial statements of Alarko Gayrimenkul Yatırım Ortaklığı Anonim Şirketi (the Company), which comprise the statement of financial position as at December 31, 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with the Turkish Financial Reporting Standards (TFRS).

2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



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Key Audit Matter	How the matter was addressed in the audit
<p>Valuation of investment properties</p> <p>As explained in Notes 2 and 9, the Company evaluates its investment properties by the fair value method after the initial recognition. As of December 31, 2020, the fair value of the investment properties valued at 1.035.220.000 TL, which are shown in the financial statements, are determined by independent valuation companies and the details are explained in Note 9.</p> <p>Since investment properties constitute an important part of the Company's total assets and the valuation methods used contain important estimates and assumptions, the valuation of investment properties is considered as a key audit subject by us.</p>	<p>We have assessed the licenses, competencies and impartiality of real estate appraisers appointed by the management.</p> <p>In our audit, the appropriateness of the valuation methods used by the valuation experts in the valuation reports of investment properties was evaluated. In the valuation reports, the reconciliation of the values appreciated by the valuation experts for the independent sections to the amounts explained in Note 9 has been reviewed.</p> <p>The audit procedures we apply include the investigation of market data against the assumptions (including real discount rate, market rents and estimated occupancy rates) used by valuation experts in their valuation. For this evaluation, appraisers included in the audit network that we are connected to are included in the studies.</p> <p>Due to the presence of high-level judgments used in the valuation reports as well as alternative estimates and valuation methods, we have assessed whether the value appreciated by valuation specialists is within an acceptable range.</p> <p>In addition, the appropriateness of the information contained in the financial statements and explanatory footnotes was taken into consideration by us, considering the importance of the disclosed information for the readers of the financial statements.</p>

4) Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



5) Auditor's Responsibilities for the Audit of the Financial Statements

In an independent audit, our responsibilities as the auditors are:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Report on Other Legal and Regulatory Requirements

- 1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on 26 February 2021.
- 2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2020 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.
- 3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Onur Ünal.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited



26 February 2021
İstanbul, Türkiye



**FINANCIAL STATEMENTS AUDITED
BY INDEPENDENT AUDITORS**



ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
AUDITED STATEMENTS OF FINANCIAL POSITION
AS OF 31 DECEMBER 2020 (TL)

ASSETS	Notes	Current Period 31 December 2020	Prior Period 31 December 2019
CURRENT ASSETS		669.658.557	633.254.010
Cash and Cash Equivalent	3	9.710.342	121.601.288
Financial Investments	4	630.367.091	471.761.995
Trade Receivables		25.345.660	35.652.107
Trade Receivables from Related Parties	6,24	25.006.214	35.489.369
Trade Receivables from Third Parties	6	339.446	162.738
Inventories	8	3.271.735	3.271.735
Prepaid Expenses		715.356	268.961
Other Current Assets	14	248.373	697.924
NON - CURRENT ASSETS		1.157.586.404	898.137.225
Financial Investments	4	122.232.426	15.691.515
Other Receivables		63.984	30.434
Other Receivables from Third Parties	7	63.984	30.434
Investment Properties	9	1.035.220.000	882.340.000
Property, Plant and Equipment	10	32.438	25.839
Intangible Assets		37.556	47.730
Other Intangible Assets	11	37.556	47.730
Prepaid Expenses		-	1.707
TOTAL ASSETS		1.827.244.961	1.531.391.235

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



LIABILITIES	Notes	Current Period 31 December 2020	Prior Period 31 December 2019
CURRENT LIABILITIES		11.214.125	10.879.637
Financial Borrowings	5	2.276.511	2.276.511
Trade Payables		6.341.218	3.551.695
Trade Payables to Related Parties	6,24	4.744	32.682
Trade Payables to Third Parties	6	6.336.474	3.519.013
Payables Related to Employee Benefits	13	72.635	83.351
Other Payables		2.464.533	4.914.353
Other Payables to Third Parties	7	2.464.533	4.914.353
Deferred Income		59.228	53.727
NON-CURRENT LIABILITIES		5.936.167	7.395.154
Financial Borrowings	5	4.004.635	5.761.160
Other Payables		1.611.048	1.292.383
Other Payables to Third Parties	7	1.611.048	1.292.383
Long-term Provisions		320.484	341.611
Long-term Provisions for Employee Benefits	13	320.484	341.611
EQUITY		1.810.094.669	1.513.116.444
Equity Attributable to Parent			
Share Capital	1,15	64.400.000	10.650.794
Adjustments to Share Capital	1,15	963.372	54.712.578
Treasury Shares (-)	15	(21.995.618)	(23.798.080)
Other Comprehensive Income or Expenses That Will not be Reclassified Subsequently to Profit or Loss		9.871.254	4.308.794
- Gain / Loss from Investments in Equity Based Financial Instruments	4	9.888.473	4.332.591
- Gains / Losses on Revaluation and Remeasurement for Defined Benefit Plans		(17.219)	(23.797)
Restricted Reserves Appropriated from Profit	15	40.977.695	33.145.304
Prior Years' Profit / (Losses)	15	1.385.692.663	1.044.522.113
Net Profit / Loss for the Year	23	330.185.303	389.574.941
TOTAL LIABILITIES AND EQUITY		1.827.244.961	1.531.391.235



ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
AUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020 (TL)

	Notes	Current Period 1 January 2020 31 December 2020	Prior Period 1 January 2019 31 December 2019
PROFIT AND LOSS			
Revenue	16	26.828.787	36.215.057
Cost of Sales (-)	16	(1.910.720)	(1.713.356)
GROSS PROFIT / (LOSS)		24.918.067	34.501.701
Administrative Expenses (-)	17	(3.971.816)	(3.826.745)
Other Income from Operating Activities	19	322.150.872	376.711.379
Other Expenses from Operating Activities (-)	19	(11.938.896)	(17.898.170)
OPERATING PROFIT / (LOSS)		331.158.227	389.488.165
Income from Investing Activities	20	389.349	592.068
OPERATING PROFIT / (LOSS) BEFORE FINANCE INCOME / EXPENSE		331.547.576	390.080.233
Financing Expenses (-)	21	(1.362.273)	(505.292)
PROFIT / (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		330.185.303	389.574.941
- Current Tax Expense / Income		-	-
- Deferred Tax Expense / Income		-	-
Tax Expense / Income from Continuing Operations	22	-	-
PROFIT / (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		330.185.303	389.574.941
PROFIT / (LOSS) FOR THE YEAR	23	330.185.303	389.574.941
OTHER COMPREHENSIVE INCOME			
Items that will not be Reclassified Subsequently to Profit or Loss			
- Gain / Loss from Investments in Equity Based Financial Instruments	4,15	5.555.882	5.988.857
- Gain / Loss on Remeasurement of Defined Benefit Plans	13	6.578	(4.459)
OTHER COMPREHENSIVE INCOME / (EXPENSE)		5.562.460	5.984.398
TOTAL COMPREHENSIVE INCOME / (EXPENSE)		335.747.763	395.559.339
Earnings per share			
Earnings / (Loss) per Share from Continuing Operations	23	5,3655	6,3305

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

ALARCO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
AUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020 (TL)

	Notes	Share Capital	Adjustments to Share Capital	Treasury shares (-)	Accumulated Other Comprehensive Income or Expenses that will not be Reclassified Subsequently to Profit or Loss			Retained Earnings			Total Equity
					Gain / Loss from Investments in Equity Based Financial Instruments	Accumulated Gain / Loss on Remeasurement of Defined Benefit Plans	Restricted Reserves Appropriated from Profit	Prior Years' Profit / (Losses)	Net Profit / Loss for the Year		
Balances as of 1 January 2019		10.650.794	54.712.578	(24.999.945)	(1.656.266)	(19.338)	6.695.176	828.425.786	269.599.472	1.143.408.257	
Effect of Changes in Accounting Policy	2.5	-	-	-	-	-	24.999.945	(24.999.945)	-	-	
Balance After Adjustments		10.650.794	54.712.578	(24.999.945)	(1.656.266)	(19.338)	31.695.121	803.425.841	269.599.472	1.143.408.257	
Transfers	15	-	-	-	-	-	2.652.048	239.894.407	(242.546.455)	-	
Total Comprehensive Income / (Expense)		-	-	-	5.988.857	(4.459)	-	-	389.574.941	395.559.339	
Dividends	15	-	-	1.201.865	-	-	(1.201.865)	1.201.865	(27.053.017)	(25.851.152)	
Balances as of 31 December 2019 (Closing Balances)		10.650.794	54.712.578	(23.798.080)	4.332.591	(23.797)	33.145.304	1.044.522.113	389.574.941	1.513.116.444	
Balances as of 1 January 2020		10.650.794	54.712.578	(23.798.080)	4.332.591	(23.797)	33.145.304	1.044.522.113	389.574.941	1.513.116.444	
Transfers	15	53.749.206	(53.749.206)	-	-	-	9.634.853	339.368.088	(349.002.941)	-	
Total Comprehensive Income / (Expense)		-	-	-	5.555.882	6.578	-	-	330.185.303	335.747.763	
Dividends	15	-	-	1.802.462	-	-	(1.802.462)	1.802.462	(40.572.000)	(38.769.538)	
Balances as of 31 December 2020 (Closing Balances)		64.400.000	963.372	(21.995.618)	9.888.473	(17.219)	40.977.695	1.385.692.663	330.185.303	1.810.094.669	

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





ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
AUDITED STATEMENTS OF CHANGES IN CASH FLOWS
FOR THE PERIOD BETWEEN
1 JANUARY - 31 DECEMBER 2020 (TL)

	Notes	Current Period 1 January 2020 31 December 2020	Prior Period 31 January 2019 31 December 2019
A. CASH FLOWS FROM OPERATING ACTIVITIES		(83.366.406)	55.315.409
Profit / Loss for the Year		330.185.303	389.574.941
Adjustments to Reconcile Profit / Loss for the Year		(219.813.831)	304.176.715)
- Adjustments Related to Depreciation and Amortization Expenses	10,11	20.351	19.536
- Adjustments Related to Provisions	13	74.039	60.086
- Adjustments Related to Interest Income and Expenses	19	(18.512.886)	(19.800.743)
- Adjustments Related to Unrealized Currency Translation Differences		(51.278.732)	(13.159.500)
- Adjustments Related to Gain / Loss on Fair Value	9,19	(149.703.118)	(270.696.143)
- Other Adjustments		(413.485)	(599.951)
Changes in working capital		10.955.049	(6.424.042)
- Adjustments Related to Increase / Decrease in Trade Receivables	6	10.330.583	(7.436.905)
- Adjustments Related to Increase / Decrease in Other Receivables From Operations	7	(33.550)	(6.350)
- Adjustments Related to Increase / Decrease in Trade Payables	6	2.789.523	561.159
- Adjustments Related to Increase / Decrease in Other Payables From Operations	7	(2.131.155)	1.044.017
- Adjustments Related to Other Increase / Decrease in Working Capital		(352)	(585.963)
Cash Generated From Operations		121.326.521	78.974.184
Cash Outflows for Acquisition of Debt Instruments	4	(745.846.204)	(467.475.727)
Cash inflows from sale of debt instruments	4	541.241.865	443.816.952
Employment Termination Benefits Paid	13	(88.588)	-
B. CASH FLOWS FROM INVESTING ACTIVITIES		12.001.523	4.984.370
Payments for Purchase of Property, Plant and Equipment and Intangible Assets	10,11	(16.776)	(18.583)
Payments For Investment Properties	9	(3.176.882)	(14.573.857)
Dividends Received From Other Equity Investments	20	389.349	592.068
Interest Received		14.805.832	18.984.742
C. CASH FLOWS FROM FINANCING ACTIVITIES		(40.526.063)	(17.813.481)
Cash Outflows for the Acquisition of Own Shares and Other Equity Instruments	5	(1.756.525)	-
Cash Inflows Due To Borrowings	5	-	8.037.671
Dividends Paid	15	(38.769.538)	(25.851.152)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)		(111.890.946)	42.486.298
D. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	3	121.601.288	79.114.990
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (A+B+C+D)	3	9.710.342	121.601.288

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



ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
AUDITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL))

1- ORGANIZATION AND OPERATIONS OF THE COMPANY

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 ("CMB" or "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 CMB. 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 CMB in its principal activities, investment portfolio policies, and administrative limits.

As of 31 December 2020 and 31 December 2019, the shareholders and the shareholding structure of the Company at historic values is as follows:

	31 December 2020		31 December 2019	
	Share Rate (%)	Share Amount (TL)	Share Rate (%)	Share Amount (TL)
Shareholders				
Alarko Holding A.Ş.	16,42	10.570.843	16,42	1.748.258
Alsim Alarko Sanayi Tesisleri ve Tic. A.Ş.	34,78	22.400.102	34,78	3.704.641
Public Offering	48,77	31.408.178	48,77	5.194.442
Other (*)	0,03	20.877	0,03	3.453
Total	100,00	64.400.000	100,00	10.650.794

(*) Represents total shareholdings less than 10%.

It has been decided that the issued capital of the company will be increased by 53.749.206 TL by the amount of 5.374.920.600 bearer C group shares each with a nominal value of 1 Kr, and the capital increased to 64.400.000 TL, and the increased capital of 53.749.206 TL is covered from the capital adjustment differences. An application was made to the Capital Markets Board on January 14, 2020. The necessary permissions were obtained with the letter of the Capital Markets Board dated February 14, 2020 and numbered 12233903-340.05.05-E.1875 regarding the issuance certificate regarding the capital increase and the amendment of Articles 6 and 7 of the Company's Articles of Association, Registered in February 2020 (Note 15 (a)).

As of 31 December 2020 and 31 December 2020 2019, the difference arising from restatement of the nominal value of the share capital amounts to TL 963.372 and TL 54.712.578, respectively (Note 15 (b)).



The address of the Company's Head Office is 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 48,77% of the Company shares is traded at the Istanbul Stock Exchange since 1996.

As of 31 December 2020, the average number of the Company personnel is 3 (31 December 2019: 4).

The share certificates constituting the Company's share capital are classified in three groups, namely, Group A, Group B, and Group C. Group A 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.

Approval of financial statements:

Board of Directors has approved the financial statements and delegated authority for publishing it on 26 February 2021. General Assembly has the authority to modify the financial statements.

2- BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 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 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. In addition, it has been presented in accordance with the TAS taxonomy published by the POA with the decision number 30 on June 2, 2016 and subsequently announced to the public on 15 April 2019, together with the changes in TFRS-15 Revenue from Customer Contracts and TFRS-16 Leasing standards.

Financial statements are prepared on the historical cost basis, except for the revaluation of investment properties and the fair value of financial investments. In determining the historical cost, fair value of the amount generally paid for the assets is taken as basis.

Functional Currency

Financial statements of the Company are presented in the currency (functional currency unit) valid in the basic economic environment in which the Company operates. The functional currency of the Company is Turkish Lira (“TL”) and the accompanying financial statements and related notes are presented in TL.

2.2 Adjustment of Financial Statements during Hyper-Inflationary Periods :

In accordance with the CMB on 17 March 2005 and 11/367 numbered decision, for companies which operate in Turkey and prepare their financial statements in accordance with the Turkish Accounting Standards, starting from 1 January 2005 inflation accounting is terminated. Accordingly, since 1 January 2005, Standard 29 “Financial Reporting in Hyperinflationary Economies” (“TAS 29”) has not been applied.



2.3 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 for property, plant and equipment in accordance with TAS 16
- Retirement pay liability adjustment as per TAS 19
- Valuation of financial assets quoted at the stock exchange by market value
- Provisions for unused vacation days
- Valuation of investment properties at fair value
- Valuation of financial investments at fair value
- Valuation of financial assets held to maturity at the cost value amortized as per the effective interest method.
- Accounting of right-of-use asset according to IFRS 16

2.4 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.

2.5 Comparative Information and Adjustment of Prior Period Financial Statements :

The accompanying financial statements are prepared comparatively with the previous period in order to determine the Company's financial status, performance and trends in cash flow. The financial statements and the footnotes of the financial statements for the dates of 31 December 2020 and 31 December 2019 and the profit or loss and other comprehensive income, cash flow and changes in equity tables and related notes for the years ended 31 December 2020 and 2019 are presented comparatively.

As per the evaluations made, the Company has classified TL 24.999.945, which is included in the previous years' profits / (losses) account in the statement of financial position and shareholders' equity, to the restricted reserves account.

2.6 Changes in Accounting Policies :

Significant changes in accounting policies are applied retrospectively and prior period financial statements are restated. There has been no significant change in the accounting policies of the Company in the current period.

2.7 Changes and Errors in Accounting Estimates :

If the changes in accounting estimates are for only one period, they are applied prospectively in the current period when the change is made, both in the period when the change is made and in the future periods. There has not been a significant change, in the accounting estimates of the Company in the current year.

Significant accounting errors are applied retrospectively and prior period financial statements are restated.



2.8 The New and Revised Turkish Accounting / Financial Reporting Standards :

- i) The new standards, amendments and interpretations which are effective as at January 1, 2020

Definition of a Business (Amendments to TFRS 3)

In May 2019, the POA issued amendments to the definition of a business in TFRS 3 Business Combinations standards. The amendments are intended to assist entities to remove the assessment regarding the definition of business.

The amendments:

- clarify the minimum requirements for a business;
- remove the assessment of whether market participants are capable of replacing any missing elements;
- add guidance to help entities assess whether an acquired process is substantive;
- narrow the definitions of a business and of outputs; and
- introduce an optional fair value concentration test.

The amendments to TFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively.

The amendments did not have a significant impact on the financial position or performance of the Company.

Amendments to TFRS 9, TAS 39 and TFRS 7- Interest Rate Benchmark Reform

The amendments issued to TFRS 9 and TAS 39 which are effective for periods beginning on or after January 1, 2020 provide reliefs which enable hedge accounting to continue. For these reliefs, it is assumed that the benchmark on which the cash flows of hedged risk or item are based and/or, the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform. in connection with interest rate benchmark reform.

Reliefs used as a result of amendments in TFRS 9 and TAS 39 is aimed to be disclosed in financial statements based on the amendments made in TFRS 7.

The amendments did not have a significant impact on the financial position or performance of the Company.

Definition of Material (Amendments to TAS 1 and TAS 8)

In June 2019, the POA issued amendments to TAS 1 Presentation of Financial Statements and TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.



The amendments to TAS 1 and TAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted.

The amendments did not have a significant impact on the financial position or performance of the Company.

Amendments to TFRS 16 – Covid-19 Rent Related Concessions

In June 5, 2020, the POA issued amendments to TFRS 16 Leases to provide relief to lessees from applying TFRS 16 guidance on lease modifications to rent concessions arising a direct consequence of the Covid-19 pandemic. A lessee that makes this election accounts for any change in lease payments related rent concession the same way it would account for the change under the standard, if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021
- There is no substantive change to other terms and conditions of the lease.

A lessee will apply the amendment for annual reporting periods beginning on or after 1 June 2020. Early application of the amendments is permitted.

The amendments did not have a significant impact on the financial position or performance of the Company.

ii) Standards issued but not yet effective and not early adopted

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

TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Company will wait until the final amendment to assess the impacts of the changes.

TFRS 17 - The new Standard for insurance contracts

The POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023;



early application is permitted. The standard is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

Amendments to TAS 1- Classification of Liabilities as Current and Non-Current Liabilities

On March 12, 2020, the POA issued amendments to TAS 1 Presentation of Financial Statements. The amendments issued to TAS 1 which are effective for periods beginning on or after 1 January 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted.

The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

Amendments to TFRS 3 – Reference to the Conceptual Framework

In July 2020, the POA issued amendments to TFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of TFRS 3. At the same time, the amendments add a new paragraph to TFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments issued to TFRS 3 which are effective for periods beginning on or after 1 January 2022 and must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in TFRS standards (March 2018).

The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

Amendments to TAS 16 – Proceeds before intended use

In July 2020, the POA issued amendments to TAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss.

The amendments issued to TAS 16 which are effective for periods beginning on or after 1 January 2022. Amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment. There is no transition relief for the first time adopters.

The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

Amendments to TAS 37 – Onerous contracts – Costs of Fulfilling a Contract

In July 2020, the POA issued amendments to TAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments issued to TAS 37 which are effective for periods beginning on or after 1 January 2022, to specify which costs an entity needs to include



when assessing whether a contract is onerous or loss-making and also apply a “directly related cost approach”. Amendments must be applied retrospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

Interest Rate Benchmark Reform – Phase 2 – Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16

In December 2020, the POA issued Interest Rate Benchmark Reform – Phase 2, Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 to provide temporary reliefs which address the financial reporting effects when an interbank offering rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR, amending the followings). The amendments are effective for periods beginning on or after 1 January 2021. Earlier application is permitted and must be disclosed.

Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Under this practical expedient, if the interest rates applicable to financial instruments change as a result of the IBOR reform, the situation is not considered as a derecognition or contract modification; instead, this would be determined by recalculating the carrying amount of the financial instrument using the original effective interest rate to discount the revised contractual cash flows.

The practical expedient is required for entities applying TFRS 4 Insurance Contracts that are using the exemption from TFRS 9 Financial Instruments (and, therefore, apply TAS 39 Financial Instruments: Classification and Measurement) and for TFRS 16 Leases, to lease modifications required by IBOR reform.

Relief from discontinuing hedging relationships

- The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Amounts accumulated in the cash flow hedge reserve are deemed to be based on the RFR.
- For the TAS 39 assessment of retrospective hedge effectiveness, on transition to an RFR, entities may elect on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero.
- The amendments provide relief for items within a designated group of items (such as those forming part of a macro cash flow hedging strategy) that are amended for modifications directly required by IBOR reform. The reliefs allow the hedging strategy to remain and not be discontinued.
- As instruments transition to RFRs, a hedging relationship may need to be modified more than once. The phase two reliefs apply each time a hedging relationship is modified as a direct result of IBOR reform.



Separately identifiable risk components

The amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

Additional disclosures

Amendments need additional TFRS 7 Financial Instruments disclosures such as; How the entity is managing the transition to RFRs, its progress and the risks to which it is exposed arising from financial instruments due to IBOR reform, quantitative information about financial instruments that have yet to transition to RFRs and If IBOR reform has given rise to changes in the entity's risk management strategy, a description of these changes.

The amendments are mandatory, with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods.

The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

Annual Improvements – 2018–2020 Cycle

In July 2020, the POA issued Annual Improvements to TFRS Standards 2018–2020 Cycle, amending the followings:

- TFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter: The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.
- TFRS 9 Financial Instruments – Fees in the “10 per cent test” for derecognition of financial liabilities: The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other's behalf.
- TAS 41 Agriculture – Taxation in fair value measurements: The amendment removes the requirement in paragraph 22 of TAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of TAS 41.

Improvements are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted for all. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

2.9 Summary of Significant Accounting Policies :

Financial Instruments :

Financial Assets

The Company measures financial assets other than trade receivables that do not have an important financing component at their fair value when first recognized in financial statements. In the event that trade receivables do not have an important financing component in accordance with TFRS 15 (or Company prefers simplifying implementation), these receivables are initially measured at the transaction cost (In accordance with TFRS 15).



Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial, as appropriate, on initial recognition.

The Company classifies its financial assets as (a) Business model used for managing financial assets, (b) financial assets subsequently measured at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss based on the characteristics of contractual cash flows. The Company reclassifies all financial assets effected from the change in the business model it uses for the management of financial assets. The reclassification of financial assets is applied prospectively from the reclassification date. In such cases, no adjustment is made to gains, losses (including any gains or losses of impairment) or interest previously recognized in the financial statements.

Financial Assets Measured At Amortised Cost

Financial instruments that meet the following conditions are measured subsequently at amortised cost:

- (a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest income on financial assets carried at amortized cost is calculated using the effective interest method. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. This income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset:

- (a) Credit-impaired financial assets when purchased or generated. For such financial assets, the Company applies the effective interest rate on the amortized cost of a financial asset based on the loan from the date of the recognition in the financial statements.
- (b) Non-financial assets that are impaired at the time of acquisition or generation but subsequently become a financial asset that has been impaired. For such financial assets, the Company applies the effective interest rate to the amortized cost of the asset in the subsequent reporting periods.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Company recalculates the gross carrying amount of the financial asset and recognises a modification gain or loss in profit or loss.

The Group directly reduces the gross carrying amount of a financial asset when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Financial Assets Measured at Fair Value Through Other Comprehensive Income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:



- (a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets,
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A gain or loss on a financial asset measured at fair value through other comprehensive income is recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. If the financial asset is reclassified out of the fair value through other comprehensive income measurement category, the Company accounts for the cumulative gain or loss that was previously recognised in other comprehensive income in consolidated financial statements. Interest calculated using the effective interest method is recognised in profit or loss.

At initial recognition, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

Financial assets measured at fair value through profit or loss

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

The financial assets, which constitute derivative products that are not identified as an effective means of protection against financial risk, are also classified as financial assets whose fair value difference is reflected in profit or loss. Related financial assets are shown at their fair values, and the gains and losses resulting from the valuation are accounted in the income statement.

Impairment

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost or fair value through other comprehensive income.

The Company applies the impairment requirements for the recognition and measurement of a loss allowance for financial assets that are measured at fair value through other comprehensive income. However, the loss allowance is recognised in other comprehensive income and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

At each reporting date, the Company measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses except for purchased or originated credit impaired financial assets. For purchased or originated credit-impaired financial assets, the Company only recognises the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance at the reporting date.



The Company measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables, contract assets and lease receivables that do not contain a significant financing component, which is referred as simplified approach.

Financial liabilities

At initial recognition, the Company measures a financial liability at its fair value plus or minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liability.

The Company classifies all financial liabilities as subsequently measured at amortised cost, except for:

- (a) financial liabilities at fair value through profit or loss: Such liabilities, including derivatives that are liabilities, are subsequently measured at fair value.
- (b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies. If a transfer does not result in derecognition because the Company has retained substantially all the risks and rewards of ownership of the transferred asset, the Company continues to recognise the transferred asset in its entirety and recognises a financial liability for the consideration received. In subsequent periods, the Company recognises any income on the transferred asset and any expense incurred on the financial liability.
- (c) contingent consideration recognised by an acquirer in a business combination to which TFRS 3 applies. Such contingent consideration is subsequently be measured at fair value with changes recognised in profit or loss.

The Company does not reclassify any financial liability.

Recognition and derecognition of financial assets and liabilities

The Company recognises a financial asset or a financial liability in the statement of financial position when, and only when, the Company becomes party to the contractual provisions of the instrument. The Company derecognises a financial asset when, and only when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial asset and the transfer qualifies for derecognition. If a transfer of financial asset does not result in derecognition because the Company has retained substantially all the risks and rewards of ownership of the transferred asset, the Company will continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the Company recognises any income on the transferred asset and any expense incurred on the financial liability.

The Company derecognizes a financial liability from its statement of financial position when, and only when, it is extinguished—i.e. when the obligation specified in the contract is discharged or cancelled or expires.

Related Parties :

A related party is a person or entity that is related to the entity that is preparing its financial statements.

- (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).

A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged.

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.

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. In cases where the conditions leading to the reduction of inventories to net realizable value have expired or there has been an increase in net realizable value due to changing economic conditions, the provision for impairment is canceled. The canceled amount is limited by the amount of impairment previously reserved.

Investment Properties :

Investment properties are properties held to earn rentals and/or for capital appreciation, including property under construction for such purposes. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from disposal. Any gain or loss arising on derecognition of the property is included in profit or loss in the period in which the property is derecognized.



Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property that is measured at fair value to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property that is measured at fair value, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

No assets held under operating lease have been classified as investment properties.

Property, Plant and Equipments :

Property, plant and equipments 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 by using straight-line method and estimated useful lives over their inflation-adjusted values and the nominal values of additions subsequent to 1 January 2005.

Deprecation rates of assets are as below:

	<u>Economic Lives</u>
Buildings	40 - 50 Years
Land improvements	10 Years
Machinery, plant and equipment	4 - 5 Years
Furniture and fixtures	4 - 16 Years
Other tangible assets	5 Years

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.

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 :

	<u>Economic Lives</u>
Leasehold improvements	2 - 33 Years
Rights	3 - 32 Years



Effect of Exchange Differences

Foreign Currency Balances and Transactions

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The results and financial position of each entity are expressed in TL, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising due to translation from original currency to TL are recognized in the statement of profit or loss in the relevant period.

Impairment of Intangible Assets Other Than Goodwill and Tangible Assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.



Deferred tax

The deferred tax liability or asset is determined by calculating the tax effects of the temporary differences between the amounts of the assets and liabilities shown in the financial statements and the amounts considered in the legal tax base account, by taking into account the legal tax rates. While deferred tax liabilities are calculated for all taxable temporary differences, deferred tax assets consisting of deductible temporary differences are calculated provided that it is highly likely to benefit from such differences by obtaining taxable profit in the future. Such assets and liabilities are not recognized if the temporary difference related to the transaction that does not affect commercial or financial profit / loss is due to the first time the goodwill or other assets and liabilities are included in the financial statements (other than business combinations).

Deferred tax liabilities are calculated for all taxable temporary differences associated with investments in subsidiaries and affiliates and shares in business partnerships, except when the Company can control the disappearance of temporary differences and the likelihood that this difference will disappear in the near future. Deferred tax assets arising from taxable temporary differences associated with such investments and shares are calculated on the condition that it is highly probable to benefit from these differences by obtaining sufficient taxable profit in the near future and that the related differences are likely to disappear in the future.

Deferred tax assets and liabilities are calculated over the tax rates (tax regulations) that are expected to be valid during the period when the assets will be realized or liabilities will be fulfilled and have been legalized or significantly legalized as of the balance sheet date. During the calculation of deferred tax assets and liabilities, the tax results of the methods that the Company predicted to recover its book value or fulfill its liabilities as of the balance sheet date are taken into account.

Deferred tax assets and liabilities, if there is a legal right to offset current tax assets and current tax liabilities, or if such assets and liabilities are associated with income tax collected by the same tax authority or if the Company intends to pay by netting the current tax assets and liabilities. deducted.

In the calculation of deferred tax liabilities and deferred tax assets related to investment properties, which are measured by using the fair value method, the book value of these assets is assumed to be fully recovered by sale if there is no contrary assumption. Contrary to the fact that the investment property is redeemable and the economic benefits to be obtained from investment properties are held within the framework of a business model that is intended to be used in time rather than the sales path. By examining the investment property portfolio of the Company, the Management of the Company believed that the economic benefits to be obtained from the investment properties of any investment property are not retained in accordance with the business model that is intended to be used in full time, rather than the way of sale. For this reason, management stated that the "sales" assumption stated in the amendments to TAS 12 does not express a contrary assumption. As a result, since the Company is not subject to any income tax from the sale of investment properties, the Company has not recognized any deferred tax amount related to the fair value change of the investment properties.

Deferred tax has not been calculated since the Company's corporate income is exempted from Corporate Tax pursuant to Article 5 of the Corporate Tax Law.



Current tax

According to Turkish tax legislation, legal or business centers institutions in Turkey, the corporation is subject to corporate tax.

In the Turkish tax system, financial losses can be offset by financial profits within the following five years, and it is not possible to offset earnings (retrospectively) from previous years.

Corporate earnings are subject to corporate tax of 22% by 2020 (including 2020) and 20% by 2021. Regardless of the exemption or not, 15% income tax withholding is calculated over the dividends distributed in cash to full taxpayer natural persons and narrow taxpayer natural persons and institutions and tax-exempt institutions. However, income tax withholding will not arise if the profit distribution is made from the profits from 1998 and before and from the profits from 1999, 2000, 2001 and 2002, or the investment discounts with a 19.8% withholding tax deduction. Income distribution withholding is not calculated in profit distributions made by adding current and previous year profits to the capital. On the other hand, no withholding is made in profit distributions made to full taxpayer institutions.

In addition, temporary tax is paid at the rate of 22% until 2020 (including 2020) and 20% from 2021 over the tax base declared in interim periods during the year to be deducted from corporate tax.

Pursuant to the repeating article 298 of the Tax Procedure Law, amended by Law No. 5024, taxpayers who kept books on the basis of balance sheet, in 2004, as the increase in PPI was less than 100% in the last 36 months and 10% in the last 12 months. inflation correction application that has started has ended. Since the 100% and 10% conditions were not realized in the PPI in the 2020 and 2019 accounting periods, no inflation adjustment was 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 2019 and 31 December 2017 accounting periods (Note 22).

Employee Benefits

Provision for Severance Payment :

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per TAS 19 (Revised) Employee Benefits ("TAS 19").

The retirement benefit obligation recognized in the consolidated statement of financial position represents the present value of the defined benefit obligation. The actuarial gains and losses are recognized in other comprehensive income.

**Profit-sharing and bonus plans :**

The Company recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

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 real estates is accounted on an accrual basis linearly throughout the relevant lease agreement. If the Company has benefits for its tenants, they are recorded in a way to reduce rental income during the lease period.

Revenue from real estate sales :

The real estate promised in accordance with the revenue contract is transferred to the customer and it is included in the financial statements when the performance obligation determined in the contract is fulfilled. When the control of the property is in the hands of the customer, the real estate is transferred.

Dividend and interest income :

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably).

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

While revenue is accounted in accordance with TAS 18 until 31 December 2017, from 1 January 2019 to onwards it is accounted as per TFRS 15.

Earnings per Share :

Earnings 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.

Events After the Reporting Period :

Events after the reporting period are those events that occur between the balance sheet date and the date when the financial statements are authorized for issue, even if they occur after an announcement related with the profit for the year or public disclosure of other selected financial information.

The Company adjusts the amounts recognized in its financial statements if adjusting events occur after the balance sheet date.

Conditional Assets and Liabilities :

Provisions are recognised when the Company has a present legal or constructive obligation or a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Contingent liabilities are assessed continually to determine whether an outflow of resources comprising economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously treated as a contingent liability, a provision is recognised in the financial statements of the period in which the change in probability occurs except in the extremely rare circumstances where no reliable estimate can be made.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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.

Share Capital and Dividends :

Common shares are classified as equity. Dividends on common shares are recognized in equity in the period in which they are approved and declared.

Supplementary note: Control of Compliance to Portfolio Limitations :

The information provided in the said note (Note 30) is summarized information derived from financial statements as per the article 16 of the CMB 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”.



2.10 Critical Accounting Judgments and Key Sources of Estimation Uncertainty

Fair values of investment properties

Fair values of properties that reclassified as investment property in the financial statement has been determined by the independent real estate appraisal company, TSKB Gayrimenkul Değerleme A.Ş. in 2020 and Rehber Gayrimenkul Değerleme Danışmanlık A.Ş. in 2019 and critical judgements has been used in the valuations and detailed in Note 9.

2.11 Significant changes in the current period

Necessary actions have been taken by the Company management to minimize the possible effects of COVID-19, which affects the whole world, on the Company's activities and financial status. Meanwhile, actions were taken by the Company to minimize investment expenditures and operational expenses, and its cash management strategy was revised to strengthen its liquidity position. No significant impact has been observed on the financial status of the company due to the epidemic.

While preparing its financial statements dated December 31, 2020, the company evaluated the possible effects of the COVID-19 outbreak on the financial statements and reviewed the estimates and assumptions used in the preparation of the financial statements. In this context, possible changes that may occur in the values of financial assets and investment properties included in the financial statements dated December 31, 2020 were analyzed and the necessary changes were reflected in the financial statements.

3- CASH AND CASH EQUIVALENTS

The details of the cash and cash equivalents as at 31 December 2020 and 31 December 2019 are as follows :

	31 December 2020	31 December 2019
Cash at banks	8.085.592	120.868.036
- TL Demand deposits	195.480	60.590
- TL Time deposits	-	1.827.409
- Foreign currency time deposits (*)	7.890.112	118.980.037
B type liquid funds	1.624.750	733.252
Total (Note 25 (i))	9.710.342	121.601.288

(*) As of 31 December 2020, the interest rate on USD time deposit at banks is 1,35% and the accrued interest amounts to TL 4.958 (As of 31 December 2019, the interest rate on USD time deposits at banks varies between 2,10%- 2,25% and the accrued interest amounts to TL 131.818; the interest rate on TL time deposits at banks is 10,5% and the accrued interest amounts to TL 3.149).

The Company has no blocked deposits at banks as of 31 December 2020 and 31 December 2019.



4- FINANCIAL ASSETS

As of 31 December 2020 and 31 December 2019, breakdown of the Company's financial assets is as follows :

Short-term financial assets disclosed at amortized cost:

Currency	31 December 2020			31 December 2019		
	Book Value (TL)	Interest Rate	Maturity Date	Book Value (TL)	Interest Rate	Maturity Date
US Dollar	624.052.058	% 3,12	30.03.2021	471.761.995	%3,50	05.06.2020
US Dollar	1.503.363	% 3,12	26.09.2021	-	-	-
Total	625.555.421			471.761.995		

Short-term financial assets disclosed at fair value :

Currency	31 December 2020			31 December 2019		
	Book Value (TL)	Interest Rate	Maturity Date	Book Value (TL)	Interest Rate	Maturity Date
US Dollar	4.811.670	%3,18	10.08.2021	-	-	-
Total	4.811.670			-		

Long-term financial assets disclosed at amortized cost :

Currency	31 December 2020			31 December 2019		
	Book Value (TL)	Interest Rate	Maturity Date	Book Value (TL)	Interest Rate	Maturity Date
US Dollar	24.152.136	%3,12	26.09.2022	-	-	-
Total	24.152.136			-		

Long-term financial assets disclosed at fair value :

Currency	31 December 2020			31 December 2019		
	Book Value (TL)	Interest Rate	Maturity Date	Book Value (TL)	Interest Rate	Maturity Date
US Dollar	76.832.536	%3,18	10.08.2024	-	-	-
Total	76.832.536			-		



As of 31 December 2020, financial assets disclosed at amortized cost and fair value consist of Eurobonds with the coupon payment following dates: 30 March 2021, 10 August 2021, 26 September 2021 and 10 August 2024. (31 December 2019 –5 June 2020).

The company uses the Eurobonds it holds within the scope of a business model that aims to collect the contractual cash flows, at the amortized cost, the Eurobonds it holds within the scope of a business model that aims to collect the contractual cash flows and sell the financial asset at fair value change profit or loss. it is accounted as a financial asset reflected in its table.

	31 December 2020		31 December 2019	
	Participation Rate (%)	Amount (TL)	Participation Rate (%)	Amount (TL)
Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş.(*)	–	1.553	–	1.196
Alarko Konut Projeleri Geliştirme A.Ş. (*)	–	143	–	143
Alarko Holding A.Ş. (*)	–	10.205.753	–	7.044.574
Mosalarko A.O.	10	11.040.305	10	8.645.602
Total	10	21.247.754	10	15.691.515

(*) 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 2020 and 31 December 2019. The Company monitors the increases and decreases related to fair value recognition in the Shareholder's Equity account under "Accumulated other comprehensive income or expenses not to be reclassified in profit and loss" account in the financial statements. Accordingly, the value increase of TL 5.783.119 as of 31 December 2019 and the value increase of TL 3.161.179 as of 31 December 2020 has resulted in a total value increase of TL 8.944.298 (Note 15 (c)).

Investment in Mosalarko A.O is presented in its fair value. 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 not to be reclassified in profit and loss" account in the financial statements. Accordingly, as a result of the value decrease amounting to TL 1.450.528 as of 31 December 2019 and the value increase of TL 2.394.703 as of 31 December 2020; total value increase has resulted in TL 944.175. (Note 15 (c))

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



5- PAYABLES

As of 31 December 2020 and 31 December 2019, Company's short-term borrowings are as follows :

	31 December 2020	31 December 2019
Short-term Lease Liability	2.276.511	2.276.511
Total (Note 25 (ii))	2.276.511	2.276.511

As of 31 December 2020 and 31 December 2019, Company's long-term borrowings are as follows :

	31 December 2020	31 December 2019
Long-term Lease Liability	4.004.635	5.761.160
Total (Note 25 (ii))	4.004.635	5.761.160

As of 31 December 2020, Company's incremental borrowing rate of interest used to discount land and parcels lease liabilities is 9% (TL).

6- TRADE RECEIVABLES AND PAYABLES

The details of the Company's trade receivables as of 31 December 2020 and 31 December 2019 are as follows :

	31 December 2020	31 December 2019
Trade receivables (Note 25(i))	339.446	162.738
Trade receivables from related parties (Note 24(a) and 25(i))	25.006.214	35.489.369
Total	25.345.660	35.652.107

The average collection period on trade receivable is between 5 - 10 days (2019: 5 – 10 days).

As of 31 December 2020 and 31 December 2019, there is no doubtful receivable provision.

The details of the Company's trade payables as of 31 December 2020 and 31 December 2019 are as follows :

	31 December 2020	31 December 2019
Trade payables (Note 25(ii))	6.336.474	3.519.013
Trade payables to related parties (Note 24 (b) and 25 (ii))	4.744	32.682
Total	6.341.218	3.551.695



The average turnover day for trade payables is 15 days (2019: 15 days).

7. OTHER RECEIVABLES AND PAYABLES

The details of the Company's other receivables as of 31 December 2020 and 31 December 2019 are as follows :

	31 December 2020	31 December 2019
Deposits and guarantees given	63.984	30.434
Total (Note 25 (i))	63.984	30.434

The details of the Company's other short-term liabilities as of 31 December 2020 and 31 December 2019 are as follows :

Other Current Liabilities	31 December 2020	31 December 2019
Payables to Muğla Orman Bölge Müdürlüğü	1.927.552	1.475.289
VAT Payables	491.275	3.394.564
Other taxes	45.706	44.500
Total (Note 25 (ii))	2.464.533	4.914.353

The details of the Company's other long-term liabilities as of 31 December 2020 and 31 December 2019 are as follows:

Other Non-Current Liabilities	31 December 2020	31 December 2019
Deposits and guarantees received	1.611.048	1.292.383
Total (Note 25 (ii))	1.611.048	1.292.383



8- INVENTORIES

As of 31 December 2020 and 31 December 2019, inventories consist of real estate held for trading as detailed below :

	31 December 2020			31 December 2019		
	Restated Book Value (TL)	Sales Value (TL)	Expertise Value (TL)	Restated Book Value (TL)	Sales Value (TL)	Expertise Value (TL)
Land in Büyükkçekmece						
Land Cost (3 Parcel Lots)	3.271.735	-	88.520.000	3.271.735	-	83.670.000
Total	3.271.735	-	88.520.000	3.271.735	-	83.670.000

Land in Büyükkçekmece : There are 3 parcels of land with a total area of 622.651 m². As per the valuation reports dated 30 December 2020, 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 2020, the Company's real estate held for trading have been valued by TSKB Gayrimenkul Değerleme A.Ş. (31 December 2019: Rehber Gayrimenkul Değerleme Danışmanlık A.Ş.).



9- INVESTMENT PROPERTIES

Investment properties are as given below :

Fair Value	Investment Properties
As of 1 January 2019	597.070.000
Right of use Assets (*)	8.037.671
Lease of land (*)	2.552.354
Additions (**)	3.983.832
Net gain from fair value adjustments (Note 19)	270.696.143
As of 31 December 2019	882.340.000
As of 1 January 2019	882.340.000
Additions (**)	3.176.882
Net gain from fair value adjustments (Note 19)	149.703.118
As of 31 December 2020	1.035.220.000

As of 31 December 2020 and 31 December 2019, the total insurance on investment properties are TL 263.797.975 and TL 214.122.790, respectively (Note 29).

(*) As the right of use assets meet the definition of investment property, the Company, applying the disclosure provisions in IAS 40, accounted its investment properties for their fair value. In this context, the Company has presented its right of use assets as investment property. Land leases refer to the amount that is added back to the fair value of the investment property, as the debts from leasing transactions are also included in the fair value calculation.

(**) Investments made for Hillside Beach Club Holiday Village.

As of 31 December 2020, the market values of investment properties are as follows :

31 December 2020		
Name of Real Estate	Date of Expertise Report	Market Value (TL)
Hillside Beach Club Holiday Village	29.12.2020	754.600.000
Etiler Alkent Sitesi - Shops	29.12.2020	43.300.000
Büyükçekmece Alkent 2000 - Shops	29.12.2020	15.050.000
Eyüp Topçular - Factory	29.12.2020	80.605.000
Ankara Çankaya Business Center	29.12.2020	8.895.000
İstanbul Karaköy Business Center	29.12.2020	15.480.000
İstanbul Şişhane Business Center	29.12.2020	13.000.000
Land in Maslak	29.12.2020	104.290.000
Total		1.035.220.000



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

As of 31 December 2019, the market values of investment properties are as follows :

31 December 2019

Name of Real Estate	Date of Expertise Report	Market Value (TL)
Hillside Beach Club Holiday Village	10.01.2020	618.500.000
Etiler Alkent Sitesi - Shops	30.12.2019	37.690.000
Büyükçekmece Alkent 2000 - Shops	30.12.2019	12.600.000
Eyüp Topçular - Factory	30.12.2019	79.650.000
Ankara Çankaya Business Center	30.12.2019	8.800.000
İstanbul Karaköy Business Center	30.12.2019	13.200.000
İstanbul Şişhane Business Center	30.12.2019	10.900.000
Land in Maslak	30.12.2019	101.000.000
Total		882.340.000

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



As of 31 December 2020 and 31 December 2019, investment properties of the Company are valued by TSKB Gayrimenkul Değerleme A.Ş., which is an independent company as from the Company, are licensed by SPK and provides real estate valuation services in accordance with the capital market legislation and has enough experience and qualifications for measuring fair value of investments in the related regions (31 December 2019 - Rehber Gayrimenkul Değerleme Danışmanlık A.Ş.).

Main assumptions for sales comparison method of investment properties in related valuation reports and used by the Company are as follows :

Precedent square meter value	31 December 2020	31 Aralık December 2019
Land	5.500	5.350
Buildings	5.250 - 22.000	4.450 - 30.000

As of 31 December 2020, the fair value hierarchy of the Company's investment properties and the related assets are shown in the following table :

	31 December 2020	TL Level 1	TL Level 2	TL Level 3
Hillside Beach Club Holiday Village	754.600.000	–	–	754.600.000
Etiler Alkent Sitesi – Shops	43.300.000	–	–	43.300.000
Büyükçekmece Alkent 2000 Shops	15.050.000	–	–	15.050.000
Eyüp Topçular - Factory	80.605.000	–	80.605.000	–
Ankara Çankaya Business Center	8.895.000	–	8.895.000	–
İstanbul Karaköy Business Center	15.480.000	–	–	15.480.000
İstanbul Şişhane Business Center	13.000.000	–	–	13.000.000
Land in Maslak	104.290.000	–	104.290.000	–
Total	1.035.220.000	–	193.790.000	841.430.000

As of 31 December 2019, the fair value hierarchy of the Company's investment properties and the related assets are shown in the following table :

	31 December 2019	TL Level 1	TL Level 2	TL Level 3
Hillside Beach Club Holiday Village	618.500.000	–	–	618.500.000
Etiler Alkent Sitesi - Shops	37.690.000	–	–	37.690.000
Büyükçekmece Alkent 2000 Shops	12.600.000	–	–	12.600.000
Eyüp Topçular - Factory	79.650.000	–	79.650.000	–
Ankara Çankaya Business Center	8.800.000	–	–	8.800.000
İstanbul Karaköy Business Center	13.200.000	–	–	13.200.000
İstanbul Şişhane Business Center	10.900.000	–	–	10.900.000
Land in Maslak	101.000.000	–	101.000.000	–
Total	882.340.000	–	180.650.000	701.690.000



The movement of investment properties valuated at level 3 from beginning of the period to end of the period is as follows :

	1 January 31 December 2020	1 January 31 December 2019
Opening Balance	701.690.000	434.870.000
Total loss / gain		
- profit / loss projected	145.363.118	252.246.143
Right-of-use Asset	–	8.037.671
Lease of Land	–	2.552.354
Transfers (*)	(8.800.000)	–
Realised	3.176.882	3.983.832
Closing Balance	841.430.000	701.690.000

As of 31 December 2020, rental income from investment properties is TL 26.828.787 (31 December 2019: TL 36.215.057). The related rental income is stated in the revenue note in the statement of profit or loss (Note 16).

(*) As of December 31, 2019, the fair value of Ankara Çankaya Business Center was calculated over the average of the fair values calculated by revenue reduction and equivalent comparison methods, while as of December 31, 2020, important observable inputs were used, and it was calculated by the equivalent comparison method. For this reason, it has been evaluated as Level 2.

10- PROPERTY, PLANT AND EQUIPMENTS

As of 31 December 2020, property, plant and equipments are as follows :

Cost

	Opening 1 January 2020	Addition	Disposal	Closing 31 December 2020
Plant, Machinery and Equipment	4.216	–	–	4.216
Furniture and Fixture	73.002	10.710	–	83.712
Other Tangible Fixed Assets	27.373	–	–	27.373
Subtotal	104.591	10.710	–	115.301

Accumulated Depreciation ;

Plant, Machinery and Equipment	4.216	–	–	4.216
Furniture and Fixture	47.163	4.111	–	51.274
Other Tangible Fixed Assets	27.373	–	–	27.373
Subtotal (Note 18)	78.752	4.111	–	82.863
Net Book Value	25.839	–	–	32.438



As of 31 December 2019, property, plant and equipments are as follows :

Cost

	Opening 1 January 2019	Addition	Disposal	Closing 31 December 2019
Plant, Machinery and Equipment	4.216	–	–	4.216
Furniture and Fixture	73.002	–	–	73.002
Other Tangible Fixed Assets	27.373	–	–	27.373
Subtotal	104.591	–	–	104.591

Accumulated Depreciation ;

Plant, Machinery and Equipment	4.216	–	–	4.216
Furniture and Fixture	43.279	3.884	–	47.163
Other Tangible Fixed Assets	27.373	–	–	27.373
Subtotal (Note 18)	74.868	3.884	–	78.752
Net Book Value	29.723	–	–	25.839

All depreciation expenses are included in general administrative expenses.

As of 31 December 2020 and 31 December 2019, the total insurance on tangible assets amounting to TL 105.549 and TL 66.524, respectively (Note 29).



11- INTANGIBLE ASSETS

As of 31 December 2020, intangible assets are as follows :

Cost

	Opening 1 January 2020	Addition	Disposal	Closing 31 December 2020
Rights	58.156	–	–	58.156
Other Intangible Assets	198.361	6.066	–	204.427
Subtotal	256.517	6.066	–	262.583

Accumulated amortization ;

Rights	46.843	836	–	47.679
Other Intangible Assets	161.944	15.404	–	177.348
Subtotal (Note 18)	208.787	16.240	–	225.027
Net Book Value	47.730	–	–	37.556

As of 31 December 2019, intangible assets are as follows :

Cost

	Opening 1 January 2019	Addition	Disposal	Closing 31 December 2019
Rights	54.294	3.862	–	58.156
Other Intangible Assets	183.640	14.721	–	198.361
Subtotal	237.934	18.583	–	256.517

Accumulated amortization ;

Rights	44.058	2.785	–	46.843
Other Intangible Assets	149.077	12.867	–	161.944
Subtotal (Note 18)	193.135	15.652	–	208.787
Net Book Value	44.799	–	–	47.730

All amortisation expenses are included in general administrative expenses.



12- PROVISIONS, CONDITIONAL ASSETS AND LIABILITIES

- a) As stated among the Company's inventories, investment properties and fixed asset accounts as of 31 December 2020 and 31 December 2019;

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.

Besides, 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, securities, and mortgages given by the Company in the name of its own corporate body are as follows :

Collateral / pledge / mortgage ("CPM") position given by the Company	31 December 2020	31 December 2019
A. CPMs given for Company's own legal personality	2.861.467	2.508.603
B. CPMs given on behalf of fully consolidated companies	–	–
C. CPMs given in the normal course of business activities on behalf of third parties	–	–
D. Total amount of other CPMs		
i. Total amount of CPMs given on behalf of the parent	–	–
ii. Total amount of CPMs given to on behalf of other Group companies which are not in scope of B and C	–	–
iii. Total amount of CPMs given on behalf of third parties which are not in scope of C	–	–
Total	2.861.467	2.508.603

As of 31 December 2020 and 31 December 2019, the ratio of other CPM's given by the Company to equity is 0%.



- c) The total amount of guarantee letters and notes received by the Company in each period are given below :

	31 December 2020	31 December 2019
Guarantee notes received	700.005	571.429
Guarantee letters received	690.060	806.325
Total	1.390.065	1.377.754

- d) There are not any receivables in Company records that are due and not collected; thus no provision made for such receivables.
- e) As of 31 December 2020, there are no significant cases against the company that will cause cash outflows. The neighborhood where Hillside Beach Club Holiday Village is located in Fethiye District of Muğla is exempted from the real estate tax for 5 years due to the fact that it has left the status of the village as a neighborhood according to the law numbered 6360. However, Municipality of Fethiye accrues annual real estate tax. Therefore, an annulment action was filed for the Real Estate Tax which was accrued. The case has been concluded in favor of the company and is at the stage of appeal. In addition, the Company has 2 other ongoing lawsuits, and there is no uncertainty in their legal processes, so the Company's management does not expect any cash outflows related to these lawsuits. For this reason, no provision has been made in the accompanying financial statements.

13- EMPLOYEE BENEFITS

Under Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, who is called up for military service, dies or retires after completing 25 years of service and reaches the retirement age.

The amount payable consists of one month's salary limited to a maximum of TL 7.117,17 for each period of service at 31 December 2020 (31 December 2019: TL 6.379,86).

Retirement pay liability is not subject to any kind of funding legally. Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees. TAS 19 Employee Benefits stipulates the development of company's liabilities by using actuarial valuation methods under defined benefit plans. In this direction, actuarial assumptions used in calculation of total liabilities are described as follows:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2020, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated with the assumption of 12.91% real discount rate calculated by using 9% annual inflation rate and real results show 3.59% discount rate (31 December 2019: 3,51%). Estimated amount of retirement pay not paid due to voluntary leaves is also taken into consideration as 100% for employees with 0-15 years of service, and 0% for those 16



or more years of service. Ceiling amount of TL 7.638,96 which is in effect since 1 January 2020 is used in the calculation of Company's provision for retirement pay liability (1 January 2020: TL 6.730,15).

The principal assumptions used in the calculation of retirement pay liability are discount rate and anticipated turnover rate.

Short term provisions are as follows :

	31 December 2020	31 December 2019
Payables Arising from Employee Benefits	72.635	83.351
Total	72.635	83.351

Long term provisions are as follows :

	31 December 2020	31 December 2019
Retirement Pay Provision	217.655	260.376
Vacation Pay Provision	102.829	81.235
Total	320.484	341.611

Retirement Pay Provision;

	1 January 2020 31 December 2020	1 January 2019 31 December 2019
Provision for retirement pay at the beginning of the period	260.376	207.104
Service cost	18.829	23.319
Interest cost	33.616	25.494
Retirement pay paid	(88.588)	–
Actuarial loss / (gain)	(6.578)	4.459
Provision for retirement pay at the period-end	217.655	260.376

Unused Vacation Provision:

	1 January 2020 31 December 2020	1 January 2019 31 December 2019
Provision for unused vacations at the beginning of the period	81.235	69.962
Increase / (decrease) during the period	21.594	11.273
Provision for unused vacations at the period-end	102.829	81.235



14- OTHER ASSETS AND LIABILITIES

Other short-term current assets are as follows:

	31 December 2020	31 December 2019
Prepaid taxes and funds	248.373	697.924
Total	248.373	697.924

15- EQUITY

a) Paid-in Capital

As of 31 December 2020 and 31 December 2019, the Company's registered share capital amounts to TL 150.000.000 and TL 20.000.000 while the issued and paid-in capital amounts to TL 64.400.000 and TL 10.650.794, respectively. The issued capital consists of 6.440.000.000 and 1.065.079.400 shares of Kr 1 nominal value each. The Company's shareholding structure is elaborated in Note 1.

At the Board of Directors' meeting of the Company dated January 3, 2020, the registered capital of the Company is TL 20.000.000, and its issued capital is TL 10.650.794, and the issued capital of the Company is TL 53.749.206 with a share value of 5.174.920.600 holders per nominal value of 1 Kr. it was decided to increase the amount to TL 64.400.000 and increase the capital of TL 53.749.206 from the capital adjustment differences. An application was made to the CMB on January 14, 2020. Necessary permissions have been obtained with the letter of the CMB dated 14.02.2020 and numbered 12233903-340.05.05-E.1875, regarding the issue of capital increase and the amendment articles of Articles 6 and 7 of the Company's Articles of Incorporation. 21.02.2020 It was registered on. Bonus share transactions were completed on 27.02.2020.

Since the registered capital ceiling permit issued by the CMB will exceed 5 years in 2020 at the Board of Directors meeting held on January 22, 2020, the registered capital ceiling of our company with a registered capital of TL 20.000.000 demanded to be increased to TL 150.000.000. Therefore, in accordance with the CMB's "Registered Capital System Communiqué" numbered II – 18.1, the approval of the CMB as per Article 6 of the Company's Articles of Association in accordance with the regulations of the CMB regarding the registered capital system, Following the approval of the necessary amendments to the contract amendment, the registered capital ceiling was submitted to the approval of the first general assembly. It has been unanimously decided to carry out all the necessary transactions within the framework of the provisions of the Turkish Commercial Code and the Capital Markets Law before the relevant and competent authorities such as the CMB, the Ministry of Commerce, the General Assembly of the Company and the Trade Registry Directorate. An application was made to the CMB on 28 January 2020. Necessary permissions have been obtained with the CMB's letter dated 28.02.2020 and numbered 12233903-340.08-E.2457 regarding the amended text of the Company's Articles of Association regarding the registered capital ceiling increase and will be submitted to the approval of the shareholders at the Ordinary General Assembly meeting for 2019.



b) Capital Adjustment Differences

As of 31 December 2020 and 31 December 2019, the difference arising from restatement of nominal capital amounts to TL 963.372 and TL 54.712.578, respectively.

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 2020 and 2019. The Company monitors the increases and decreases which arise from fair value recognition under “Accumulated Other Comprehensive Income and Expenses Not to be Reclassified in Profit or Loss” in the Shareholder’s Equity account in the financial statements. Accordingly, as of 31 December 2020 and 2019 there is a value increase of TL 3.161.179 and TL 4.605.612 respectively, of which is stated in the “Accumulated Other Comprehensive Income and Expenses to be Reclassified in Profit or Loss” account (Note 4).

Investment in Mosalarko A.O is stated as its fair value. 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, as of 31 December 2020 and 2019, there is a value increase of TL 2.394.703 and TL 1.383.245 respectively, of which is stated in the “Accumulated Other Comprehensive Income and Expenses Not to be Reclassified in Profit or Loss” account (Note 4).

d) Restricted Profit Reserves

As of 31 December 2020, the restricted profit reserves consist of legal reserves amounting to TL 33.145.304 (31 December 2019 – TL 6.695.176).

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

- a) I. 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) II. 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 :

	31 December 2020	31 December 2019
Extraordinary reserves	1.044.522.113	828.425.786
Prior years' profit	341.170.550	216.096.327
Total	1.385.692.663	1.044.522.113



At the Ordinary General Assembly Meeting of the Company held on 8 July 2020; Out of the 389.574.941 TL period profit included in the financial statements for 2019; In accordance with the Capital Markets Legislation, the Company's Articles of Association and other legislation provisions, 5.899.652 TL primary general legal reserve is reserved, 475.000 TL donations made during the year are added to the net distributable profit of 384.150.289 TL, 40.572.000 TL of the profit for the shareholders it has been decided by majority of votes to distribute the dividends in cash, to allocate a second tier of general legal reserves in the amount of TL 3.735.200, to add the remaining amount to the extraordinary reserves, to start dividend distribution on 21 July 2020. In the dividend distribution transaction, the dividend receivables of the registered shares traded on Borsa Istanbul will be transferred to Takasbank A.Ş. It has been transferred to their free accounts.

f) Treasury Stocks (-)

In line with the CMB's statements of 21 July 2016 and 25 July 2016, on 4 October 2019, the Company Management set maximum funds for the purpose of protecting the interests of all stakeholders, especially its small stakeholders, and contributing to healthy price formation, considering that the share price does not reflect the real performance of the Company's activities. decided to determine the amount of 10.000.000 TL to be covered from internal resources and to determine the maximum share amount that may be subject to share repurchase as nominal value of 200.000 TL. Share purchase has been completed on October 15, 2018. Within the scope of this repurchase program; 9.999.981 TL of purchase was made for 199.609 shares, and the ratio of repurchased shares in the company capital is 1.874%.

The Company Management has decided to purchase shares on October 18, 2018 It decided to determine the maximum fund amount as 15.000.000 TL to be covered from internal resources and to determine the maximum share amount that may be subject to share repurchase as nominal value of 275.000 TL. Within the scope of this repurchase program; purchases amounting to 14.999.964 TL, corresponding to 273.566 shares, have been made, and the ratio of repurchased shares in the company capital is 2.569%.

The total of the purchases from the internal resources of the company is 24.999.945 TL, which corresponds to 473.175 shares, and its ratio in the company capital is 4.443%.

The Company has classified the reserves for the repurchase price of the Treasury stocks and classified them as restricted reserves allocated from profit under equities.

The Company has shown TL 24.999.945, paid in relation to the repurchase of shares, in the "Treasury Stocks (-)" account.

Portion of dividends paid for the treasury stocks are shown in Treasury stocks.

The total of the shares bought back after the capital increase is 2,861,051 shares, and their ratio in the Company's capital is 4.443%.



16- SALES AND COST OF SALES

Sales revenues are as follows :

	1 January 2020 31 December 2020	1 January 2019 31 December 2019
Rental income	26.828.787	36.215.057
Total	26.828.787	36.215.057

Cost of sales are as follows :

	1 January 2020 31 December 2020	1 January 2019 31 December 2019
Cost of services rendered	1.910.720	1.713.356
Total	1.910.720	1.713.356

17- GENERAL ADMINISTRATIVE EXPENSES

General administrative expenses are as follows :

	1 January 2020 31 December 2020	1 January 2019 31 December 2019
General administrative expenses	3.971.816	3.826.745
Total	3.971.816	3.826.745



General administrative expenses consist of the following :

	1 January 2020 31 December 2020	1 January 2019 31 December 2019
Personnel expenses (Note 18)	1.949.106	2.109.966
Rent expenses	676.915	590.105
Outsourced repair work and services	326.366	317.861
Public and professional association participation expense	178.101	142.035
Bank expenses	177.185	136.796
Financial consultancy and audit expenses	90.416	46.402
Legal consultancy expenses	45.000	45.000
Other consultancy expenses	43.500	26.100
Taxes, duties, and fees	34.889	30.143
Lawsuits, execution and notary expenses	27.042	153.189
Publishing expenses	24.097	19.363
Depreciation and amortization expenses (Note 10,11)	20.351	19.536
Communication expenses	14.486	8.415
Other	364.362	181.834
Total	3.971.816	3.826.745

18- EXPENSES BY NATURE

Depreciation and amortisation expenses consist of the following :

	1 January 2020 31 December 2020	1 January 2019 31 December 2019
Property, plant and equipment (Note 10)	4.111	3.884
Intangible Assets (Note 11)	16.240	15.652
Total	20.351	19.536

Expenses related to employee benefits are as follows :

	1 January 2020 31 December 2020	1 January 2019 31 December 2019
Wages and salaries	1.609.121	1.872.041
Personnel retirement pay	88.588	–
Personnel transportation expenses	23.529	22.161
Personnel catering expenses	14.404	17.118
Personnel health expenses	13.994	9.381
Other personnel expenses	199.470	189.265
Total	1.949.106	2.109.966



19- OTHER OPERATING INCOME / (EXPENSES)

Other operating income consists of the following :

	1 January 2020 31 December 2020	1 January 2019 31 December 2019
Foreign exchange gains from operations	150.473.852	82.185.238
Increase on fair values of investment properties (Note 9)	149.703.118	270.696.143
Interest income	18.512.886	19.800.743
Turkish Ministry of Environment and Forestry Rental Expense	2.481.797	2.978.587
Turkish Ministry of Environment and Forestry Land appropriation	541.602	441.836
Gain on sale of other marketable securities	161.838	200.526
Income from real estate other than rental income	88.596	81.862
Income from maturity differences	74.194	206.967
Rediscount interest income	25.602	33.319
Other	87.387	86.158
Total	322.150.872	376.711.379

Other operating expenses consist of the following :

	1 January 2020 31 December 2020	1 January 2019 31 December 2019
Foreign exchange losses from operations	6.817.205	12.923.467
Turkish ministry of environment and forestry Rental Provision	2.822.044	3.505.824
Foundation donations	1.125.000	475.000
Turkish ministry of environment and forestry Land appropriation	541.602	441.836
Rediscount interest expenses	1.198	25.602
Other	631.847	526.441
Total	11.938.896	17.898.170

20- INCOME FROM INVESTING OPERATIONS

Income from investing operations consists of the following :

	1 January 2020 31 December 2020	1 January 2019 31 December 2019
Dividends received	389.349	592.068
Total	389.349	592.068



21- FINANCING EXPENSES

Financing expenses are as follows:

	1 January 2020 31 December 2020	1 January 2019 31 December 2019
Short-term financing expenses	1.362.273	505.292
Total	1.362.273	505.292

22- TAX ASSETS AND LIABILITIES

In Turkey, the corporation tax rate for 2020 is 22% (2019 – 22%). 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 :

	31 December 2020	31 December 2019
Profit for the year	330.185.303	389.574.941
Other deductions (*)	(330.185.303)	(389.574.941)
Subtotal	–	–
Tax at the domestic income tax rate 22% (2019: 22%)	–	–
Current corporate tax provision	–	–

* Due to the Company's REIT status, the income for the current period is stated as other deductions.

Deferred Tax Assets and Liabilities :

Due to the Company's REIT status, no deferred tax calculation has been made as of 31 December 2020 and 31 December 2019.



23- EARNINGS PER SHARE

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

	31 December 2020	31 December 2019
Profit / (loss) for the year	330.185.303	389.574.941
Weighted average number of ordinary shares for the reporting period (per share of TL 1 nominal value)	64.400.000	64.400.000
Treasury stock (-)	(2.861.051)	(2.861.051)
Earnings / (loss) per share (TL)	5,3655	6,3305

24- RELATED PARTY DISCLOSURES

a) Balances due from / due to related parties are as follows :

	31 December 2020	
Balances with related parties	Receivables Current Trading	Payables Current Trading
Attaş Alarko Turistik Tesisler A.Ş.	25.007.412	–
Less: Deferred Income	(1.198)	–
Alarko Holding A.Ş.	–	2.898
Alarko Carrier San. ve Tic. A.Ş.	–	1.846
Total (Note 6)	25.006.214	4.744

	31 December 2019	
Balances with related parties	Receivables Current Trading	Payables Current Trading
Attaş Alarko Turistik Tesisler A.Ş.	35.514.971	–
Less: Deferred Income	(25.602)	–
Alarko Holding A.Ş.	–	32.682
Total (Note 6)	35.489.369	32.682



b) Sales to / purchases from related parties are as follows :

Details of transactions are as follows :

1 January - 31 December 2020

Transactions with related parties	Goods Purchases	Service Purchases	Other Purchases	Other Sales
Attaş Alarko Turistik Tes. A.Ş.	3.176.882	–	290.790	21.947.722
Alarko Carrier San. ve Tic. A.Ş.	–	1.564	–	1.344.347
Alarko Holding A.Ş.	6.066	225.443	721.077	–
Total	3.182.948	227.007	1.011.867	23.292.069

1 January - 31 December 2019

Transactions with related parties	Goods Purchases	Service Purchases	Other Purchases	Other Sales
Attaş Alarko Turistik Tes. A.Ş.	3.414.230	–	–	33.174.943
Alarko Carrier San. ve Tic. A.Ş.	–	–	–	1.078.229
Alarko Holding A.Ş.	4.789	201.244	633.242	–
Total	3.419.019	201.244	633.242	34.253.172

As of 31 December 2020 and 31 December 2019, there are no doubtful receivables arising from related parties.

As of 31 December 2020 and 31 December 2019, the salaries and similar remuneration provided to top management amounts to TL 1.379.722 TL and TL 1.204.950, gross, respectively.

25- NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Financial instruments and financial risk management

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

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

i. Credit Risk

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

As of 31 December 2020, maturity and guarantee structure of the Company's receivables and cash and cash equivalents consist of the following :

	Receivables					
	Trade Receivables			Other Receivables		
31 December 2020	Related Parties	Other	Related Parties	Other	Deposits at Banks	Cash and Cash Equivalents
Maximum credit risk exposed as of balance sheet date (A+B+C+D) (1) (Note 3,6 and 7)	25.006.214	339.446	-	63.984	8.085.592	1.624.750
- Secured portion of the maximum credit risk by guarantees	-	23.305	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired (2) (Note 3,6 and 7)	25.006.214	339.446	-	63.984	8.085.592	1.624.750
B. Terms are re-negotiated, otherwise accepted as overdue or impaired financial assets' fair value	-	-	-	-	-	-
C. Net book value of financial assets that are overdue but not impaired (3)	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross amount) (Note 6)	-	-	-	-	-	-
- Impairment (-) (Note 6)	-	-	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-	-
E. Off-balance sheet items include credit risk	-	-	-	-	-	-

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

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

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





As of 31 December 2019, maturity and guarantee structure of the Company's receivables and cash and cash equivalents consist of the following:

	Receivables					Cash and Cash Equivalents
	Trade Receivables	Other Receivables	Deposits at Banks	Other		
31 December 2019						
Maximum credit risk exposed as of balance sheet date (A+B+C+D) (1) (Note 3,6 and 7)						
- Secured portion of the maximum credit risk by guarantees						
A. Net book value of financial assets that are neither past due nor impaired (2) (Note 3,6 and 7)						
B. Terms are re-negotiated, otherwise accepted as overdue or impaired financial assets' fair value						
C. Net book value of financial assets that are overdue but not impaired (3)						
D. Net book value of impaired assets						
- Past due (gross amount) (Note 6)						
- Impairment (-) (Note 6)						
- Secured portion of the net book value by guarantees, etc.						
E. Off-balance sheet items include credit risk						
	35.489.369	162.738	120.868.036	30.434	120.868.036	733.252
	-	4.426	-	-	-	-
	35.489.369	162.738	120.868.036	30.434	120.868.036	733.252
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-

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

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

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



As of 31 December 2020 and 31 December 2019, 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 2020 and 31 December 2019:

31 December 2020					
Contract Terms	Carrying Value	Total Contracted Cash Outflows (I+II+III)	Less Than 3 Months (I)	3 to 12 Months (II)	1 to 5 Years (III)
Non-derivative financial liabilities					
Payables due to leasing operations (Note 5)	6.281.146	6.879.703	2.293.235	-	4.586.468
Trade payables to related parties (Note 6)	4.744	4.744	4.744	-	-
Other trade payables (Note 6)	6.336.474	6.336.474	6.336.474	-	-
Other payables (Note 7)	4.075.581	4.075.581	2.464.533	-	1.611.048
Total	16.697.945	17.296.502	11.098.986	-	6.197.516
31 December 2019					
Contract Terms	Carrying Value	Total Contracted Cash Outflows (I+II+III)	Less Than 3 Months (I)	3 to 12 Months (II)	1 to 5 Years (III)
Non-derivative financial liabilities					
Payables due to leasing operations (Note 5)	8.037.671	9.172.938	2.293.235	-	6.879.703
Trade payables to related parties (Note 6)	32.682	32.682	32.682	-	-
Other trade payables (Note 6)	3.519.013	3.519.013	3.519.013	-	-
Other payables (Note 7)	6.206.736	6.206.736	4.914.353	-	1.292.383
Total	17.796.102	18.931.369	10.759.283	-	8.172.086



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 2020, net foreign currency position of the Company is TL 757.377.088 (31 December 2019 – TL 622.080.462). 10% increase in exchange rates will increase the Company's profit by TL 75.737.709 while 10% decrease will decrease by TL 75.737.709.

Foreign Currency Position

On totals basis;

	31 December 2020	31 December 2019
A. Foreign currency assets	758.787.705	623.252.814
B. Foreign currency liabilities	1.410.617	1.172.352
Net foreign currency position (A-B)	757.377.088	622.080.462



Foreign Currency Position

Breakdown on foreign currency basis;

31 December 2020

	TL Amount (Functional Currency)	US Dollar
1. Trade Receivables	19.545.830	2.662.738
2a. Monetary Financial Assets	638.257.203	86.950.099
2b. Non-Monetary Financial Assets	–	–
3. Other	–	–
4. Current Assets	657.803.033	89.612.837
5. Trade Receivables	–	–
6a. Monetary Financial Assets	100.984.672	13.757.193
6b. Non-Monetary Financial Assets	–	–
7. Other	–	–
8. Non-Current Assets	100.984.672	13.757.193
9. Total Assets	758.787.705	103.370.030
10. Trade Payables	–	–
11. Financial Liabilities	–	–
12.a Monetary Other Liabilities	–	–
12.b Non-Monetary Other Liabilities	–	–
13. Current Liabilities	–	–
14. Trade Payables	–	–
15. Financial Liabilities	–	–
16.a Monetary Other Liabilities	1.410.617	192.169
16.b Non-Monetary Other Liabilities	–	–
17. Non-Current Liabilities	1.410.617	192.169
18. Total Liabilities	1.410.617	192.169
19. Net Foreign Currency Assets / Liabilities Position (9-18)	757.377.088	103.177.861
20. Monetary Items Net Foreign Currency Assets / Liabilities Position (1+2a+5+6a-10-11-12a-14-15-16a)	757.377.088	103.177.861



Foreign Currency Position

Breakdown on foreign currency basis;

31 December 2019

	TL Amount (Functional Currency)	US Dollar
1. Trade Receivables	32.510.782	5.473.011
2a. Monetary Financial Assets	590.742.032	99.448.172
2b. Non-Monetary Financial Assets	–	–
3. Other	–	–
4. Current Assets	623.252.814	104.921.183
5. Trade Receivables	–	–
6a. Monetary Financial Assets	–	–
6b. Non-Monetary Financial Assets	–	–
7. Other	–	–
8. Non-Current Assets	–	–
9. Total Assets	623.252.814	104.921.183
10. Trade Payables	–	–
11. Financial Liabilities	–	–
12.a Monetary Other Liabilities	–	–
12.b Non-Monetary Other Liabilities	–	–
13. Current Liabilities	–	–
14. Trade Payables	–	–
15. Financial Liabilities	–	–
16.a Monetary Other Liabilities	1.172.352	197.359
16.b Non-Monetary Other Liabilities	–	–
17. Non-Current Liabilities	1.172.352	197.359
18. Total Liabilities	1.172.352	197.359
19. Net Foreign Currency Assets / Liabilities Position (9-18)	622.080.462	104.723.824
20. Monetary Items Net Foreign Currency Assets / Liabilities Position (1+2a+5+6a-10-11-12a-14-15-16a)	622.080.462	104.723.824



Foreign currency position sensitivity analysis as of 31 December 2020 and 31 December 2019 is as follows :

	31 December 2020		31 December 2019	
	Profit / Loss		Profit / Loss	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency	Appreciation of Foreign Currency	Depreciation of Foreign Currency
	In case of US Dolar changes in 10% against TL			
1- US Dollar net asset / liability	75.737.709	(75.737.709)	62.208.046	(62.208.046)
2- US Dollar hedges (-)	–	–	–	–
3- Net effect of US Dollar (1+2)	75.737.709	(75.737.709)	62.208.046	(62.208.046)
Total	75.737.709	(75.737.709)	62.208.046	(62.208.046)

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.

	31 December 2020	31 December 2019
Lease Liability (Note 5)	6.281.146	8.037.671
Total	6.281.146	8.037.671

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 2020, 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 1.020.575, net, without any effect in profit / loss (31 December 2019 – TL 704.457) (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 2020 and 31 December 2019, the ratio of the total equity to net debts is as follows :

	31 December 2020	31 December 2019
Total borrowings	17.150.292	18.274.791
Less: Cash and cash equivalents	(9.710.342)	(121.601.288)
Net debt	7.439.950	(103.326.497)
Total equity	1.810.094.669	1.513.116.444
Total capital	1.817.534.619	1.409.789.947
Gearing Ratio	0%	0%



26-FINANCIAL INSTRUMENTS (Fair Value Disclosures and Explanations on Hedge Accounting)

31 December 2020	Financial assets at amortized cost	Fair value through profit or loss	through other comprehensive income	Fair value Financial liabilities at amortized cost	Carrying Value
Financial assets					
Cash and Cash Equivalents (Note 3)	9.710.342	–	–	–	9.710.342
Trade Receivables (Note 6)	339.446	–	–	–	339.446
Due From Related Parties (Note 6)	25.006.214	–	–	–	25.006.214
Other Receivables (Note 7)	63.984	–	–	–	63.984
Other Financial Assets (Note 4)	649.707.557	81.644.206	21.247.754	–	752.599.517
Financial Liabilities					
Financial Liabilities (Note 5)	–	–	–	(6.281.146)	(6.281.146)
Trade Payables (Note 6)	–	–	–	(6.336.474)	(6.336.474)
Due to Related Parties (Note 6)	–	–	–	(4.744)	(4.744)
Other Financial Liabilities (Note 7)	–	–	–	(4.075.581)	(4.075.581)

31 December 2019	Financial assets at amortized cost	Fair value through other comprehensive income	Financial liabilities at amortized cost	Carrying Value
Financial Assets				
Cash and Cash Equivalents (Note 3)	121.601.288	–	–	121.601.288
Trade Receivables (Note 6)	162.738	–	–	162.738
Due From Related Parties (Note 6)	35.489.369	–	–	35.489.369
Other Receivables (Note 7)	30.434	–	–	30.434
Other Financial Assets (Note 4)	471.761.995	15.691.515	–	487.453.510
Financial Liabilities				
Financial Liabilities (Note 5)	–	–	(8.037.671)	(8.037.671)
Trade Payables (Note 6)	–	–	(3.519.013)	(3.519.013)
Due to Related Parties (Note 6)	–	–	(32.682)	(32.682)
Other Financial Liabilities (Note 7)	–	–	(6.206.736)	(6.206.736)

Financial Instruments

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

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

The Company has determined the fair value of its financial instruments by using current market information at present and by using appropriate valuation methods. However, assessing



market information and forecasting actual values requires judgment. The forecasts presented as a conclusion may not always represent the values that are acquired by the Company in current market transactions.

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

Financial Assets

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

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

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

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

Financial Liabilities

Trade payables have been presented at their fair values.

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

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

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

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



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

Fair value level as of reporting period				
	31 December 2020	Level 1	Level 2	Level 3
Financial Assets				
Stocks (publicly traded)	10.205.753	10.205.753	–	–
Financial Investments (Eurobond)	81.644.206	–	81.644.206	–
Stocks (private)	11.040.305	–	–	11.040.305

Fair value level as of reporting period				
	31 December 2019	Level 1	Level 2	Level 3
Financial Assets				
Stocks (publicly traded)	7.044.574	7.044.574	–	–
Stocks (private)	8.645.602	–	–	8.645.602

The movement of financial assets and liabilities, which valued at level 3 at the beginning and end of the period as follows :

Financial instruments of which fair value difference represented in other comprehensive income		
	Stocks	Total
Opening, 1 January 2020	8.645.602	8.645.602
Total loss / gain - represented in other comprehensive income	2.394.703	2.394.703
Closing, 31 December 2020	11.040.305	11.040.305

Financial instruments of which fair value difference represented in other comprehensive income		
	Stocks	Total
Opening, 1 January 2019	7.262.357	7.262.357
Total loss / gain - represented in other comprehensive income	1.383.245	1.383.245
Closing, 31 December 2019	8.645.602	8.645.602



27- SEGMENT REPORTING

The main activity of the Company is to engage in the purposes and subjects stated in the regulations of the CMB on real estate investment trusts. In this context, the Company engages in the investment such as investment in real estate, real estate projects and capital market instruments. Due to the same legislation affecting the operations of the Company, no separate financial information regularly reviewed by the competent authority to make decisions regarding activities and since the Company operates in a single geographical area, segment reporting has not been reported in the accompanying financial statements in accordance with TFRS 8.

28- EVENTS AFTER THE REPORTING PERIOD

None.

29- DISCLOSURE OF OTHER MATTERS THAT MAY AFFECT FINANCIAL STATEMENTS SIGNIFICANTLY OR IS NECESSARY FOR FINANCIAL STATEMENTS TO BE CLEAR, INTERPRETABLE AND COMPREHENSIBLE

Total value of insurance on assets for the respective periods are as follows:

	31 December 2020	31 December 2019
Investment properties (Note 9)	263.797.975	214.122.790
Property, plant and equipment (Note 10)	105.549	66.524
Total	263.903.524	214.189.314

30- SUPPLEMENTARY NOTES: MONITORING COMPLIANCE WITH PORTFOLIO RESTRICTIONS

As of 31 December 2020 and 31 December 2019, compliance with portfolio restrictions is monitored as follows:



	Main Account Items of Unconsolidated / Separate Financial Statements	Related Regulation	Current Year (TL) 31 December 2020	Prior Year (TL) 31 December 2019
A	Money Market and Capital Market Instruments	Art. 24/(b)	751.267.858	600.407.857
B	Investment properties, investment propertybased projects, investment property-based rights	Art. 24/(a)	1.038.491.735	885.611.735
C	Affiliates	Art. 24/(b)	11.042.001	8.646.941
	Due from Related Parties (Non-Trade)	Art. 23/(f)	-	-
	Other Assets		26.443.367	36.724.702
D	Total Assets	Art. 3/(p)	1.827.244.961	1.531.391.235
E	Financial Liabilities	Art. 31	6.281.146	8.037.671
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	1.810.094.669	1.513.116.444
	Other Liabilities		10.869.146	10.237.120
D	Total Liabilities and Equity	Art. 3/(p)	1.827.244.961	1.531.391.235
	Other Financial Informations Related with Unconsolidated Financial Statements	Related Regulation	Current Year (TL) 31 December 2020	Prior Year (TL) 31 December 2019
A1	Part of Money Market Instruments and Capital Market Instruments Held for Real Estates (3 Years)	Art. 24/(b)	-	-
A2	Time and Demand Deposits in TL / Foreign Currency	Art. 24/(b)	8.085.592	120.868.036
A3	Foreign Capital Market Instruments	Art. 24/(d)	-	-
B1	Real estates, real estate projects and rights supported by real estates	Art. 24/(d)	-	-
B2	Lands Held Idle	Art. 24/(c)	107.561.735	104.271.735
C1	Foreign Investments	Art. 24/(d)	11.040.305	8.645.602
C2	Participation in the Operating Company	Art. 28/1(a)	1.696	1.339
J	Non-cash Loans	Art. 31	2.861.467	2.508.603
K	Mortgage lien on lands to be administrated for projects and the property of which does not belong to the company	Art. 22/(e)	-	-
L	All of the money and capital markets in a single investment company Tools	Art. 22/(l)	10.205.753	7.044.574



	Portfolio Limitations	Related Regulation	Current Year 31 December 2020	Current Year 31 December 2019	Ratio of Minimum/ Maximum
1	Pledges on Land not Owned by the Investment Trust which will be used for project developments	Art. 22/(e)	0,00 %	0,00 %	≤ 10 %
2	Investment property, investment property based projects, investment property based rights	Art. 24/(a),(b)	56,83 %	57,83 %	≥ 51 %
3	Money Market and Capital Market Instruments and Subsidiaries	Art. 24/(b)	41,72 %	39,77 %	≤ 49 %
4	Real estates, real estate projects and rights supported by real estates, Subsidiaries, Capital Market Instruments	Art. 24/(d)	0,60 %	0,56 %	≤ 49 %
5	Lands Held Idle	Art. 24/(c)	5,89 %	6,81 %	≤ 20 %
6	Participation in the Operating Company	Art. 28/1 (a)	0,00 %	0,00 %	≤ 10 %
7	Borrowing Limit	Art. 31	0,51 %	0,70 %	≤ 500 %
8	Time and Demand Deposits in TL / Foreign Currency	Art. 24/(b)	0,44 %	7,89 %	≤ 10 %
9	All of the money and capital markets in a single investment company Tools	Art. 22/(l)	0,56 %	0,46 %	≤ 10 %

As promulgated by the Communiqué Serial: III, No: 48.1 issued in the Official Newspaper dated 28.05.2013, the Article 24(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 2020, the ratio of the Company’s plots of land to the total assets is 6,81% 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 2020, this rate is 57.83% 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 2020, this rate is 39.77% 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 2020 financial statements, this rate is 7.89% and stays within the limitation introduced by the Communiqué.

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

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