ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
Annual Report 2018

ALARKO CENTER
Muallim Naci Caddesi No: 69
34347 Ortaköy - İSTANBUL / TURKEY

Phone : (+90212) 310 33 00 pbx
(+90212) 227 52 00 pbx
Fax : (+90212) 261 84 31

web page: www.alarkoyatirim.com.tr
e-mail: agmyo@alarko.com.tr

Trade Registry Number
İstanbul, 155313

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CONTENTS

MESSAGE FROM THE BOARD OF DIRECTORS

Dear Shareholders,

Protection policies and trade wars marked economy in 2018. The adverse effects of the trade wars started by the US on the economy of China also reflected on the Euro zone and affected the growth in these countries, the chief pillars of World economy.

The German economy considered the leading sector of the European Union underwent shrinkage in the third quarter of 2018 and grew by almost zero in the last quarter of the year. On the other hand, the Italian economy went into recession due to shrinkage in two consecutive quarters. Chinese economy slowed down compared to last year and the growth rate dropped. And Britain who is going through the negative effects of the Brexit process if has to leave the EU with no-deal is facing the risk of drifting into recession. The geopolitical risks from the Middle East and the related refugee problems are continuing to affect Europe negatively. As a result of the increasing tightening of the financial conditions with the increase in interest rates, capital outflow from developing countries accelerated and the economies of these countries whose debt rates are high have become more fragile.

On the other hand, in the first half of 2018, Turkish economy has continued to grow as a result of domestic demand. Financing costs have increased as FED, the central bank of the United States, increased the interest rates and the risk perception directed to developing countries increased, and domestic demand declined as of the second half of the year. With the effect of the raise in exchange rates in the second half of the year, a slowdown started in the growth rate. The cost increases caused by increase in exchange rates resulted in the escalation of inflation, the shrinkage in industrial production and the slowdown in the construction sector which caused a considerable rise in unemployment. The budget deficits increased considerably compared to 2017. The Turkish economy is expected to end 2018 with lower growth rate than in 2017.

The current accounts deficit decreased considerably in the second half of 2018 as a result of the improvement in the foreign trade balance due to the increase in foreign exports and the shrinkage in imports due to the increase in exchange rates combined with the increase of tourism receipts.

In case global trade wars continue in 2019, the risks in world economy will increase and the grow rate will slowdown. The growth rate in Turkish economy is expected to progress slowly in 2019 as a result of the shrinkage in domestic demand and the slowdown in investments.

As one of the leading sectors of Turkish economy, the construction sector is continuing to create important employment opportunities. However, increase in loan interests has resulted in shrinkage of demand and a serious increase in housing stocks in 2018.

Our company is continuing to get rent income from real estate in its portfolio and is aiming at actualizing the new projects it will develop when the conjuncture is applicable.

We are thankful to you all our esteemed shareholders who have always given us support and to all our employees for their diligent work.

We greet your valuable Committee respectfully with these feelings and thoughts.

Board of Directors

BOARD OF DIRECTORS AND AUDITORS

Board of Directors	Duty	Commencement Date of Duty	Expiry Date of Duty
Mustafa Filiz	Chairman	26.03.2018	26.03.2021
Ahmet Önder Kazazoğlu	Vice Chairman	26.03.2018	26.03.2021
Mehmet Ahkemoğlu	Director	26.03.2018	26.03.2021
Hilmi Önder Şahin	Director	26.03.2018	26.03.2021
Ömer Çelik	Director	26.03.2018	26.03.2021
Mustafa Tansu Uslu	Director (Independent)	26.03.2018	26.03.2021
Kudret Vurgun	Director (Independent)	26.03.2018	26.03.2021

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

Auditor

DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu Limited)	26.03.2018	26.03.2019

Independent Auditor

DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu Limited)	26.03.2018	26.03.2019

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 FİLİZ
Chairman of the Board of Directors
Filiz was born in Çorum in 1960. In 1982, he graduated from Istanbul University, Faculty of Economics. In 1982, he started working as Assistant Tax Inspector on the Board of Tax Inspectors of the Ministry of Finance and was appointed as Tax Inspector in 1985.
In 1989, he was sent to England by the Ministry of Finance for a year. In 1992, Filiz was appointed Chief Tax Inspector. As working as Deputy Chairman of the Istanbul Group of the Board of Tax Inspectors he resigned in 1995 and joined the Alarko Group of Companies.
Mustafa Filiz who is the Senior Vice 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.

Ahmet Önder KAZAZOĞLU
Vice Chairman of the Board
Kazazoğlu was born in Kilis in 1953. In 1975, he graduated from the Mechanical Engineering Faculty of METU. In 1977, he completed his Master's Degree at the same faculty.
Kazazoğlu joined the Alarko Group of Companies in 1979. He worked as administrator on various projects of the company both at home and abroad. Kazazoğlu is the Senior Vice President of the Altek Alarko Elektrik Santralları Tesis, İşletme ve Ticaret A.Ş. since 2013 and a member of the Board in various companies of the Group.
Kazazoğlu is married and has two children. He speaks English.
Ahmet Önder Kazazoğlu does not qualify as independent director according to the CMB's Communiqué Numbered II-17.1.

Mehmet AHKEMOĞLU
Member of the Board
Ahkemoğlu was born in Ankara in 1964 and graduated from Ankara University, Faculty of Political Sciences, School of Economics in 1986. In 1996, he completed his Master's Degree in International Accounting and Auditing at Illinois University.
In 1986, Ahkemoğlu started working at the Ministry of Finance as Assistant Tax Inspector, in 1989 as Tax Inspector, in 1997-2004 as Department Head on the Revenues Administration of the Ministry of Finance, and in 2005 as Department Head on the Department of Revenues Management of the Revenues Administration. He resigned at the end of 2005 and joined the Alarko Group of Companies in 2006. He is the Senior Vice President of Auditing of the Alarko Group of Companies. Ahkemoğlu who is also a member of the Board of various companies within the Alarko Group. He speaks English.
Mehmet Ahkemoğlu does not qualify as independent director according to the CMB's Communiqué Numbered II-17.1.

Hilmi Önder ŞAHİN
Member of the Board
Şahin was born in Ayvalık in 1948. He graduated from the Mining Department of the Engineering Faculty of METU in 1970 and completed his graduate studies at the same faculty in 1972.
Şahin started to work at Alarko as an Instrumentation Engineer in 1975. This was followed by managerial positions in various companies of the Group. Şahin has been General Manager of Alarko Carrier Sanayi ve Ticaret A.Ş. since 1995. He is also a member of the Board in various companies of the Group.
Şahin is married and has two children. Şahin speaks English.
Hilmi Önder Şahin does not qualify as independent director according to the CMB's Communiqué Numbered II-17.1.

Ömer ÇELİK
Member of the Board
Çelik was born in Artvin in 1960 and graduated from Istanbul University, Faculty of Economics, Department of Business Administration and Finance in 1982. He completed his Master's degree in Finance at the same university in 1984.
Çelik began his professional life at the Turkish Union of Chambers and Exchange Commodities in 1982. In 1984, he took and passed the Financial Analysis examination of the Türkiye Emlak ve Kredi Bank and worked at this institution for three years. In 1987, he started to work at Netaş (Northern Electric) where he evaluated R&D projects and joined the Alarko Group of Companies in 1989. Çelik is the Senior Vice President of Finance at Alarko Holding A.Ş. and a member of the Board of various companies within the Alarko Group.
Ömer Çelik has one child and speaks English.
Ömer Çelik does not qualify as independent director according to the CMB's Communiqué Numbered II-17.1.

Mustafa Tansu USLU
Independent Member of the Board
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
Vurgun was born in Istanbul in 1967. He graduated from Istanbul University Faculty of Management in 1989. He worked in various positions including 18 years as Quotations Manager at the Istanbul Stock Exchange (Borsa Istanbul) from 1990 to 2012. On leaving the Istanbul Stock Exchange he worked as an independent consultant in the area of public offering and corporate financing and as Independent Board Member at a publicly held company. Vurgun worked as Board Member at KOTEDER (The Association of Listed Companies' Executives) in 2013-2016. He has numerous articles, seminars and books published in the areas of the Capital Market and Stock Exchange and finance. Vurgun speaks English.
Kudret Vurgun qualifies as independent director according to the CMB's Communiqué Numbered II-17.1.

AGENDA OF THE ANNUAL GENERAL ASSEMBLY MEETING OF MARCH 26, 2019

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 2018.
5. Reading, discussion and approval of the Statements of Financial Position and Statement of Comprehensive Income of 2018.
6. Deliberations and resolution for the acquittal of the Members of the Board of Directors for the activities in year 2018.
7. Deliberations and resolution on the proposal of the Board of Directors for the profit distribution of the year 2018.
8. Deliberations and decision regarding reading, discussing and accepting the permission note received from the Capital Markets Board and the Internal Commerce Directorate of the Ministry of Commerce regarding the amendment of article 4 and its attached old and new versions of the amendment text of the Articles of Association.
9. Deliberations and decision regarding the limits of donations to be made in 2019.
10. Deliberations and decision on the determination of the salaries of the Board of Directors.
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 2019 by an Independent Auditing Company selected by the Board of Directors in accordance with the Capital Markets Regulations and Turkish Commercial Code.
14. Giving information regarding their legal rights to investors if they have suffered a loss due to acts necessitating the application of the TL 27.047 administrative fine communicated to our Company by the Capital Markets Board with their letter dated 11.01.2019 and number 12233903-340.14-E.555.
15. Deliberations and decision regarding whether or not to fall back on Board Members who have responsibility regarding the application of the TL 27.047 administrative fine specified in the 14th clause of the agenda.
16. 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 2018 for your evaluation and criticism.

1) Our annual report covers the period between January 1, 2018 and December 31, 2018.

2) The members of the Board and the Statutory Auditors during 2018 are their terms of office are presented on page 4.

3) The Board of Directors convened 18 times during the term. All members have attended to the meetings held during the period. Board decisions have been taken unanimously. Therefore, there is no record of dissenting votes.

4) The company's registered capital ceiling in 2018 was TL 20.000.000.

5) Our issued capital is TL 10.650.794 and our net profit for the period TL 269.599.472.

6) The rate of participation to our Ordinary General Assembly Meeting held on March 26, 2018 was 58,18%. 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 63% was paid in 2015, a cash dividend of 100% was paid in 2016 and a cash dividend of 144% was paid in 2017.

The proposal for profit distribution for the year 2018 submitted by the Board of Directors to the approval of the General Assembly is on page 16 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 48,10.

7) No donations were made to foundations and associations in 2018.

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 2018.

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 28 to the financial statements contains information related to checking compliance with portfolio limitations.

GENERAL INFORMATION REGARDING OUR ACTIVITIES

Our company and designs project with complete infrastructure, recreation areas, environment friendly, conformable to contemporary urban conception and managed with modern management organizations and continues to invest in real estate and real estate projects, and rights based on real estate in money and capital market instruments.

The construction and sale of 63 mansions of our Alkent 2000 Lake Mansions in Büyükçekmece, the 3rd phase of our Alkent İstanbul 2000 project has been completed. The Alkent 2000 Lake Mansions Project has become a prestigious living center with its leisure center, environment landscaping and security thanks to its being situated on a single lot.

Due to the uncertainty and supply surplus in the real estate market we intend to actualize our new projects when the conjuncture is applicable. Our feasibility studies on our existing lands and for new projects in mainly İstanbul and other big cities are being maintained.

The stable rent income we got from mainly Hillside Beach Club Holiday Village owned by our company and the other high-grade real estate in our portfolio in 2018 will continue increasingly in 2019.

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

In addition to investing in new projects our company will continue to get the highest financial yield from monetary and capital market instruments. By means of the strong capital and liquidity structure, in 2018, our Company continued to provide high financial revenue by using its resources set aside for the new projects in the monetary and capital markets.

ADDITIONAL INFORMATION REGARDING OUR ACTIVITIES

1) Our Company had no activities related to Research and Development in the financial term of 2018.

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 2018 have been subject to independent auditing by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu Limited). Both internal auditing and independent auditing were conducted twice within the financial period of 2018 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 2018 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.	172.687.080	1.196	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 2018 and the dividends we have accumulated in 2017 and 2018 are given in note numbers 4 and 19 to the Financial Statements.

4) In the current period, 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 29.

5) Each Member of our Board of Directors and our Company was imposed administrative fine of TL 27.047 by the decision dated 27.12.2018 and number 65/1514 of the Capital Markets Board. The said fines were paid by the parties.

6) Objectives determined in former terms have been attained and there are no matters that have not been implemented in the decisions taken at the General Assemblies of the Company.

7) No extraordinary General Assembly was held during the term.

8) Our company has no spending within the social responsibility Project. Social contributions are made through the GYO (Real Estate Investment) Association and Alarko Educational Cultural Foundation.

9) Our company is a dependent company of Alarko Holding A.Ş. as defined in Turkish Commercial Code Article 195 Paragraph 1. Our company has carried out some transactions of goods and services with the parent company and its affiliates. All aforesaid transactions are conducted in accordance with arm's length principle.

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

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

10) No significant incident has occured since end of the past year until the date of report, which can affect rights of shareholders, creditors and the other related third parties.

11) There have been no legislative amendments that can seriously affect the Company's activities within the term.

12) Conflict of interest does not exist between the Company and investment consulting institutions as well as rating instutions which render services to the Company.

13) 41 special case announcements were made during the year. No additional explanation was requested.

FINANCIAL RIGHTS GRANTED TO BOARD MEMBERS AND TOP EXECUTIVES

Except for the Independent Members of the Board, no financial rights such as honorariums, fees, bonuses, premiums, profit share are granted to Board Members. The gross total of fees and similar financial rights provided to the Independet Board Members and top executives in 2018 was TL 2.020.727.

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 01.01.2018 - 31.12.2018 term is 6.

As of 31.12.2018, the company has calculated TL 207.104 employment termination indemnities with full provision.

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

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

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

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

CURRENT CAPITAL AND PARTNERSHIP STRUCTURE

Shareholders	Share Amount (TL)	Number of shares and votes	Ratio (%)	Number of (*) A Group shares and votes	Number of (**) B Group shares and votes	Number of C Group shares and votes
Alarko Holding A.Ş.	1.748.258	174.825.881	16,42	16.467.000	–	158.358.881
Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş.	3.704.641	370.464.092	34,78	–	23.500.000	346.964.092
Other	3.453	345.271	0,03	33.000	–	312.271
Public Offering	5.194.442	519.444.156	48,77	–	–	519.444.156
Total	**10.650.794**	**1.065.079.400**	**100**	**16.500.000**	**23.500.000**	**1.025.079.400**

(*) A Group Shareholders have right of nomination of 4 candidates at election of members of Board.
(**) B Group Shareholders have right of nomination of 3 candidates at election of members of Board.
There are no other concessions except for that of “Nomination to the Board” as stated above.

There has been no change in the capital and partnership structure of the company in 2018.

On 4 October 2018 the Management of the Company decided with the purpose of protecting the interests of all stakeholders, including small stakeholders, and their contribution towards determining accurate prices that the maximum amount of funds to be met from internal sources is TL 10.000.000 and the maximum share amount that may be subject to share buyback is TL 200.000 at the nominal amount in accordance with the Capital Markets Board's announcement dated 21 July 2016 and 25 July 2016. The share purchase transaction was completed on 15 October 2018. Within the scope of aforementioned buyback program; the Company's purchase amounting TL 9.999.981 corresponds to 199.609 shares with a rate of 1,874% in Company's capital.

The Company Management decided to purchase a new share on 18 October 2018. The maximum amount of funds to be met from internal sources is determined as TL 15.000.000 and the maximum share amount that may be subject to share buyback is determined as TL 275.000 at the nominal amount. Within the scope of aforementioned buyback program; the Company's purchase amounting TL 14.999.964 corresponds to 273.566 shares with a rate of 2,569% in Company's capital.

The total amount of acquisitions obtained from the Company's internal resources is TL 24.999.945, which corresponds to 473.175 shares, and its share in the Company's capital is 4,443%.

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 15.337.144 in 2018.

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

At their meeting of 14.11.2018 the Board decided to appeal to the Capital Markets Board to amend the 4th clause of the Company's Articles of Association entitled "Company's Purpose and Area of Activity" to enable our Company to make donations in accordance with the Turkish Commercial Code, Capital Markets Law and Communiques.

The necessary permissions have been obtained from Capital Markets Board with their letter dated 27.11.2018 and numbered 12233903-340.17-E.12927 as well as from the Ministry of Commerce, General Directorate of Domestic Commerce of the Republic of Turkey with their letter dated 06.12.2018 and numbered 50035491-431.02, and will be presented to the approval of shareholders at the Ordinary General Assembly for the year 2018.

RISKS AND EVALUATION OF RISKS BY THE MANAGING BODY

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

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

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

FINANCIAL INDEXES

According to the independently audited financial statements prepared as of December 31, 2018 financial indexes are as follows.

Financial Indexes	Year 2018	Year 2017
Net Sales	TL 29.206.918	TL 40.918.147
Net Profit for the Period	TL 269.599.472	TL 152.357.089
Current Ratio	74,14	72,03
Liquidity Ratio	73,60	71,38
Dept Equity Ratio	0%	0%
Total Assets	TL 1.152.290.283	TL 926.964.533

Analysis of the basic ratios regarding the term of 2018 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 10.650.794, and it is in a position to pay its depts. The financial structure of the company is propitious to maintaining its activities. Hence, there are no precautions taken concerning this issue.

As of 31.12.2018, the number of shares at par value of TL 1,00 is 10.650.794 and the current value per share is TL 108.

Information regarding assets in our portfolio is summarized below :

i – Real Estates

Real Estates, Real Estate Projects, Chattel Real		Appraisal Date	Appraisal Value (TL)	
			VAT excluded	VAT Included
- Land in Büyükçekmece Eskice Village	Büyükçekmece / İstanbul, 3 parcels 622.651,10 m².	28.12.2018	74.812.000	88.278.160
- Maslak Land	Sarıyer / İstanbul, 2 parcels, in Maslak, on the Şişli - İstinye Büyükdere motorway 18.961,90 m².	28.12.2018	91.000.000	107.380.000
- İstanbul Şişhane Business Center	Beyoğlu / İstanbul, gross 730 m², 3 floors offices, 1 floor / entrance store, with elevator, generator, air conditioning and floor heating .	28.12.2018	9.650.000	11.387.000
- İstanbul Karaköy Business Center	Karaköy / İstanbul, gross 1.730 m², single block, elevator, air conditioning heating, ½ bought in 1997, ½ bought in 1999.	28.12.2018	11.800.000	13.924.000
- Ankara Çankaya Business Center	Çankaya / Ankara, gross 1.887 m², single block, 6 storeys, elevator, chiller air conditioning, natural gas heating.	28.12.2018	7.950.000	9.381.000
- Fethiye Hillside Beach Club Holiday Village	10.128,09 m², in Fethiye / Muğla, Parcel 3 with 1. Class Holiday Village in Kaya Village, Kalemya Bay.	28.12.2018	52.666.000	62.145.880
- Fethiye Hillside Beach Club Holiday Village (usufruct)	Fethiye / Muğla, 2 parcels, 84.762 m², usufruct for parcel 1 in Kaya Village, Kalemya Bay.	28.12.2018	308.334.000	363.834.120
- Factory and land in Eyüp - Topçular	Eyüp / İstanbul, 15.675 m² , facilities located in Topçular neighborhood. Door no. 8, block 247, parcel 56.	28.12.2018	71.200.000	84.016.000
- 39 shops in Etiler Alkent Housing Estate	39 shops in Etiler Alkent Shopping Center in Beşiktaş, İstanbul.	28.12.2018	33.300.000	39.294.000
- 10 shops in Büyükçekmece Alkent 2000 Yeditepe Housing Estate	10 shops in Büyükçekmece Alkent 2000 Shopping Center in Büyükçekmece, İstanbul.	28.12.2018	11.170.000	13.180.600
TOTAL			**671.882.000**	**792.820.760**

ii – Money and Capital Market Instruments

Type	Total (TL)	Ratio (%)
Government Bonds and Bills	434.127.719	84,19
Foreign Currency Time Deposits	78.711.408	15,26
Share Certificates	2.438.962	0,47
Mutual Funds	361.446	0,07
TL Deposit	42.136	0,01
TOTAL	**515.681.671**	**100**

iii – Participations

Type	Total (TL)	Ratio (%)
Participations	7.263.696	74,86

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	660.000	28.12.18	38.400	-	Not rented as of 31.12.2018
- İstanbul Karaköy Business Center	1.550.000	28.12.18	62.626	65.860	
- 39 shops in Etiler Alkent Shopping Center (*)	3.100.000	28.12.18	210.342	241.720	
- 10 shops in Büyükçekmece Alkent 2000	1.050.000	28.12.18	59.646	78.346	
- Factory in Eyüp - Topçular	3.950.000	28.12.18	88.000	90.000	
- Ankara Çankaya Business Center (**)	1.760.000	28.12.18	56.347	83.050	
- Fethiye Hillside Beach Club Holiday Village (**) (***)	175.714.060	28.12.18	29.376.000	26.487.742	

Footnotes:

(*) In accordance with the communiqué 2018-32/51 concerning decision number 32 about the Protection of the Value of Turkish Currency in relation to the Presidential Decision number 85 published in the Official Gazette dated 06.10.2018 the leases in foreign currency have been determined to be in Turkish Liras as of 01.10.2018.

(**) Leases in foreign currency reorganized in Turkish Lira within the change made in the decision number 32 communiqué 2018-32/52 of the Protection of the Value of Turkish Currency published in the Official Gazette dated 16.11.2018, the leases of the Fethiye Hillside Beach Club Holiday Village and Ankara Çankaya Business Center is being maintained in foreign currency within the scope of exception in the Communiqué.

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

PROPOSAL FOR PROFIT DISTRIBUTION

We propose ;

- The profit for the period as in the financial statements presented to the approval of the General Assembly is TL 269.599.472. As the total of the first order general legal reserves set aside in previous years has reached the legal ceiling, therefore the first order general legal reserve not to be set aside,

- To distribute TL 27.053.017, from the net distributable profit of TL 269.599.472 for the term to shareholders in cash as dividend,

- To set aside TL 2.652.048 out of the profit to be distributed as second order general legal reserves,

- To transfer the remaining sum to extraordinary reserves,

- To start profit distribution as of the 27th of May 2019.

Board of Directors

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

Profit for the Period	TL	269.599.472
First Order General Legal Reserves (has reached the ceiling)		–
Net Distributable Profit for the Period	TL	269.599.472
Dividends to Shareholders (cash)	TL	27.053.017
Second Order General Legal Reserves	TL	2.652.048
Balance to be Transferred to Extraordinary Reserves	TL	239.894.407
Ratio of Dividends to Total Issued Capital		254,00%
Ratio of Dividends to Net Distributable Profit		10,03%

REPORT ON COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

PART I – STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

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

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

In compliance with the decision dated 10.01.2019 and number 2/49 of the Capital Markets Board, and within the frame work of the Corporate Governance Communiqué numbered 11-17.1;

The following are the links related to

- Report on Compliance With Corporate Governance (URF) **https://www.kap.org.tr/tr/sirket-bilgileri/ozet/845-alarko-gayrimenkul-yatirim-ortakligi-a-s,**
- Corporate Governance Information Form (KYBF) **https://www.kap.org.tr/tr/cgif/4028e4a241462fd801415005df1c3612**

PART II – SHAREHOLDERS

2.1. Unit in Charge of Relations with Shareholders

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

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

The manager of the Investor Relations Department is responsible to General Manager Harun Hanne Moreno.The report regarding the activities conducted was presented to the Board of Directors on 16.01.2019.

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

For Communication :

Phone : +90 212 310 33 00 - 227 52 00 pbx
Fax : +90 212 261 84 31
E-mail : metin.franko@alarko.com.tr
fatma.acar@alarko.com.tr

Activities carried out during the term include the Coordination of the Corporate Governance Implementations, fullfiling the obligations arising from the Capital Markets Regulations and answering requests of investors. Questions of 25 investors have been answered during the year.

2.2. Exercise of Right to Obtain Information by the Shareholders

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

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

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

2.3. General Assembly Meetings

The Ordinary Annual General Assembly meeting of the company was held at the company headquarters at Muallim Naci Cad. No. 69 Ortaköy, Istanbul, with a quorum of 58,18%. The meeting was attended by representatives of the media.

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

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

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

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

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

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

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

2.4. Voting Rights and Minority Rights

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

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

Subsidiaries	Declared Capital (TL)	Share (TL)	Share (%)
Alarko Holding A.Ş.	435.000.000	1.183.962	0,27
Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş.	172.687.080	1.196	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

2.5. Profit Share Rights

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

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

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

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

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

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

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

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

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

Our Company distributed a profit of TL 15.337.144 in 2018.

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

PART III – PUBLIC INFORMATION AND TRANSPARENCY

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

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

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

LIST OF LINKS :

PART I – STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

PART II – SHAREHOLDERS

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

PART III – PUBLIC INFORMATION AND TRANSPARENCY

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

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

3.2. Annual Report

PART IV – OWNERS OF INTEREST

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

PART V – BOARD OF DIRECTORS

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

3.2. Annual Report

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

PART IV - OWNERS OF INTEREST

4.1. Informing the Stakeholders

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

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

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

4.2. Participation of Owners of Interest in Management

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

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

4.3. Human Resources Policy

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

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

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

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

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

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

4.4. Rules of Ethics and Social Responsibility

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

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

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

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

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

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

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

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

PART V – BOARD OF DIRECTORS

5.1. Structure and Composition of Board of Directors

Board of Directors

Mustafa Filiz	Chairman
Ahmet Önder Kazazoğlu	Vice Chairman
Mehmet Ahkemoğlu	Member
Hilmi Önder Şahin	Member
Ömer Çelik	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 : 16.02.2018

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 : 16.02.2018

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 in1986. Following various middle and top management positions in the various units of the group, he was appointed general manager of the Alarko Real Estate Investment Partnership Co. in 2001. He is still holding this position.

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

5.2. Operational Principles of the Board of Directors

The Board of Directors convenes when it is deemed necessary from the point of view of the company's operations upon the invitation of the chairman or deputy chairman. However, meeting once a month is compulsory. The chairman of the Board confers with the other members of the Board and the General Manager and determines the agenda of the Board meetings and sends it to all members 3 days prior to the meeting. Members make a point of attending every meeting and expressing their opinions. Participation in the Board meeting can be done by any technological means that allows remote access. Remarks of members who are unable to attend the meeting but report them to the Board in writing are presented to the other members. No weighed voting right is granted to the Board members. Each member of the Board has one vote. In Board meetings related to related party transaction, the member of the relevent 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 responsiblities of the Board members are given in the Articles of Corporation.

The Board of Directors convened 18 times during the term. All members have attended to the meetings held during the period. Board decisions have been taken unanimously. Therefore, there is no record of dissenting votes. In 2018 there were no related party transactions and transactions of important character to be presented to the approval of the independent members of the Board.

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

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

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

Hence;

- Corporate Governance Committee consisting of 4 members was established to develop corporate governance applications. Independent member Mustafa Tansu Uslu was elected as chairman of the committee and independent member Mustafa Filiz, Mehmet Ahkemoğlu and Metin Franko were elected as members of the Committee. The Corporate Governance Committee convened 3 time with the total number of members within the term and presented the Board a report regarding their activities.
- An Committee of Early Identification of Risks consisting of 4 members was constituted to detect the risks that our Company could be faced with and to organize an effective risk management system. Independent member Mustafa Tansu Uslu was elected as Chairman and Mustafa Filiz, Mehmet Ahkemoğlu and Hilmi Önder Şahin were elected as members of the Committee. The Committee of Early Identification of Risks convened 6 times with the total number of members within the term and presented the Board a report regarding their activities.
- Independent member Mustafa Tansu Uslu was elected as Chairman of the Auditing Committee within the Board and independent member Kudret Vurgun was elected as member. The Auditing Committee convened 5 times with the total number of members within the term and presented the Board a report regarding their activities.

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

All of the committees consist of non-executive members.

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

5.4. Risk Management and Internal Audit Mechanism

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

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

5.5. Strategic Objectives of the Company

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

The main purpose of our land development projects dating back 46 years is to provide people buildings that;

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

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

5.6. Pecuniary Rights

No pecuniary benefits such as honorariums, fees, premiums, bonuses are given to members of the Board of Directors except the independent members of the Board of Directors. The gross total of pecuniary benefits given to Independent Board members and top executives was TL 2.020.727 (Gross) in 2018.

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

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

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

Deloitte.

DRT Bağımsız Denetim ve
Serbest Muhasebeci
Mali Müşavirlik A.Ş.
Maslak no1 Plaza
Eski Büyükdere Caddesi
Maslak Mahallesi No:1
Maslak, Sarıyer 34485
İstanbul, Türkiye

Tel : +90 (212) 366 6000
Fax : +90 (212) 366 6010
www.deloitte.com.tr

Mersis No: 0291001097600016
Ticari Sicil No : 304099

INDEPENDENT AUDITOR'S REPORT ON THE MANAGEMENT'S ANNUAL REPORT

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

1) Opinion

As we have audited the full set financial statements of Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. ("the Company") for the period between 01.01.2018–31.12.2018, we have also audited the annual report for the same period.

In our opinion, the financial information provided in the Management's annual report and the Management's discussions on the Company's financial performance, are fairly presented in all material respects, and are consistent with the full set audited financial statements and the information obtained from our audit.

2) Basis for Opinion

We conducted our audit in accordance with the standards on auditing issued by Capital Markets Board and the Standards on Independent Auditing ("SIA") which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibility is disclosed under Responsibilities of the Independent Auditor on the Independent Audit of the Annual Report in detail. We declare that we are independent from the Company in accordance with the Code of Ethics for Independent Auditors ("Code of Ethics") issued by POA and ethical provisions stated in the regulation of audit. We have fulfilled other responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

3) Auditor's Opinion for the Full Set Financial Statements

We have presented unqualified opinion for the Company's full set financial statements for the period between 01.01.2018–31.12.2018 in our Auditor's Report dated 25 February 2019.

Deloitte.

4) Management's Responsibility for the Annual Report

The Company Management is responsible for the following in accordance with Article 514 and 516 of the Turkish Commercial Code No. 6102 ("TCC") and "Communiqué on Principles of Financial Reporting in Capital Markets" with No.14.1 of the Capital Markets Board ("the Communiqué"):

a) Preparing the annual report within the three months following the reporting date and presenting it to the General Assembly,

b) Preparing the annual report with the all respects of the Company's flow of operations for that year and the Company's financial performance accurately, completely, directly and fairly. In this report, the financial position is assessed in accordance with the financial statements. The Company's development and risks that the Company may probably face are also pointed out in this report. The Board of Director's evaluation on those matters are also stated in this report.

c) The annual report also includes the matters stated below:
   - The significant events occurred in the Company's activities subsequent to the financial year ends,
   - The Company's research and development activities,
   - The compensation paid to key management personnel and members of Board of Directors including financial benefits such as salaries, bonuses and premiums, allowances, travelling, accommodation and representation expenses, in cash and kind facilities, insurances and other similar guarantees.

The Board of Directors also considers the secondary regulations prepared by the Ministry of Trade and related institutions while preparing the annual report.

5) Responsibilities of the Independent Auditor on the Independent Audit of the Annual Report

Our aim is to express an opinion and prepare a report about whether the Management's discussions and financial information in the annual report within the scope of the provisions of the TCC and the Communiqué are fairly presented and consistent with the information obtained from our audit.

We conducted our audit in accordance with the standards on auditing issued by Capital Markets Board and the SIA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Management's discussions on the Company's financial performance, are fairly presented in all material respects, and are consistent with the full set audited financial statements and the information obtained from our audit.

The engagement partner on the audit resulting in this independent auditor's report is Koray Öztürk.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Koray Öztürk, SMMM
Partner
İstanbul, 25 February 2019

Deloitte.

DRT Bağımsız Denetim ve
Serbest Muhasebeci
Mali Müşavirlik A.Ş.
Maslak no1 Plaza
Eski Büyükdere Caddesi
Maslak Mahallesi No:1
Maslak, Sarıyer 34485
İstanbul, Türkiye

Tel : +90 (212) 366 6000
Fax : +90 (212) 366 6010
www.deloitte.com.tr

Mersis No: 0291001097600016
Ticari Sicil No : 304099

INDEPENDENT AUDITOR'S REPORT

To the General Assembly 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 A.Ş. ("the Company"), which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and 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 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards (TFRS).

2) Basis for Opinion

We conducted our audit in accordance with the standards on auditing issued by Capital Markets Board and the Standards on Independent Auditing ("SIA") which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("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") published by the POA, together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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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.

Key Audit Matter	How the matter was addressed in the audit
Fair value determination of investment properties The Company is recognizing its investment properties as at their fair values. As of 31 December 2018, investment properties comprise 52% of the Company's total assets and the total value of the investment properties is TL 597.070.000. The fair values of the investment properties of the Company are determined by the independent apprisal firm. Investment properties constitute an important part of the Company's financial statements and valuation methods in the determination of the fair values of investment properties include significant estimates and assumptions. Therefore, the determination of the fair values of investment properties and their recognition of the correct amount in the financial statements are considered as the key audit matter. Accounting policies and explanations related to investment properties are disclosed in Note 2 and 8.	Throughout our audit, below procedures are performed in order to evaluate fair value of such investment properties: • Competencies and independence of valuation experts appointed by the Company's management have been evaluated, • Future plans and explanations used in valuation reports in terms of macroeconomic data has been evaluated and estimates and assumptions used in valuation reports by comparing them with previous years' data has been analysed by negotiating with Company's management, • Cash flow estimates prepared for each cash generating unit has been evaluated and compared them with previous financial results deciding if they are reasonable or not, • Suitability of the valuation methods used by valuation experts has been evaluated, • Independent experts has been involved in audit procedures to negotiate with the experts appointed by Company's management, assessment and examination of the assumptions used in valuation reports (including real discount rates, market rents, market values and estimated occupancy rate) has been involved, • The estimations and assumptions used in the valuation reports were discussed with the management's expert.

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.

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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

Responsibilities of independent auditors in an independent audit are as follows:

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 the standards on auditing issued by Capital Markets Board and SIA 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 the standards on auditing issued by Capital Markets Board and SIA, 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.

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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

In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No. 6102 (“TCC”), the auditor’s report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Company on 25 February 2019.

In accordance with paragraph four of the Article 402 of TCC, nothing has come to our attention that may cause us to believe that the Company’s set of accounts and financial statements prepared for the period 1 January-31 December 2018 does not comply with TCC and the provisions of the Company’s articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

The engagement partner on the audit resulting in this independent auditor’s report is Koray Öztürk.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Koray Öztürk, SMMM
Partner
İstanbul, 25 February 2019

FINANCIAL STATEMENTS AUDITED BY INDEPENDENT AUDITORS

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
AUDITED STATEMENTS OF FINANCIAL POSITION
AS OF 31 DECEMBER 2018 (TL)

ASSETS	Notes	Current Period 31 December 2018	Perior Period 31 December 2017
CURRENT ASSETS		**545.419.019**	**405.320.291**
Cash and Cash Equivalent	3	79.114.990	74.465.493
Financial Investments	4	434.127.719	304.929.466
Trade Receivables		28.207.319	22.122.031
Trade Receivables from Related Parties	5,22	28.062.562	21.971.729
Trade Receivables from Third Parties	5	144.757	150.302
Inventories	7	3.271.735	3.271.735
Prepaid Expenses		3.459	186.480
Other Current Assets	13	693.797	345.086
NON - CURRENT ASSETS		**606.871.264**	**521.644.242**
Financial Investments	4	9.702.658	4.417.029
Other Receivables		24.084	24.084
Other Receivables from Third Parties	6	24.084	24.084
Investment Properties	8	597.070.000	517.115.000
Property, Plant and Equipment	9	29.723	34.723
Intangible Assets		44.799	53.406
Other Intangible Assets	10	44.799	53.406
TOTAL ASSETS		**1.152.290.283**	**926.964.533**

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

LIABILITIES	Notes	Current Period 31 December 2018	Perior Period 31 December 2017
CURRENT LIABILITIES		**7.356.291**	**5.627.487**
Trade Payables		2.990.536	2.139.352
Trade Payables to Related Parties	5,22	40.329	21.760
Trade Payables to Third Parties	5	2.950.207	2.117.592
Payables Related to Employee Benefits	12	408.641	79.860
Other Payables		3.914.050	3.367.816
Other Payables to Third Parties	6	3.914.050	3.367.816
Deferred Income		43.064	40.459
NON-CURRENT LIABILITIES		**1.525.735**	**1.809.149**
Other Payables		1.248.669	1.435.838
Other Payables to Third Parties	6	1.248.669	1.435.838
Long-term Provisions		277.066	373.311
Long-term Provisions for Employee Benefits	12	277.066	373.311
EQUITY		**1.143.408.257**	**919.527.897**
Share Capital	14	10.650.794	10.650.794
Adjustments to Share Capital	14	54.712.578	54.712.578
Treasury Shares (-)	29	(24.999.945)	–
Other Comprehensive Income or Expenses That Will not be Reclassified Subsequently to Profit or lLoss		(19.338)	(11.442)
- Gains / Losses on Revaluation and Remeasurement for Defined Benefit Plans		(19.338)	(11.442)
Other Comprehensive Income or Expenses That May be Reclassified Subsequently to Profit or Loss		(1.656.266)	3.154.235
- Gains / Losses on Revaluation and Remeasurement of Available for Sale Financial Assets	4	(1.656.266)	3.154.235
Restricted Reserves Appropriated from Profit	14	6.695.176	5.214.716
Prior Years' Profit / Losses	14	828.425.786	693.449.927
Net Profit / Loss for the Year	21	269.599.472	152.357.089
TOTAL LIABILITIES AND EQUITY		**1.152.290.283**	**926.964.533**

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
AUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2018 (TL)

	Notes	Current Period 1 January 2018 31 December 2018	Perior Period 1 January 2017 31 December 2017
Revenue	15	29.206.918	40.918.147
Cost of Sales (-)	15	(2.821.362)	(12.987.158)
GROSS PROFIT / (LOSS)		**26.385.556**	**27.930.989**
Administrative expenses (-)	16	(4.241.830)	(3.682.986)
Other Income from Operating Activities	18	276.802.267	141.226.710
Other Expenses from Operating Activities (-)	18	(29.510.786)	(13.306.235)
OPERATING PROFIT / (LOSS)		**269.435.207**	**152.168.478**
Income from Investing Activities	19	164.265	188.611
OPERATING PROFIT / (LOSS) BEFORE FINANCE INCOME / EXPENSE		**269.599.472**	**152.357.089**
PROFIT / (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**269.599.472**	**152.357.089**
Tax Expense / Income from Continuing Operations	20	–	–
PROFIT / (LOSS) FOR THE YEAR	21	**269.599.472**	**152.357.089**
OTHER COMPREHENSIVE INCOME			
Items that will not be Reclassified Subsequently to Profit or Loss			
Gain / Loss on Remeasurement of Defined Benefit Plans	12	(7.896)	6.461
Items that may be Reclassified Subsequently to Profit or Loss			
Gain / Loss on Revaluation and / or Reclassification of Available for Sale Financial Assets	14	(4.810.501)	1.782.090
OTHER COMPREHENSIVE INCOME / (EXPENSE)		**(4.818.397)**	**1.788.551**
TOTAL COMPREHENSIVE INCOME / (EXPENSE)		**264.781.075**	**154.145.640**
Earnings per share			
Earnings / (Loss) per Share from Continuing Operations	21	25,3126	14,3048

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

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
AUDITED STATEMETS OF CHANGES IN EQUITY
FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2018 (TL)

					Accumulated Other Comprehensive Income or Expenses that will not be Reclassified Subsequently to Profit or Loss	Accumulated Other Comprehensive Income or Expenses that may be Reclassified Subsequently to Profit or Loss		Retained Earnings		
	Notes	Share Capital	Adjustments to Share Capital	Treasury Shares (-)	Accumulated Gain / Loss on Remeasurement of Defined Benefit Plans	Accumulated Gain / Loss on Revaluation and / or Reclassification of Available for Sale Financial Assets	Restricted Reserves Appropriated from Profit	Prior Years' Profit / (Losses)	Net Profit / Loss for the Year	Total Equity
Balances as of 1 January 2017		**10.650.794**	**54.712.578**	–	**(17.903)**	**1.372.145**	**4.202.891**	**569.400.307**	**135.712.239**	**776.033.051**
Transfers		–	–	–	–	–	1.011.825	124.049.620	(125.061.445)	–
Total Comprehensive Income / (Expense)		–	–	–	6.461	1.782.090	–	–	152.357.089	154.145.640
Dividends		–	–	–	–	–	–	–	(10.650.794)	(10.650.794)
Balances as of 31 December 2017 (Closing Balances)		**10.650.794**	**54.712.578**	–	**(11.442)**	**3.154.235**	**5.214.716**	**693.449.927**	**152.357.089**	**919.527.897**
Balances as of 1 January 2018		**10.650.794**	**54.712.578**	–	**(11.442)**	**3.154.235**	**5.214.716**	**693.449.927**	**152.357.089**	**919.527.897**
The Effect of Changes in Accounting Policies	2,8	–	–	–	–	–	–	(563.626)	–	(563.626)
Balance After Adjustments - 1 January 2018		**10.650.794**	**54.712.578**	**–**	**(11.442)**	**3.154.235**	**5.214.716**	**692.886.301**	**152.357.089**	**918.964.271**
Transfers	14	–	–	–	–	–	1.480.460	135.539.485	(137.019.945)	–
Total Comprehensive Income / (Expense)		–	–	–	(7.896)	(4.810.501)	–	–	269.599.472	264.781.075
Dividends	14	–	–	–	–	–	–	–	(15.337.144)	(15.337.144)
Increase / Decrease due to Treasury Shares Transactions	29	–	–	(24.999.945)	–	–	–	–	–	(24.999.945)
Balances as of 31 December 2018 (Closing Balances)		**10.650.794**	**54.712.578**	**(24.999.945)**	**(19.338)**	**(1.656.266)**	**6.695.176**	**828.425.786**	**269.599.472**	**1.143.408.257**

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 2018 (TL)

	Notes	Current Period 1 January 2018 31 December 2018	Perior Period 31 January 2017 31 December 2017
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / Loss for the Year		**269.599.472**	**152.357.089**
Adjustments to Reconcile Profit / Loss for the Year		**(189.292.082)**	**(118.558.719)**
- Adjustments Related to Depreciation and Amortization Expenses	9,10	21.457	29.704
- Adjustments Related to Gain / Loss on Fair Value	8	(76.621.939)	(92.751.316)
- Adjustments Related to Provisions	12	94.891	65.623
- Adjustments Related to Interest Income and Expenses	18	(16.217.074)	(7.142.057)
- Adjustments Related to Unrealized Currency Translation Differences		(95.841.899)	(18.463.364)
- Other Adjustments		(727.518)	(297.309)
Changes in Working Capital		**(4.770.304)**	**7.758.053**
- Adjustments Related to Increase / Decrease in Inventories	7	–	11.275.709
- Adjustments Related to Increase / Decrease in Trade Receivables	5,21	(6.085.660)	(5.968.436)
- Adjustments Related to Increase / Decrease in Other Receivables from Operations	6	–	(8.296)
- Adjustments Related to Increase / Decrease in Trade Payables	5	851.184	372.001
- Adjustments Related to Increase / Decrease in Other Payables from Operations	6	359.065	2.339.355
- Adjustments Related to Other Increase / Decrease in Working Capital		105.107	(252.280)
Cash Generated from Operations		**75.537.086**	**41.556.423**
Employment Termination Benefits Paid	12	(199.032)	(29.998)
Cash Outflows for Acquisition of Debt Instruments		(29.688.661)	(30.340.646)
Interests Received		12.685.996	5.741.195
		58.335.389	**16.926.974**
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Outflows for Acquisition of Shares in Other Entities or Shares in Funds	24	(10.096.130)	–
Payments for Purchase of Property, Plant and Equipment and Intangible Assets	9,10	(7.850)	(14.816)
Proceeds from Sale of Property, Plant and Equipment and Intangible Assets	9	–	9.505
Payments for Investment Properties	8	(3.333.061)	(812.684)
Dividends Received from Other Equity Investments	19	164.265	188.611
		(13.272.776)	**(629.384)**
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Outflows for the Acquisition of Own Shares and Other Equity Instruments	29	(24.999.945)	–
Dividends Paid	14	(15.337.144)	(10.650.794)
		(40.337.089)	**(10.650.794)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF EXCHANGE RATE CHANGES (A+B+C)		**4.725.524**	**5.646.796**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)		**4.725.524**	**5.646.796**
D. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**3**	**74.328.878**	**68.682.082**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (A+B+C+D)	**3**	**79.054.402**	**74.328.878**

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

(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 ("Board") on 31 October 1996 for the registration of a document related to share certificates to be issued for the capital increase in its shareholders; and the document was registered by the CMB certificate Nr GYO 1/1552 dated 31 December 1996 in accordance with the Capital Markets Law.

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

As of 31 December 2018 and 31 December 2017, the shareholders and the shareholding structure of the Company at historic values is as follows:

	31 December 2018		31 December 2017	
	Share Rate	**Share Amount**	**Share Rate**	**Share Amount**
Shareholders	**(%)**	**(TL)**	**(%)**	**(TL)**
Alarko Holding A.Ş.	16,42	1.748.258	16,42	1.748.258
Alsim Alarko Sanayi Tesisleri ve Tic. A.Ş.	34,78	3.704.641	34,78	3.704.641
Public Offering	48,77	5.194.442	48,77	5.194.442
Other (*)	0,03	3.453	0,03	3.453
Total	**100,00**	**10.650.794**	**100,00**	**10.650.794**

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

As of 31 December 2018 and 31 December 2017, the difference arising from restatement of the nominal value of the share capital amounts to TL 54.712.578 (Note 14 (b)).

The address of the Company's Head Office is 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 2018, the average number of the Company personnel is 6 (31 December 2017: 6).

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

Approval of financial statements:

Board of Directors has approved the consolidated financial statements and delegated authority for publishing it on 25 February 2019. General Assembly has the authority to modify the financial statements.

2- BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Presentation :

Statement of Compliance in TFRS

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

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

The financial statements have been prepared on the historical cost basis except for investment properties and financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Currency Used

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

2.2 Adjustment of Financial Statements During Hyper-Inflationary Periods :

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

2.3 Adjustments :

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

- Provision for doubtful receivables
- Calculation of rediscount on customers
- Depreciation adjustment in relation to the useful lives of property, plant and equipment as per TAS 16
- Termination indemnity adjustment as per TAS 19
- Valuation of financial assets quoted at the stock exchange by market value
- Provisions for unused leaves
- Valuation of investment properties at fair value
- Valuation of financial investments at fair value
- Valuation of financial assets held to maturity at the cost value amortized as per the effective interest method.

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 financial statements of the Company are prepared comparatively with the prior period in order to enable the determination of the financial situation and performance trends. In order to comply with the presentation of the financial statements in the current period, comparative information is reclassified when necessary and significant differences are disclosed. Within the context of TAS 8 “Accounting Policies, Accounting Estimates and Errors”, the Company has retrospectively restated its financial statements. Reason and nature of the restatement stated as follows:

- The Company has presented the TL 1.702.239 “Cost of Service Sold” under general administrative expenses in the statement of profit or loss and other comprehensive income in 2017. In the current year, the Company’s management has reclassified the cost of service sold under “Cost of Sales”.

2.6 Changes in Accounting Policies :

Significant changes in accounting policies have been applied retrospectively and prior period financial statements are restated. In current year, tbe Company has not made any significant changes in its accounting policies.

2.7 Accounting Policies, Changes and Errors in Accounting Estimates :

If changes in accounting estimates and errors are for only one period, changes are applied in the current year but if the estimated changes affect the following periods, changes are applied both on the current and following years prospectively. In the current year, there are not any material errors and changes in accounting estimate methods of the Company.

If any significant accounting errors are found out, changes are applied retrospectively and prior year’s financial statements are restated.

2.8 New and Revised Turkish Financial Reporting Standards :

Amendments to TFRS affecting amounts reported and/or disclosures in the financial statements.

TFRS 9 Financial Instruments

a) Classification and measurement of financial assets

The Company has applied TFRS 9 Financial Instruments (2017 version) and the related consequential amendments to other TFRS Standarts that are effective for an annual period that begins on or after 1 January 2018. As a result of TFRS 9's first-time adoption of TFRS 9, the cumulative effect due to the TFRS 9 by the company is recognized in retained earnings as of 1 January 2018 and the comparatives haven't been restated accordingly.

TFRS 9 introduces new requirements for:

1) The classification and measurement of financial assets and financial liabilities,
2) Impairment of financial assets, and
3) General hedge cccounting

The Company has applied TFRS 9 in accordance with the transition rovisions set out of TFRS 9.

The date of initial application (the date on the which the Company has assesed its existing financial assets and financial liabilities in terms of of TFRS 9) is 1 January 2018. Accordingly, the Company applies TFRS 9 to the instruments that will continue to be recognized as of 1 January 2018 and has not applied the requirement to instruments that have already been derecognized as at 1 January 2018. Comparative amounts for the instruments to continue to be recognized as of 1 January 2018 shall be restated when appropriate.

All recognised financial assets that are within the scope of TFRS 9 are required be measured subsequently at amortized cost or at fair value on the basis of the entity's business model for managing the finacial assets and the contractual cash flow characteristics of financial assets. Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

The directors of the Company reviewed and assessed the Company's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of TFRS 9 has had the following impact on the Company's financial assets as regards their classification and measurement:

- financial assets classified as held-to-maturity and loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

None of the other reclassifications of financial assets have had any impact on the Company's financial position, profit or loss, other comprehensive income or total comprehensive income in either year.

b) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Specifically, IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on trade receivables and contract assets.

In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset.

However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

Financial assets measured at amortized cost will be subject to the impairment provisions of IFRS 9.

c) Disclosures in relation to the initial application of IFRS 9

Effects on the Financial Statements

The Company has accounted for the cumulative impact arising from the initial adoption of new accounting policies as an adjustment in reatained earnings as of 1 January 2018 and comparative information on prior periods has not been restated.

The following financial statements show the amounts affected by the changes in accounting policies:

	Previously Reported 31 December 2017	TFRS 9 effect	Restated 1 January 2018
Assets			
Current Assets			
Cash and Cash Equivalents	74.465.493	(188.595)	74.276.898
Financial Investments	304.929.466	(375.031)	304.554.435
Total Assets	**926.964.533**	**(563.626)**	**926.400.907**
Liabilities			
Equity			
Prior Years' Profit / Losses	693.449.927	(563.626)	692.886.301
Total Liabilities and Equity	**926.964.533**	**(563.626)**	**926.400.907**

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

As a result of the adoption of TFRS 9, some changes have occurred in the accounting policies as of 1 January 2018 and some amendments have been made to the financial statements. New accounting policies applied are disclosed in Note 2.9. In accordance with the transition provisions of TFRS 9, prior year financial statements are not restated. The effect of the amendments to the retained earnings of 1 January 2018 is as follows:

Retained Earnings – 1 January 2018 (TAS 39)	**693.449.927**
Impairment of financial assets held to maturity	(375.031)
Impairment of cash and cash equivalents	(188.595)
Adjustments to retained earnings from adoption of TFRS 9	**(563.626)**
Retained Earning – 1 January 2018	**692.886.301**

d) Disclosures in relation to the initial application of IFRS 9

Classification and Measurment

Changes in the classification of financial assets and financial liabilities according to the TFRS 9 are summarized below. These classification differences, except financial investments, has no effect on measurment of financial assets:

Finansal varlıklar	TMS 39'a göre önceki sınıflandırma	TFRS 9'a göre yeni sınıflandırma
Cash and Cash Equivalents	Loans and Receivables	Financial assets carried at amortized cost
Trade Receivables	Loans and Receivables	Financial assets carried at amortized cost
Trade receivables from related parties	Loans and Receivables	Financial assets carried at amortized cost
Other Receivables	Loans and Receivables	Financial assets carried at amortized cost
Other Financial Assets	Available-for-sale financial assets	Fair value through other comprehensive income

TFRS 15 Revenue from Contracts with Customers

Impact on the Financial Statements

In the current year, the Group has applied TFRS 15 Revenue from Contracts with Customers which is effective for an annual period that begins on or after 1 January 2018. TFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in TFRS 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the Company's consolidated financial statements are described below.

TFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The company does not adopted new terms for these balances, instead continued to use old terms.

The Company's accounting policies for its revenue streams are disclosed in detail in note 2.9 below. Apart from providing more extensive disclosures for the Company's revenue transactions, the application of TFRS 15 has not had a significant impact on the financial position and/or financial performance of the Company. The Company's sales are predominantly based on the delivery of real estate and services, and no commitment is given to customers related to future periods .

In the current year, the Company has applied TFRS standards and amendments effective for periods beginning on or after 1 January 2018. These standarts and amendments have not had a significant impact on the financial position and/or financial performance of the Company.

Amendments to TFRS 2 Classification and Measurement of Share-Based Payment Transactions

The amendments clarify the standard in respect of the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature. Amendments to TFRS 2 has not had impact on the Company's financial statements.

Amendments to TMS 40 Transfers of Investment Property

The amendments to IAS 40:

Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.

Annual Improvements to TFRS Standards 2014–2016 Cycle

Improvements to TMS 28:

Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. Adoption of this improvement have no impact on the Company's financial statements.

TFRS Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

The Interpretations Committee came to the following conclusion:

- The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.
- If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

New and revised TFRSs in issue but not yet effective

At the date of authorisation of these financial statements, The Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

TFRS 16	Leases[1]
TMS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures[1]
TFRS Interpretation 23	Uncertainty over Income Tax Treatments
TFRS 10 and TMS 28 (Amendments)	Sale of Contribution of Assets between an Investor and its Associate or Joint Venture
TMS 19 (Amendments)	Plan Amendment, Curtailment or Settlement[1]
Annual Improvements to TFRS Standards 2015–2017 Cycle	TFRS 3[1], TFRS 11, TMS 12 and TMS 23[1]

[1] Effective for annual periods beginning on or after 1 January 2019.

TFRS 16 Leases

General impact of application of IFRS 16 Leases

The Directors of company does not expect the standart have significant impact on the financial statements in the following periods except stated below:

TFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. TFRS 16 will supersede the current lease guidance including TMS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of TFRS 16 for the Company will be 1 January 2019.

In contrast to lessee accounting, TFRS 16 substantially carries forward the lessor accounting requirements in TMS 17.

Impact on Lessor Accounting

Under TFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, TFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under TFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under TMS 17).

Finance leases

The main differences between TFRS 16 and TMS 17 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. TFRS 16 requires that the Company recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by TMS 17. As of 31 December 2018, the Company does not have any financial leasing.

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

This amendment clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

TFRS Interpretation 23 Uncertainty over Income Tax Treatments

This interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under TMS 12.

TFRS 10 and TMS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to TFRS 10 and TMS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture.

Amendments to TMS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position).

Annual Improvements to TFRS Standards 2015–2017 Cycle

Annual Improvements to TFRS Standards 2015–2017 Cycle include amendments to TFRS 3 Business Combinations and TFRS 11 Joint Arrangements in when a party that participates in, but does not have joint control of, TMS 12 Income Taxes; income tax consequences of dividends in profit or loss, and TMS 23 Borrowing Costs in capitalized borrowing costs.

The Company evaluates the effects of these standards, amendments and improvements on the financial statements.

2.9 Summary of Significant Accounting Policies and Valuation Methods :

Financial Instruments :

Financial Assets

The Company measures financial assets other than trade receivables that do not have an important financingcomponent 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 simplyfing 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; and

(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 Comperehensive 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 and

(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 Compan 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 that constitute the derivative instruments not designated as an effective hedging instrument are classified as financial assets at FVTPL. These financial assets are recognized at fair value, and gain and loss on the revaluations are recognized in the statement of profit or loss.

Impairment

The Company recognises 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 consolidated 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. The shareholders of the Company and the companies that they own and their executives and other groups known to be related to them are defined as related parties in the financial statements.

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

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.

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.

Tangible Assets :

Tangible 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 :

Deprecaiton rates of assets are as below:

	Economic Lives
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 :

	Economic Lives
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 are recognized in profit or loss in the period in which they arise except for:

Impairment of Tangible and Intangible Assets Other Than Goodwill

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

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

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.

Income Taxes

Deferred tax

Deferred tax liability or asset is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which are used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The management reviewed the Group's investment property portfolios and concluded that none of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the management has determined that the 'sale' presumption set out in the amendments to TAS 12 is not rebutted. As a result, the Group has not recognized any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

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

Current tax

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

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

Corporate earnings are subject to corporation tax at a rate of 22% until 2020 (2020 included) and 20% from 2021. Whether exempted or not, dividends paid in cash to real persons with full liability and real persons and entities with limited liability (non-residents) are subject to income tax withholding at a rate of 15%. However, income tax withholding is not applicable to the dividends arising from 1998 and prior years' profits and from the exempt profits relating to the years 1999, 2000, 2001 and 2002 as well as income and profits corresponding to the above mentioned investment allowance taxed at the rate of 19,8%. Addition of current year and prior year profits (retained earnings) to share capital has not been regarded as distribution of profits and therefore no withholding tax is applicable to these earnings. On the other hand, no withholding tax is applicable to entities with full liability in profit distributions.

Further, provisional corporation tax is paid at a rate of 22% until 2020 (2020 included) and 20% from 2021 on the profits declared for interim periods to be deducted from the corporation tax.

With respect to the article 298 (bis) of the Tax Law amended by Law 5024, the financial statements of the tax payers whose earnings are determined on balance sheet basis are not subject to inflation adjustment because the inflation adjustment application which started in 2004 has ended as the increase in the Producers Price Index for the last 36 months and the last 12 months are below 100% and 10%, respectively at March 2005. In the 2018 and 2017 accounting periods, the criteria of 100% and 10% have not been realized simultaneously in the Producers Price Index and for that reason no inflation adjustment has been applied.

The earnings of companies that are granted the Real Estate Investment Trust (REIT) status is exempt from Corporate Tax and provisional corporate tax as per the article 5, section 1, paragraph d/4 of the Corporate Tax Law nr 5520. On the other hand, as per the article 15, paragraph 3 of the Corporate Tax Law, the percentage of the income tax withholding required to be made over the earnings of these partnerships that are subject to exemption is currently zero in accordance with the Ministerial Council Decision nr 2010/14594 (nr 2003/6577 for 2008). For that reason, no tax calculation has been made in relation to the 31 December 2018 and 31 December 2017 accounting periods (Note 20).

Employee Benefits

Provision for Termination Indemnity:

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 are consist of rent incomes, sales revenue generated from real estate sold and rents received from investment properties, interest income from bank accounts and income obtained from capital market tools.

Rent income from properties

Rental income from investment properties are recognized on accrual basis. Income acquired through reflecting to lessees the expenses related to investment properties is recognized in the period that the service is rendered.

Revenue from real estate sales

The real estate committed under the revenue contract is transferred to the customer and recognised in the financial statements when the performance obligation specified in the contract has been fulfilled. When the real estate is controlled by 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.

Revenue has been recognized according to TAS 18 until 31 December 2017.

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.

Borrowing Costs:

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in the statement of profit or loss in the period in which they are incurred.

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 on 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 28) is summarized information derived from financial statements as per the article 16 of the Capital Markets Board Communiqué II-14.1 “Principles Regarding Financial Reporting on Capital Markets” and prepared within the frame of provisions related to compliance to portfolio limitations stated in the CMB Communiqué Serial III No 48.1 “Principles Regarding Real Estate Investment Trusts”.

2.10 Critical Accounting Judgments and Key Sources of Estimation Uncertainty

Fair values of investment properties

Fair values of investment properties are assessed according to valuation reports that obtained from independent expertizes and profit or losses arising from fair value changes are recognized to statement of profit or loss as at realization period. Fair values of properties that reclassified as investment property in the financial statement has been determined by the independent real estate appraisal company, Rehber Gayrimenkul Değerleme Danışmanlık A.Ş. in 2018 and 2017 and critical judgements has been used in the valuations and detailed in Not 8.

3- CASH AND CASH EQUIVALENTS

The details of the cash and cash equivalents as at 31 December 2018 and 31 December 2017 are as follows :

	31 December 2018	31 December 2017
Cash at banks	78.753.544	73.566.807
- TL Demand deposits	42.136	47.272
- TL Time deposits	–	1.025.857
- Foreign currency demand deposits	–	1.039
- Foreign currency time deposits (*)	78.711.408	72.492.639
B type liquid funds	361.446	898.686
Total (Note 23 (i))	**79.114.990**	**74.465.493**

(*) As of 31 December 2018, the interest rate on USD time deposits at banks varies between 4,10%- 4,50% and the accrued interest amounts to TL 57.344; the interest rate on Euro time deposits at banks varies between 1,65% and the accrued interest amounts to TL 3.244. (As of 31 December 2017, the interest rate on USD time deposits at banks varies between 3,50%- 4,40% and the accrued interest amounts to TL 113.442; the interest rate on Euro time deposits at banks varies between 1,85%- 1,90% and the accrued interest amounts to TL 9.584; interest rate on TL time deposits at banks 14% and the accrued interest amounts to TL 13.589).

The Company has no blocked deposits at banks as of 31 December 2018 and 31 December 2017.

	31 December 2018	31 December 2017
Cash and Cash Equivalents	79.114.990	74.465.493
Less: Deposits interest accruals	(60.588)	(136.615)
Total	**79.054.402**	**74.328.878**

4- FINANCIAL ASSETS

As of 31 December 2018 and 31 December 2017, the breakdown of the Company’s financial assets is as follows:

Financial assets held to maturity;

	31 December 2018			31 December 2017		
Currency	Book Value (TL)	Interest Rate	Maturity Date	Book Value (TL)	Interest Rate	Maturity Date
US Dollar	268.883.738	3,50%	11.03.2019	304.929.466	3,38%	03.04.2018
US Dollar	165.243.981	3,75%	07.11.2019	–	–	–
Total	**434.127.719**			**304.929.466**		

As of 31 December 2018, financial assets held to maturity consist of Eurobonds of which coupons payment date are 11 March 2019 and 7 November 2019. (31 December 2017 – Eurobond 3 April 2018).

Financial assets available for sale;

	31 December 2018		31 December 2017	
	Participation Rate (%)	Amount (TL)	Participation Rate (%)	Amount (TL)
Mosalarko A.O.	10,00	7.262.357	–	–
Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş.(*)	0,00	1.196	0,00	1.196
Alarko Konut Projeleri Geliştirme A.Ş. (*)	0,00	143	0,00	143
Alarko Holding A.Ş. (*)	0,00	2.438.962	0,00	4.415.690
Total	**10,00**	**9.702.658**	**0,00**	**4.417.029**

(*) Participation rate is less 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 2018 and 2017. The Company monitors the increases and decreases related to fair value recognition in the Shareholder's Equity account under "Accumulated other comprehensive income and expenses to be reclassified in profit and loss" account in the financial statements. Accordingly, the value decrease of TL 1.976.728 (2017: TL 1.782.090) has resulted in a total value increase of TL 1.177.507 (2017: TL 3.154.235) (Note 14 (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.

Investment in Mosalarko A.O., which is acquired on 13 August 2018, have present 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 to be reclassified in profit and loss" account in the financial statements. Accordingly, the total value decrease is TL 2.833.733.

5- TRADE RECEIVABLES AND PAYABLES

The details of the Company's trade receivables as of 31 December 2018 and 31 December 2017 are as follows :

	31 December 2018	31 December 2017
Trade receivables (Note 23(i))	144.757	150.302
Trade receivables from related parties, net (Note 22(a) and 23(i))	28.062.562	21.971.729
Total	**28.207.319**	**22.122.031**

The average credit period on trade receivable is between 5 - 10 days (2017: 5 – 10 days).

As of 31 December 2018 and 31 December 2017, movements on the provision for allowance of trade receivables are as follows :

Movement of Allowance for Doubtful Receivables	31 December 2018	31 December 2017
Balance at beginning of the year	–	9.773
Amounts recovered during the year	–	(9.773)
Closing balance (Note 23 (i))	–	–

Trade payables consist of the following :

	31 December 2018	31 December 2017
Trade payables	2.950.207	2.117.592
Trade payables to related parties (Note 22 (b) and 23 (ii))	40.329	21.760
Total	**2.990.536**	**2.139.352**

The average credit period on trade payable is 15 days (2017: 15 days).

Trade receivables and payables risks' nature and level are given at the note 23.

6- OTHER RECEIVABLES AND PAYABLES

Other long term receivables consist of the following :

Other Non-current Receivables	31 December 2018	31 December 2017
Deposits and guarantees given	24.084	24.084
Total (Note 23 (i))	**24.084**	**24.084**

Other short term payables consist of the following :

Other Current Liabilities	31 December 2018	31 December 2017
VAT Payable	2.129.175	1.929.272
Payables to Muğla Orman Bölge Müdürlüğü	667.662	667.662
Other taxes	1.102.754	769.736
Other current liabilities	14.459	1.146
Total (Note 23(ii))	**3.914.050**	**3.367.816**

Other long term payables consist of the following :

Other Non-Current Liabilities	31 December 2018	31 December 2017
Payables to Muğla Orman Bölge Müdürlüğü	–	667.662
Deposits and guarantees received (Note 23 (ii))	1.248.669	768.176
Total	**1.248.669**	**1.435.838**

7- INVENTORIES

Inventories consist of real estate held for trading. As of 31 December 2018 and 31 December 2017, breakdown of inventories is as follows :

	31 December 2018				31 December 2017			
	Restated Book Value (TL)	Sales Value (TL)	Expertise Value (TL)	Expertise Date	Restated Book Value (TL)	Sales Value (TL)	Expertise Value (TL)	Expertise Date
Land in Büyükçekmece								
Land Cost (3 Parcel Lots)	3.271.735	–	74.812.000	28.12.2018	3.271.735	–	66.517.000	28.12.2017
Total	**3.271.735**	–	**74.812.000**		**3.271.735**	–	**66.517.000**	–

Land in Büyükçekmece : There are 3 parcels of land with a total area of 622.651 m². As per the valuation reports dated 28 December 2018 and 28 December 2017, 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 2018, the Company's real estate held for trading have been valued by the valuation company Rehber Gayrimenkul Değerleme Danışmanlık A.Ş.

8- INVESTMENT PROPERTIES

Investment properties consist of the following :

Fair Value	Investment Properties
Opening balance as of 1 January 2017	423.551.000
Additions	812.684
Net gain from fair value adjustments (Note 18)	92.751.316
Ending balance as of 31 December 2017	517.115.000
Opening balance as of 1 January 2018	517.115.000
Additions (*)	3.333.061
Net gain from fair value adjustments (Note 18)	76.621.939
Ending balance as of 31 December 2018	597.070.000

(*) The amount is consist of investments made for Hillside Beach Club.

As of 31 December 2018 and 31 December 2017, the total insurance on investment properties is TL 184.784.060 and TL 106.492.918, respectively (Note 27).

31 December 2018 and 31 December 2017, the market values of investment properties are as follows:

	31 December 2018	
Name of Real Estate	Date of Expertise Report	Market Value (TL)
Hillside Beach Club Holiday Village	28.12.2018	361.000.000
Etiler Alkent Sitesi – Shops	28.12.2018	33.300.000
Büyükçekmece Alkent 2000 – Shops	28.12.2018	11.170.000
Eyüp Topçular – Factory	28.12.2018	71.200.000
Ankara Çankaya Business Center	28.12.2018	7.950.000
İstanbul Karaköy Business Center	28.12.2018	11.800.000
İstanbul Şişhane Business Center	28.12.2018	9.650.000
Land in Maslak	28.12.2018	91.000.000
Total		**597.070.000**

Name of Real Estate	Valuation Methods Used	Valuation Method Taken as Basis
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

	31 December 2017	
Name of Real Estate	Date of Expertise Report	Market Value (TL)
Hillside Beach Club Holiday Village	28.12.2017	306.000.000
Etiler Alkent Sitesi – Shops	28.12.2017	28.240.000
Büyükçekmece Alkent 2000 – Shops	28.12.2017	9.740.000
Eyüp Topçular – Factory	28.12.2017	64.910.000
Ankara Çankaya Business Center	28.12.2017	6.897.000
İstanbul Karaköy Business Center	28.12.2017	10.708.000
İstanbul Şişhane Business Center	28.12.2017	8.895.000
Land in Maslak	28.12.2017	81.725.000
Total		**517.115.000**

Name of Real Estate	Valuation Methods Used	Valuation Method Taken as Basis
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 2018 and 2017, the fair value of the investment properties of the Company is determined by Rehber Gayrimenkul Değerleme Danışmanlık A.Ş., an independent valuation company which is authorized by the CMB and provides real estate valuation services in accordance with the capital market legislation and has sufficient experience and qualifications in real estate valuation of real estates in the relevant regions.

Main assumptioms of Investment properties precedent comparison method in related valuation reports and used by Company are stated as follows:

Precedent square meter value	31 December 2018	31 Aralık December 2017
Land	4.820	4.300
Buildings	4.050 - 28.000	3.500 - 25.000

As of 31 December 2018, the fair value hierarchy of the Company's investment properties and the related assets are shown in the following table:

	31 December 2018	TL Level 1	TL Level 2	TL Level 3
Hillside Beach Club Holiday Village	361.000.000	–	–	361.000.000
Etiler Alkent Sitesi – Shops	33.300.000	–	–	33.300.000
Büyükçekmece Alkent 2000 Shops	11.170.000	–	–	11.170.000
Eyüp Topçular – Factory	71.200.000	–	71.200.000	–
Ankara Çankaya Business Center	7.950.000	–	–	7.950.000
İstanbul Karaköy Business Center	11.800.000	–	–	11.800.000
İstanbul Şişhane Business Center	9.650.000	–	–	9.650.000
Maslak Land	91.000.000	–	91.000.000	–
Total	**597.070.000**	**–**	**162.200.000**	**434.870.000**

As of 31 December 2017, the fair value hierarchy of the Company's investment properties and the related assets are shown in the following table:

	31 December 2017	TL Level 1	TL Level 2	TL Level 3
Hillside Beach Club Holiday Village	306.000.000	–	–	306.000.000
Etiler Alkent Sitesi – Shops	28.240.000	–	–	28.240.000
Büyükçekmece Alkent 2000 Shops	9.740.000	–	–	9.740.000
Eyüp Topçular – Factory	64.910.000	–	64.910.000	–
Ankara Çankaya Business Center	6.897.000	–	–	6.897.000
İstanbul Karaköy Business Center	10.708.000	–	–	10.708.000
İstanbul Şişhane Business Center	8.895.000	–	–	8.895.000
Maslak Land	81.725.000	–	81.725.000	–
Total	**517.115.000**	**–**	**146.635.000**	**370.480.000**

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 2018	1 January 31 December 2017
Openning Balance	370.480.000	310.160.000
Total loss / gain	–	–
- profit / loss projected	61.056.939	59.507.316
Realised	3.333.061	812.684
Closing Balance	**434.870.000**	**370.480.000**

As of 31 December 2018, rental income from investment properties is TL 29.206.918. (31 December 2017: TL 22.414.684). The related rental income is stated in the revenue note in the statement of profit or loss.(Note 15)

9- PROPERTY, PLANT AND EQUIPMENTS

As of 31 December 2018, movement of property, plant and equipments consist of the following :

	Land improvements	Buildings	Plant machinery and equipment	Furniture and fixture	Other tangible fixed assets	Total
Cost Value						
Opening balance as of 1 January 2018	–	–	4.216	73.002	27.373	104.591
Closing balance as of 31 December 2018	–	–	4.216	73.002	27.373	104.591
Accumulated Depreciation						
Opening balance as of 1 January 2018	–	–	4.216	38.279	27.373	69.868
Charge for the year	–	–	–	5.000	–	5.000
Closing balance as of 31 December 2018	–	–	4.216	43.279	27.373	74.868
Carrying value as of 31 December 2018	**–**	**–**	**–**	**29.723**	**–**	**29.723**

As of 31 December 2017, movement of property, plant and equipments consist of the following :

	Land improvements	Buildings	Plant machinery and equipment	Furniture and fixture	Other tangible fixed assets	Total
Cost Value						
Opening balance as of 1 January 2017	123.365	311	4.216	102.129	27.373	257.394
Disposals (-)	(123.365)	(311)	–	(29.127)	–	(152.803)
Closing balance as of 31 December 2017	–	–	4.216	73.002	27.373	104.591
Accumulated Depreciation						
Opening balance as of 1 January 2017	123.365	311	4.216	48.439	27.373	203.704
Charge for the year	–	–	–	9.462	–	9.462
Disposals (-)	(123.365)	(311)	–	(19.622)	–	(143.298)
Closing balance as of 31 December 2017	–	–	4.216	38.279	27.373	69.868
Carrying value as of 31 December 2017	**–**	**–**	**–**	**34.723**	**–**	**34.723**

Depreciation expenses are included in general administrative expenses.

As of 31 December 2018 and 31 December 2017, the total insurance on tangible assets amounts to TL 58.917 and TL 106.556, respectively (Note 27).

10- INTANGIBLE ASSETS

As of 31 December 2018, movement of intangible assets consist of the following :

	Rights	Other intangible assets	Total
Cost Value			
Opening balance as of 1 January 2018	46.444	183.640	230.084
Additions	7.850	–	7.850
Closing balance as of 31 December 2018	54.294	183.640	237.934
Accumulated Amortization			
Opening balance as of 1 January 2018	39.458	137.220	176.678
Charge for the year	4.600	11.857	16.457
Closing balance as of 31 December 2018	44.058	149.077	193.135
Carrying value as of 31 December 2018	**10.236**	**34.563**	**44.799**

As of 31 December 2017, movement of intangible assets consist of the following :

	Rights	Other intangible assets	Total
Cost Value			
Opening balance as of 1 January 2017	46.444	168.824	215.268
Additions	–	14.816	14.816
Closing balance as of 31 December 2017	46.444	183.640	230.084
Accumulated Amortization			
Opening balance as of 1 January 2017	29.782	126.654	156.436
Charge for the year	9.676	10.566	20.242
Closing balance as of 31 December 2017	39.458	137.220	176.678
Carrying value as of 31 December 2017	**6.986**	**46.420**	**53.406**

Amortisation expenses are included in general administrative expenses.

11- PROVISIONS, CONDITIONAL ASSETS AND LIABILITIES

a) As stated among the Company’s inventories, investment properties and fixed asset accounts as of 31 December 2018 and 31 December 2017;

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

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

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

Collateral / pledge / mortgage ("CPM") position given by the Company	31 December 2018	31 December 2017
A. CPMs given for Company's own legal personality	1.814.813	1.702.737
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	**1.814.813**	**1.702.737**

As of 31 December 2018 and 31 December 2017, the ratio of other given CPM's by the Company to equity is 0%.

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

	31 December 2018	31 December 2017
Guarantee notes received	502.521	530.574
Guarantee letters received	606.572	617.881
Total	**1.109.093**	**1.148.455**

d) As of 31 December 2018, there is no case filed against the Company and the Company has no significant case causing cash outflow. The neighborhood where Hillside Beach Club Holiday Village is located in Fethiye, Muğla is exempted from the real estate tax for 5 years due to the change of status from village to neighborhood according to the law numbered 6360. However, Fethiye Municipality realizes an accrual for 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 two ongoing cases, and there is no uncertainty in the legal proceedings; therefore, the Company management does not foresee any cash outflows related to these cases.Thus, the Company has not booked any provision in the accompanying financial statements.

12- 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 (58 for women, 60 for men).

The amount payable consists of one month's salary limited to a maximum of TL 5.434,42 for each period of service at 31 December 2018 (31 December 2017: TL 4.732,48).

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 2018, 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 4,00% real discount rate calculated by using 16% annual inflation rate and 20,64% discount rate (31 December 2017: 3,74%). Estimated amount of retirement pay not paid due to voluntary leaves is also tken 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 6.017,60 which is in effect since 1 January 2019 is used in the calculation of Company's provision for retirement pay liability (31 December 2017: TL 4.732,48).

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

Short term provisions consist of the following :

	31 December 2018	31 December 2017
Payables Arising from Employee Benefits	408.641	79.860
	408.641	**79.860**

Long term provisions consist of the following :

Provisions for employee benefits:

	31 December 2018	31 December 2017
Provision at 1 January	310.025	282.338
Service cost	20.476	25.749
Interest cost	63.990	38.397
Retirement pay paid	(195.283)	(29.998)
Actuarial (gain) / loss	7.896	(6.461)
Provision at 31 December	**207.104**	**310.025**

Provision for unused leaves:

	31 December 2018	31 December 2017
Provision for unused vacations at the beginning of the period	63.286	61.809
Increase / (decrease) during the period	10.425	1.477
Provision for unused vacations at the end of the period	**69.962**	**63.286**

13- OTHER ASSETS AND LIABILITIES

Other current assets consist of the following :

	31 December 2018	31 December 2017
Prepaid taxes and funds	693.797	345.086
Total	**693.797**	**345.086**

14- EQUITY

a) Paid-in Capital

As of 31 December 2018 and 31 December 2017, the Company's registered share capital amounts to TL 20.000.000 while the issued and paid-in capital amounts to TL 10.650.794. The issued capital consists of 1.065.079.400 shares of Kr 1 nominal value each. The Company's shareholding structure is elaborated in Note 1.

b) Capital Adjustment Differences

As of 31 December 2018 and 31 December 2017, the difference arising from restatement of nominal capital amounts to TL 54.712.578 (Note 1).

c) Financial Assets Value Increase Fund

Investment in Alarko Holding A.Ş. is based on the stock price which is the current best bid at the Istanbul Stock Exchange which is expected to approach its fair value as of 31 December 2018 and 2017. The Company monitors the increases and decreases which arise from fair value recognition under "Accumulated Other Comprehensive Income and Expenses to be Reclassified in Profit or Loss" in the Shareholder's Equity account in the financial statements. Accordingly, there is a value decrease of TL 1.976.728 as of 31 December 2018 and a value increase of TL 1.782.090 as of 31 December 2017 both 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, there is a value decrease of TL 2.833.773 as of 31 December 2018 which is stated in the "Accumulated

Other Comprehensive Income and Expenses to be Reclassified in Profit or Loss" account (Note 4).

d) Restricted Profit Reserves

As of 31 December 2018, the restricted profit reserves consist of legal reserves amounting to TL 6.695.176 (31 December 2017 – TL 5.214.716).

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

a) First Legal Reserve: Appropriated out of net profit at the rate of 5% until such reserve is equal to 20% of issued and fully paid capital.

b) Second Legal Reserve: Appropriated out of net profit at the rate of 10% of distributions after providing for First Legal Reserve and an amount equal to 5% of capital as dividends.

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

e) Retained Earnings / (Accumulated Losses)

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

	31 December 2018	31 December 2017
Extraordinary reserves	693.449.927	569.400.307
Prior years' profit	134.975.859	124.049.620
Total	**828.425.786**	**693.449.927**

The profit for the period stated in the 2018 financial statements amounts to TL 152.357.089 and the first legal reserve made in the prior years reached the defined ceiling; hence the Company shall not make first level legal reserves. A portion of TL 15.337.144 out of the net distributable profit for the period TL 152.357.089 shall be distributed as dividends in cash. Second level legal reserves shall be made in the amount of TL 1.480.460 calculated over the total distributed amount. The balance shall be added to the extraordinary reserves. Dividend distribution shall begin as of 30 May 2018. The dividend distribution process is realized such that the receivables dividends of shares listed at the stock exchange are transferred to the members' bank accounts at Takasbank A.Ş. until 1 June 2018.

15- SALES AND COST OF SALES

Sales revenues consist of the following :

	1 January 2018 31 December 2018	1 January 2017 31 December 2017
Rental income	29.206.918	22.414.684
Income from real estate sales	–	18.503.463
Total	**29.206.918**	**40.918.147**

Cost of real estate sold :

	1 January 2018 31 December 2018	1 January 2017 31 December 2017
Cost of real estate sold	–	10.781.069
Cost of land sold	–	503.850
Cost of services rendered	2.821.362	1.702.239
Total	**2.821.362**	**12.987.158**

16- GENERAL ADMINISTRATION EXPENSES

General administration expenses consist of the following :

	1 January 2018 31 December 2018	1 January 2017 31 December 2017
General administration expenses	4.241.830	3.682.986
Total	**4.241.830**	**3.682.986**

General administration expenses consist of the following :

	1 January 2018 31 December 2018	1 January 2017 31 December 2017
Personnel expenses	2.750.436	2.072.585
Outsourced repair work and services	268.081	506.749
Rent expenses	505.304	450.141
Bank expenses	115.850	76.658
Legal consultancy expenses	45.000	45.000
Financial consultancy and audit expenses	39.025	30.973
Depreciation and amortisation expenses (Note 9, 10)	21.457	29.704
Lawsuits, execution and notary expenses	14.953	25.711
Other consultancy expenses	33.410	14.900
Publishing expenses	17.623	10.860
Communication expenses	8.280	7.633
Taxes, duties, and fees	4.112	10.828
Other	418.299	401.244
Total	**4.241.830**	**3.682.986**

17- EXPENSES BY NATURE

Depreciation and amortisation expenses consist of the following :

	1 January 2018 31 December 2018	1 January 2017 31 December 2017
Intangible Assets (Note 10)	16.457	20.242
Property, plant and equipment (Note 9)	5.000	9.462
Total	**21.457**	**29.704**

Expenses related to employee benefits consist of the following :

	1 January 2018 31 December 2018	1 January 2017 31 December 2017
Wages and salaries	2.261.836	1.760.063
Personnel retirment pay	195.283	29.998
Personnel transportation expenses	48.443	39.863
Personnel catering expenses	20.100	18.772
Personnel health expenses	7.338	7.709
Other personnel expenses	217.436	216.180
Total	**2.750.436**	**2.072.585**

18-OTHER OPERATING INCOME / (EXPENSES)

Other operating income consists of the following :

	1 January 2018 31 December 2018	1 January 2017 31 December 2017
Increase on fair values of investment properties (Note 8)	76.621.939	92.751.316
Foreign exchange gains from operations	180.008.310	38.918.028
Interest income	16.217.074	7.142.057
Turkish ministry of environment and forestry Rental Expense	2.416.985	1.793.669
Turkish ministry of environment and forestry Land appropriation	344.496	300.949
Gain on sale of other marketable securities	189.113	135.492
Income from real estate other than rental income	79.623	74.773
Electricity, water, transmission line	12.600	11.007
Provisions no longer required (Note 5)	–	9.773
Rediscount interest income	33.179	5.262
Other	878.948	84.384
Total	**276.802.267**	**141.226.710**

Other operating expenses consist of the following :

	1 January 2018 31 December 2018	1 January 2017 31 December 2017
Foreign exchange losses from operations	25.954.407	10.191.269
Turkish ministry of environment and forestry Rental Provision	2.831.325	2.103.699
Turkish ministry of environment and forestry Adequate Pay	–	466.655
Turkish ministry of environment and forestry Land appropriation	344.496	300.949
Rediscount interest expenses	33.319	33.179
Electricity, water, transmission line	12.600	11.007
Other	334.639	199.477
Total	**29.510.786**	**13.306.235**

19- INCOME FROM INVESTING OPERATIONS

Income from investing operations consist of the following :

	1 January 2018 31 December 2018	1 January 2017 31 December 2017
Dividends received	164.265	188.611
Total	**164.265**	**188.611**

20- TAX ASSETS AND LIABILITIES

In Turkey, the corporation tax rate for 2018 is 22% (2017 – 20%). This rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation through addition of disallowable expenses to the commercial revenues of the companies with respect to the tax legislation.

Calculation of current period corporation tax is as follows :

	31 December 2018	31 December 2017
Profit for the year	269.599.472	152.357.089
Other deductions (*)	(269.599.472)	(152.357.089)
	–	–
Tax at the domestic income tax rate 22% (2017: 20%)	–	–
Current corporate tax provision	–	–

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

Deferred Tax Assets and Liabilities:

Due to the Company's REIT status, no deferred tax calculation has been made as of 31 December 2018 and 31 December 2017 (Note 2 (viii) (i)).

21- EARNINGS PER SHARE

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

	31 December 2018	31 December 2017
Profit / (loss) for the year	269.599.472	152.357.089
Weighted average number of ordinary shares for the reporting period (per share of TL 1 nominal value)	10.650.794	10.650.794
Earnings / (loss) per share (TL)	25,3126	14,3048

22- RELATED PARTY DISCLOSURES

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

	31 December 2018	
Balances with related parties	Receivables Current Trading	Payables Current Trading
Attaş Alarko Turistik Tesisler A.Ş.	28.036.175	–
Less: Deferred Income	(33.319)	–
Alsim Alarko San. Tes. ve Tic. A.Ş.	59.706	–
Alarko Holding A.Ş.	–	37.197
Alarko Carrier San. ve Tic. A.Ş.	–	3.132
Total (Note 5)	**28.062.562**	**40.329**

	31 December 2017	
Balances with related parties	Receivables Current Trading	Payables Current Trading
Attaş Alarko Turistik Tesisler A.Ş.	22.004.908	–
Less: Deferred Income	(33.179)	–
Alarko Holding A.Ş.	–	19.973
Alarko Carrier San. ve Tic. A.Ş.	–	1.787
Total (Note 5)	**21.971.729**	**21.760**

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

Details of transactions are as follows :

	1 January - 31 December 2018			
Transactions with related parties	Goods Purchases	Service Purchases	Other Purchases	Other Sales
Attaş Alarko Turistik Tes. A.Ş.	2.908.432	941.115	33.319	23.318.943
Alarko Carrier San. ve Tic. A.Ş.	–	–	2.654	906.278
Alarko Holding A.Ş.	–	214.447	535.533	–
Alsim Alarko San. Tes. ve Tic. A.Ş.	–	–	–	59.706
Total	**2.908.432**	**1.155.562**	**571.506**	**24.284.927**

Transactions with related parties	Goods Purchases	Service Purchases	Other Purchases	Other Sales
	1 January - 31 December 2017			
Attaş Alarko Turistik Tes. A.Ş.	812.684	165.177	33.179	20.184.723
Alarko Carrier San. ve Tic. A.Ş.	–	–	2.535	688.984
Alarko Holding A.Ş.	14.816	199.074	477.159	–
Total	**827.500**	**364.251**	**512.873**	**20.873.707**

As of 31 December 2018 and 31 December 2017, there are no doubtful receivables arising from related parties.

As of 31 December 2018 and 31 December 2017, the salaries and similar remuneration provided to top management amounts to TL 2.020.727 and TL 1.306.605, gross, respectively.

23- NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Financial instruments and financial risk management

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

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

i. Credit Risk

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

As of 31 December 2018, 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 2018	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 3,5 and 6)	**28.062.562**	**144.757**	–	**24.084**	**78.753.544**	**361.446**
- Secured portion of the maximum credit risk by guarantees	–	3.066	–	–	–	–
A. Net book value of financial assets that are neither past due nor impaired (2) (Note 3,5 and 6)	28.062.562	144.757	–	24.084	78.753.544	361.446
B. Net book value of financial assets that are past due but not impaired (3)	–	–	–	–	–	–
C. Net book value of impaired assets	–	–	–	–	–	–
- Past due (gross amount) (Note 5)	–	–	–	–	–	–
- Impairment (-) (Note 5)	–	–	–	–	–	–
- Secured portion of the net book value by guarantees, etc.	–	–	–	–	–	–
- Not past due (gross amount)	–	–	–	–	–	–
- Impairment (-)	–	–	–	–	–	–
- Secured portion of the net book value by guarantees, etc.	–	–	–	–	–	–
D. 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 2017, 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 2017	Related Party	Other Party	Related Party	Third Parties	Bank Deposits	Cash and Cash Equivalents
Maximum credit risk exposed as of balance sheet date (A+B+C+D) (1) (Note 3,5 and 6)	**21.971.729**	**150.302**	–	**24.084**	**73.566.807**	**898.686**
- Secured portion of the maximum credit risk by guarantees	–	29.343	–	–	–	–
A. Net book value of financial assets that are neither past due nor impaired (2) (Note 3,5 and 6)	21.971.729	150.302	–	24.084	73.566.807	898.686
B. Net book value of financial assets that are past due but not impaired (3)	–	–	–	–	–	–
C. Net book value of impaired assets	–	–	–	–	–	–
- Past due (gross amount) (Note 5)	–	–	–	–	–	–
- Impairment (-) (Note 5)	–	–	–	–	–	–
- Secured portion of the net book value by guarantees, etc.	–	–	–	–	–	–
- Not past due (gross amount)	–	–	–	–	–	–
- Impairment (-)	–	–	–	–	–	–
- Secured portion of the net book value by guarantees, etc.	–	–	–	–	–	–
D. 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 2018 and 31 December 2017, 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 2018 and 31 December 2017 :

31 December 2018

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 financials liabilities					
Trade payables to related parties (Note 5)	40.329	40.329	40.329	–	–
Other trade payables (Note 5)	2.950.207	2.950.207	2.950.207	–	–
Other payables (Note 6)	5.162.719	5.162.719	3.914.050	–	1.248.669
Total	**8.153.255**	**8.153.255**	**6.904.586**	**–**	**1.248.669**

31 December 2017

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 financials liabilities					
Trade payables to related parties (Note 5)	21.760	21.760	21.760	–	–
Other trade payables (Note 5)	2.117.592	2.117.592	2.117.592	–	–
Other payables (Note 6)	4.803.654	4.803.654	3.367.816	–	1.435.838
Total	**6.943.006**	**6.943.006**	**5.507.168**	**–**	**1.435.838**

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.

Foreign Currency Position

On totals basis;

	31 December 2018	31 December 2017
A. Foreign currency assets	538.424.998	397.601.202
B. Foreign currency liabilities	1.213.638	748.145
Net foreign currency position (A-B)	**537.211.360**	**396.853.057**

Foreign Currency Position

Breakdown on foreign currency basis;

31 December 2018

		TL Amount (Functional Currency)	US Dollar	Euro
1.	Trade Receivables	25.585.871	4.863.402	–
2a.	Monetary Financial Assets	512.839.127	95.206.966	1.984.870
2b.	Non-Monetary Financial Assets	–	–	–
3.	Other	–	–	–
4.	**Current Assets**	**538.424.998**	**100.070.368**	**1.984.870**
5.	Trade Receivables	–	–	–
6a.	Monetary Financial Assets	–	–	–
6b.	Non-Monetary Financial Assets	–	–	–
7.	Other	–	–	–
8.	**Non-Current Assets**	**–**	**–**	**–**
9.	**Total Assets**	**538.424.998**	**100.070.368**	**1.984.870**
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	1.213.638	230.690	–
16.b	Non-Monetary Other Liabilities	–	–	–
17.	**Non-Current Liabilities**	**1.213.638**	**230.690**	–
18.	**Total Liabilities**	**1.213.638**	**230.690**	–
19.	**Net Foreign Currency Assets / Liabilities Position (9-18)**	**537.211.360**	**99.839.678**	**1.984.870**
20.	**Monetary Items Net Foreign Currency Assets / Liabilities Position (1+2a+5+6a-10-11-12a-14-15-16a)**	**537.211.360**	**99.839.678**	**1.984.870**

Foreign Currency Position

Breakdown on foreign currency basis;

	31 December 2017		
	TL Amount (Functional Currency)	US Dollar	Euro
1. Trade Receivables	20.178.058	5.349.574	–
2a. Monetary Financial Assets	377.423.144	91.780.137	6.917.870
2b. Non-Monetary Financial Assets	–	–	–
3. Other	–	–	–
4. Current Assets	**397.601.202**	**97.129.711**	**6.917.870**
5. Trade Receivables	–	–	–
6a. Monetary Financial Assets	–	–	–
6b. Non-Monetary Financial Assets	–	–	–
7. Other	–	–	–
8. Non-Current Assets	**–**	**–**	**–**
9. Total Assets	**397.601.202**	**97.129.711**	**6.917.870**
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	748.145	198.347	–
16.b Non-Monetary Other Liabilities	–	–	–
17. Non-Current Liabilities	**748.145**	**198.347**	**–**
18. Total Liabilities	**748.145**	**198.347**	**–**
19. Net Foreign Currency Assets / Liabilities Position (9-18)	**396.853.057**	**96.931.364**	**6.917.870**
20. Monetary Items Net Foreign Currency Assets / Liabilities Position (1+2a+5+6a-10-11-12a-14-15-16a)	**396.853.057**	**96.931.364**	**6.917.870**

Foreign currency position sensitivity analysis as of 31 December 2018 and 31 December 2017 is as follows :

	31 December 2018		31 December 2017	
	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	52.524.656	(52.524.656)	36.561.541	(36.561.541)
2- US Dollar hedges (-)	–	–	–	–
3- Net effect of US Dollar (1+2)	**52.524.656**	**(52.524.656)**	**36.561.541**	**(36.561.541)**
	In case of Euro increases in 10% against TL			
4- Euro net asset / liability	1.196.480	(1.196.480)	3.123.764	(3.123.764)
5- Euro hedges (-)	–	–	–	–
6- Net effect of Euro (4+5)	**1.196.480**	**(1.196.480)**	**3.123.764**	**(3.123.764)**
Total (3+6)	**53.721.136**	**(53.721.136)**	**39.685.305**	**(39.685.305)**

v. Interest Risk

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

As of 31 December 2018 and 31 December 2017, the Company does not have significant financial assets with interest sensitivity.

vi. Share Price Risk

The Company is exposed to stock price risk which is the risk of encountering price changes in securities included in the Company portfolio. As of 31 December 2018, 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 243.896, net, without any effect in profit/loss (31 December 2017 – TL 441.569) (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 2018 and 31 December 2017, the ratio of the total equity to net debts is as follows:

	31 December 2018	31 December 2017
Total Borrowings	8.882.026	7.436.636
Less: Cash and Cash Equivalents	(79.114.990)	(74.465.493)
Net Debt	(70.232.964)	(67.028.857)
Total Equity	1.143.408.257	919.527.897
Total Capital	1.073.175.293	852.499.040
Net Debt / Equity Ratio	0%	0%

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

31 December 2018	Financial assets at amortized cost	Fair value through other comperhensive income	Financial liabilities at amortized cost	Carrying Value	Note
Financial assets					
Cash and cash equivalents	79.114.990	–	–	79.114.990	3
Trade receivables	144.757	–	–	144.757	5
Due from related parties	28.062.562	–	–	28.062.562	5
Other receivables	24.084	–	–	24.084	6
Other financial assets	434.127.719	9.702.658	–	443.830.377	4
Financial liabilities					
Trade payables	–	–	(2.950.207)	(2.950.207)	5
Due to related parties	–	–	(40.329)	(40.329)	5
Other financial liabilities	–	–	(5.162.719)	(5.162.719)	6

31 December 2017	Loans and receivables (including cash and cash equivalents)	Financial assets held for sale	Financial liabilities at amortized cost	Carrying Value	Note
Financial assets					
Cash and cash equivalents	74.465.493	–	–	74.465.493	3
Trade receivables	150.302	–	–	150.302	5
Due from related parties	21.971.729	–	–	21.971.729	5
Other receivables	24.084	–	–	24.084	6
Other financial assets	304.929.466	4.417.029	–	309.346.495	4
Financial liabilities					
Trade payables	–	–	(2.117.592)	(2.117.592)	5
Due to related parties	–	–	(21.760)	(21.760)	5
Other financial liabilities	–	–	(4.803.654)	(4.803.654)	6

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

	Fair value as at 31 December 2018			
	31 December 2018	**TL Level 1**	**TL Level 2**	**TL Level 3**
Financial Assets				
Stocks (publicly traded)	2.438.962	2.438.962	–	–
Stocks (private)	7.262.357	–	–	7.262.357

	Fair value as at 31 December 2017			
	31 December 2017	**TL Level 1**	**TL Level 2**	**TL Level 3**
Financial Assets				
Stocks (publicly traded)	4.415.690	4.415.690	–	–

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

	Fair value through other comprehensive income	
	Stocks	Total
Openning, 1 January 2018	–	–
Total loss / gain		
- recognized other comprehensive income	(2.833.773)	(2.833.773)
Additions	10.096.130	10.096.130
Closing, 31 December 2018	7.262.357	7.262.357

25-SEGMENT REPORTING

The main activity of the Company is to engage in the purposes and subjects stated in the regulations of the Capital Markets Board 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.

26-EVENTS AFTER THE REPORTING PERIOD

None.

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

Insurance totals of assets for the respective periods are as follows;

	31 December 2018	31 December 2017
Investment properties (Note 8)	187.784.060	106.492.918
Property, plant and equipment (Note 9)	58.917	106.556
Total	**187.842.977**	**106.599.474**

28- SUPPLEMENTARY NOTES: MONITORING COMPLIANCE WITH PORTFOLIO RESTRICTIONS

As of 31 December 2018 and 31 December 2017, compliance with portfolio restrictions is monitored as follows:

	Main Account Items of Unconsolidated / Separate Financial Statements	Related Regulation	Current Year (TL) 31 December 2018	Prior Year (TL) 31 December 2017
A	Money Market and Capital Market Instruments	Md. 24/(b)	515.681.671	383.810.649
B	Real estates, real estate projects and rights supported by real estates	Md. 24/(a)	600.341.735	520.386.735
C	Affiliates	Md. 24/(b)	7.263.696	1.339
	Due from Related Parties (Non-Trade)	Md. 23/(f)	-	-
	Other Assets		**29.003.181**	**22.765.810**
D	**Total Assets**	**Md. 3/(p)**	**1.152.290.283**	**926.964.533**
E	Financial Liabilities	Md. 31	-	-
F	Other Financial Liabilities	Md. 31	-	-
G	Lease Obligations	Md. 31	-	-
H	Due to Related Parties (Non-Trade)	Md. 23/(f)	-	-
I	Equity	Md. 31	1.143.408.257	919.527.897
	Other Liabilities		**8.882.026**	**7.436.636**
D	**Total Liabilities and Equity**	**Md. 3/(p)**	**1.152.290.283**	**926.964.533**
	Other Financial Informations Related with Unconsolidated Financial Statements	**Related Regulation**	**Current Year (TL) 31 December 2018**	**Prior Year (TL) 31 December 2017**
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)	78.753.544	73.566.807
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)	94.271.735	84.996.735
C1	Foreign Investments	Art. 24/(d)	7.262.357	-
C2	Participation in the Operating Company	Art. 28/1(a)	1.339	1.339
J	Non-cash Loans	Art. 31	1.814.803	1.702.737
K	Mortgage lien on lands to be administrated for projects and the property of which does not belong to the company	Art. 22/(e)	-	-
L	All of the money and capital markets in a single investment company Tools	Art. 22/(l)	2.438.962	4.415.690

	Portfolio Limitations	Related Regulation	Current Year 31 December 2018	Prior Year 31 December 2017	Ratio of Minimum/ Maximum
1	Mortgage lien on lands to be administrated for projects and the property of which does not belong to the company	Art. 22/(e)	0,00%	0,00%	≤ 10%
2	Real estates, real estate projects and rights supported by real estates	Art. 24/(a),(b)	52,10%	56,14%	≥ 51%
3	Money Market and Capital Market Instruments and Subsidiaries	Art. 24/(b)	45,38%	41,41%	≤ 49%
4	Real estates, real estate projects and rights supported by real estates, Subsidiaries, Capital Market Instruments	Art. 24/(d)	0,63%	0,00%	≤ 49%
5	Lands Held Idle	Art. 24/(c)	8,18%	9,17%	≤ 20%
6	Participation in the Operating Company	Art. 28/1 (a)	0,00%	0,00%	≤ 10%
7	Borrowing Limit	Art. 31	0,16%	0,19%	≤ 500%
8	Time and Demand Deposits in TL / Foreign Currency	Art. 24/(b)	6,83%	7,94%	≤ 10%
9	All of the money and capital markets in a single investment company Tools	Art. 22/(l)	0,21%	0,48%	≤ 10%

As promulgated by the Communiqué Serial: III, No: 48.1 issued in the Official Gazette 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 2018, the ratio of the Company's plots of land to the total assets is 8,18% 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 2018, this rate is 52,10% 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 2018, this rate is 45,38% 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 2018 financial statements, this rate is 6,83% and stays within the limits introduced by the Communiqué.

The borrowing limit and the rates of participation in the operating company are also contained within the said limits.

There are no other portfolio limitations.

29- EXPLANATIONS ON CHANGES IN SHAREHOLDERS EQUITY

On 4 October 2018 the Management of the Company decided with the purpose of protecting the interests of all stakeholders, including small stakeholders, and their contribution towards determining accurate prices that the maximum amount of funds to be met from internal sources is TL 10.000.000 and the maximum share amount that may be subject to share buyback is TL 200.000 at the nominal amount in accordance with the Capital Markets Board's announcement dated 21 July 2016 and 25 July 2016. The share purchase transaction was completed on 15 October 2018. Within the scope of aforementioned buyback program; the Company's purchase amounting TL 9.999.981 corresponds to 199.609 shares with a rate of 1,874% in Company's capital.

The Company Management decided to purchase a new share on 18 October 2018. The maximum amount of funds to be met from internal sources is determined as TL 15,000,000 and the maximum share amount that may be subject to share buyback is determined as TL 275.000 at the nominal amount. Within the scope of aforementioned buyback program; the Company's purchase amounting TL 14.999.964 corresponds to 273.566 shares with a rate of 2,569% in Company's capital.

The total amount of acquisitions obtained from the Company's internal resources is TL 24.999.945, which corresponds to 473.175 shares, and its share in the Company's capital is 4,443%.

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March 26, 2019
General Assembly Meeting
2018 Fiscal Year

Registered Capital
TL 20.000.000

Issued Capital
TL 10.650.794