



ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
Annual Report 2004

General Assembly Meeting
March 28, 2005

Registered Capital
TL 20,000,000,000,000 (YTL 20,000,000)

Paid-in Capital
TL 3,565,000,000,000 (YTL 3,565,000)



CONTENTS

Message from the Board Of Directors	3
Board of Directors and Auditors	4
Meeting Agenda	5
Annual Report of The Board of Directors	6
General Information Concerning Our Activities	7
Financial Indexes	8
Statutory Auditors' Report	9
Corporate Management Principles Compliance Report	10
Independent Auditors' Report	18
Financial Statements Adjusted to the Inflation	19
Detailed Balance Sheets	20
Notes to The Detailed Balance Sheets	22
Detailed Statements of Income	40
Notes to The Detailed Statements of Income	41
Statements of Fund Flows	44
Statements of Cash Flows	45
Statements of Cost of Sales	46
Statements of Profit Appropriation	47
Proposal for Profit Appropriation	48





MESSAGE FROM THE BOARD OF DIRECTORS

Dear Shareholders,

Turkish Economy, in the year 2004, has gained the best level of performance of the recent years. Strict fiscal and monetary policies have been perpetuated and to a large extent, positive results in basic economic indicators have been achieved.

In growth rate, inflation and budget figures, which are the basic indicators of economy, targets have been achieved. The year 2004 has ended with a growth rate of 8 % and an inflation of rate 10 %. By courtesy of the budget discipline applied without any concessions, budget deficit has been eventuated in a level lower than the predicted and the ratio of the primary surplus to the gross national product has been over 5 % in 2004. On the other hand, real interest rates have decreased significantly and capacity utilization rates have increased. All of these results are important indicators of a stabilized economy.

Despite all these positive achievements, there has not been any improvements in two basic indicators. One of these is the balance of current accounts, which expresses the external balance of the economy. In the year 2004, current accounts deficit has been 16 billion \$, a historical peak level. The main reason for this deficit is the over-valuation of Turkish currency against foreign currencies. The second indicator is employment that has no improvement yet. Despite the 8 % growth rate in 2004, an increase in the employment has not been achieved. Consequently, two basic economic issues of 2005, are unemployment and current accounts deficit.

The most considerable achievement in the year 2004 has been the announcement of the starting date of full membership negotiations between Turkey and the European Union. If the negotiation period is well handled, the positive effects are soon expected to appear and direct foreign capital investments are expected to increase. By courtesy of foreign investments increasing with economic stability and legal security; two basic issues of the economy, unemployment and current accounts deficit are expected to achieve positively.

Considering the hopeful achievements that have been summarized, beginning from the year 2005 expansion and an increase in large scaled foreign investments in the construction sector are expected. With a better real estate market, our new projects are to be realized in 2005.

We greet you on behalf of our Board of Directors.

Board of Directors



BOARD OF DIRECTORS AND AUDITORS

<u>Board of Directors</u>	<u>Duty</u>	<u>Commencement Date of Duty</u>	<u>Expiry Date of Duty</u>
İzzet Garih	President of the Board	08.04.2004	28.03.2005
Vedat Aksel Alaton	Vice President of the Board	08.04.2004	28.03.2005
Mesut Zalođlu	Member of the Board	08.04.2004	28.03.2005
Seyit Mehmet Buruk	Member of the Board	08.04.2004	28.03.2005
Hilmi Önder Şahin	Member of the Board	08.04.2004	28.03.2005
Mehmet Kutman	Member of the Board	08.04.2004	28.03.2005
Sarper Volkan Özten	Member of the Board	08.04.2004	28.03.2005

Board of Auditors

Mustafa Filiz	08.04.2004	28.03.2005
Ümit Nuri Yıldız	08.04.2004	28.03.2005
Hayriye Sanem Aydeniz	08.04.2004	28.03.2005

Independent Auditor

Denge Serbest Muhasebe ve Müşavirlik Hizmetleri A.Ş.
(The Member of Mazars)



**AGENDA OF THE ORDINARY GENERAL ASSEMBLY MEETING
OF 28 MARCH 2005**

1. Deliberations and decision of the election of the Presiding Committee.
2. Deliberations and decision to authorize the Presiding Committee to sign the minutes of the General Assembly Meeting.
3.
 - a) Reading of the Board of Director's Annual Report and Balance Sheet and Income Statements as of 2004,
 - b) Reading of the Statutory Auditors' Report,
 - c) Reading of the Independent Auditors' Report,
 - d) Approval of the Balance Sheet and Income Statement as of 2004,
 - e) Deliberations and decision to acquit the Members of the Board of Directors and the Statutory Auditors' fiduciary responsibilities for the Company's results in 2004.
4. Deliberation and decision on the Board of Directors' proposal concerning the distribution of profits of the activities in 2004.
5. Election of the Board of Directors, deliberations and decision concerning the members' terms of office and of the salaries to be paid to them.
6. Election of the Statutory Auditors', deliberations and decision concerning the members' terms of office and the salaries to be paid to them.
7. Deliberations and decision concerning the signing of a contract for the auditing of the Company's account by an independent auditor Company selected by the Board of Directors as required by the Capital Market Code and approval of the draft of the contract.

Board of Directors



ANNUAL REPORT OF THE BOARD OF DIRECTORS

Dear Shareholders,

We hereby present the Balance Sheet and Income Statement together with the other financial statements which reflect the results of our Company's activities in 2004 for your consideration and criticism.

- a) Our annual report cover the period between Januray 1, 2004 and December 31, 2004.
- b) The members of the Board and the Statutory Auditors during 2004 and their terms in office are presented on page 4.

The financial statements showing the results of the activities of Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. in 2004 have been audited independently by Denge Serbest Muhasebe ve Müşavirlik Hizmetleri A.Ş. (Member of Mazars).

- c) The Company's registered capital ceiling in 2004 was TL 20,000,000,000,000 (YTL 20,000,000).
- d) Our paid-in capital is TL 3,565,000,000,000 (YTL 3,565,000) and loss for the year in the restated financial statements in accordance with the Communiqué Serial: XI, Number: 20 of the Capital Market Board on "Rules and Principles Regarding the Restatement of the Financial Statements During the High Inflationary Periods" is YTL 3,787,055.
- e) The rate of participation to our Ordinary General Assembly Meeting held on 08 April 2004 was 52 %. The shareholders that hold more than 10 % of our capitals are; Alarko Holding A.Ş. with 15.54 % of the shares and Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. with 34.78 % of the shares.

During the last three-year operational periods, over the paid-in capital a dividend of 20 % was paid in 2001 and of 20 % in 2002.

The proposal for profit appropriation for the year 2004 which is being submitted by the Board of Directors to the approval of the General Assembly is at the end of the report. At the time this report was written, with a nominal value of YTL 1 of our share certificate, registered with the İstanbul Stock Exchange where their transaction is carried out was YTL 33.75.

- f) No donation was made to foundation or associations in 2004.
- g) Information concerning the ownership percentage in participations as of December 31, 2004, income for the year 2003 and the dividends obtained in 2004 are given in the footnotes of the Statements of Income and Balance Sheets.



GENERAL INFORMATION CONCERNING OUR ACTIVITIES

Turkish Economy has gained a good level of performance in the year 2004. Due to these positive achievements, there has been a significant increase in the demand of real estate.

In the year 2005, continuity of these achievements and a growth in the real estate market are expected. Our new projects, which have not been started due to insufficient demand are expected to be realized in 2005. In addition to the existing projects, our search for an appropriate estate suitable for building residences, shopping centers, hypermarkets continues.

In accordance with the foundation purpose of the real estate investment trusts, it has been accelerated to real estate investments which were being both long-term investment instrument and yielding a stable rent income. On this extent, two important investments have been made in the year 2004. Fethiye Hillside Beach Club, one of the most prestigious holiday villages in Turkey and Alkent Shopping Center located in Etiler Alkent, a very prestigious residential project have been bought. By the purchase of these two estates, assets of our investment trust has been strengthened and long-term rental income has been provided.

The preparations for Lake Mansions Project designed within the context of Alkent İstanbul have been settled and licenses have been taken. The most prestigious residences of Alkent İstanbul 2000 Project are expected to be in the market in 2005.

On the other hand, the development works of our estate in Maslak, the most developed business and trade center of İstanbul, have been continuing. The business and shopping center project to be developed on this estate, is one of our significant projects.

The net asset value of YTL 141,328,321 at the end of 2003 reached to YTL 162,470,537 at the end of 2004, with an increase of 15 %.



FINANCIAL INDEXES

According to the independently audited and restated financial statements prepared as of December 31, 2004;

- a) Net Sales are YTL 3,529,864. This amount consists of rent income.
- b) Net Loss for the Period is YTL 3,787,055. It is well-known that the profit of real estate investment trust companies is exempt from the Corporation Tax.
- c) Real estate portfolio value, net value of assets and net value of assets per share of our Company are as follows:

	(YTL)
İzmir / Güzelbahçe Terrain	4,220,000
İstanbul / Büyükçekmece Eskice Village Terrain 1 Parcel	5,508,000
İstanbul / Büyükçekmece Eskice Village Terrain 5 Parcel	5,802,505
Maslak / Sarıyer Terrain	23,040,000
İstanbul / Beyoğlu Alarko Bussiness Center	850,000
İstanbul / Karaköy Alarko Bussiness Center	785,000
Ankara / Çankaya Alarko Bussiness Center	1,800,000
İstanbul / Büyükçekmece Alkent İstanbul 2000 1 Villa	840,000
İstanbul / Büyükçekmece Eskice Village Investment Costs	701,959
Fethiye Hillside Beach Club Holliday Village	43,810,000
Etiler Alkent Shopping Center 39 Stores	4,516,925
Share Certificates	1,966,811
Government Bonds & Bills	6,666,882
Mutual Funds	45,387,400
Foreign Currency Time Deposits	11,957,321
YTL Time Deposits	1,189,725
TOTAL PORTFOLIO VALUE	159,042,528
Liquid Assets	901
Receivables	4,162,771
Liabilities (-)	961,315
Other Assets	225,652
NET VALUE OF ASSETS	162,470,537
NUMBER OF SHARES	3,565
NET VALUE OF ASSETS PER SHARE	45,574



STATUTORY AUDITORS' REPORT

TO THE GENERAL ASSEMBLY OF ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

COMPANY'S
TRADE NAME : ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
HEAD OFFICE : Muallim Naci Cad. No: 69 34347 Ortaköy/İstanbul
CAPITAL : REGISTERED : TL 20,000,000,000,000 (YTL 20,000,000)
PAID-IN : TL 3,565,000,000,000 (YTL 3,565,000)
SCOPE OF ACTIVITY : As described in the Articles of Association.

NAMES, TERMS OF OFFICE AND COMPANY SHAREHOLDER/EMPLOYEE STATUS OF THE STATUTORY AUDITORS :

1. MUSTAFA FİLİZ (Term of office: 08.04.2004 - 28.03.2005) He is not a shareholder or a personnel of the Company.)
2. ÜMİT NURİ YILDIZ (Term of office: 08.04.2004 - 28.03.2005) He is not a shareholder or a personnel of the Company.)
3. HAYRİYE SANEM AYDENİZ AYDENİZ (Term of office: 08.04.2004 - 28.03.2005) She is not a shareholder or personnel of the Company)

NUMBER OF BOARD OF DIRECTORS MEETINGS ATTENDED AND BOARD OF STATUTORY AUDITORS MEETINGS HELD:

The number of Board of Directors Meetings attended was three.
The number of Board of Statutory Auditors Meetings held was two.

SCOPE OF EXAMINATION PERFORMED ON COMPANY ACCOUNTS, BOOKS AND DOCUMENTS, DATES OF EXAMINATION, CONCLUSIONS REACHED :

The Company's legal books of accounts and documents were inspected twice for compliance with the provisions of the Turkish Commercial Code, of laws and regulations, of the Company's Article of Incorporation and of General Assembly and Board of Directors regulations. The first inspection was performed on July 26-27, 2004 for the first six months of the year, and the second on January 24-25, 2005 for the second six months. The results of the both inspections were satisfactory.

NUMBER OF COUNTS MADE AT THE COMPANY'S CASH OFFICE AS REQUIRED BY ARTICLE 353 PARAGRAPH 1, SUBPARAGRAPH 3 OF THE TURKISH COMMERCIAL CODE AND THE CONCLUSIONS REACHED :

The Company's cash office was inspected and counted four times.

DATES OF INSPECTIONS PERFORMED AS REQUIRED BY ARTICLE 353 PARAGRAPH 1, SUBPARAGRAPH 4 OF THE TURKISH COMMERCIAL CODE AND THE CONCLUSIONS REACHED:

The Company's records were checked every month to see whether the instruments referred to in Article 353/1-4 of the Turkish Commercial Code were present. The instruments were found to be in accordance with the records.

COMPLAINTS AND IRREGULARITIES REFERRED TO THE STATUTORY AUDITORS AND ACTION TAKEN CONCERNING THEM :

No complaints or irregularities were referred to the statutory auditors since April 8, 2004, the date we assumed our duty.

We have examined the accounts and transactions of Alarko Gayrimenkul Yatırım Ortaklığı Anonim Şirketi for the period of 01.01.2004 - 31.12.2004, according to the requirements of the Turkish Commercial Code, the Company's Articles of Association, and other laws and regulations as well as of generally accepted accounting principles and standards. It is our opinion that the attached Balance Sheet issued as of 31.12.2004, the contents of which we approve, realistically and accurately reflects the financial standing of the Company on that date; that the Income Statement for the period of 01.01.2004 - 31.12.2004 similarly reflects the results of its activities for the same period and that the proposal is in compliance with laws and the Company's Articles of Association.

We recommend a vote for the approval of the Balance Sheet and the Income Statement and for the acquittal of the Board of Directors of their fiduciary responsibilities.

BOARD OF AUDITORS

Mustafa Filiz

Ümit Nuri Yıldız

Hayriye Sanem Aydeniz



CORPORATE MANAGEMENT PRINCIPLES COMPLIANCE REPORT

1. Statement on Compliance with Corporate Management Principles

Our Company takes due care for implementation of the rules mentioned in Corporate Management Principles that has been published by the Capital Market Board. Explanations on this issue take place herebelow.

● PART 1 - SHAREHOLDERS

2. Unit in Charge of Relations with Shareholders

Duties of the unit in charge of relations with the shareholders are carried out by the Shareholders Department formed within the Alarko Group of Companies.

Director and staff of the department are Lawyer Aysel Yürür and Emel Ecevit.

For communication:

Tel : 0212 227 52 00

Faxs : 0212 236 42 08

E-mail : aysel.yurur@alarko.com.tr

During the year, General Assembly meeting of the Company is held, documents to be referred by the shareholders at the meeting are prepared and outcomes of the meeting are communicated to İstanbul Stock Exchange and Capital Market Board for publishing. Questions of about 60 investors have been answered during the year.

3. Exercise of Right to Obtain Information by the Shareholders

Questions of the shareholders commonly relate to investments, turnover, capital increase and dividend payments of the Company. About 60 questions are asked within the year. Information demanded and answers given to them were informed to the Board of Directors.

Articles of Association of the Company contains no provision regarding appointment of an independent auditor. No request is made during the year for appointment of an independent auditor.

4. Information About General Assembly

Ordinary Annual General Assembly Meeting of the Company was held with a quorum of 52%. The meeting was attended by the representatives of media.

Invitation to the meeting is made by way of public announcement and İstanbul Stock Exchange is duly notified.

The annual report, auditor's report, financial statements, Articles of Association, meeting agenda and proposal for profit appropriation by the Board of Directors are presented to the shareholders at the Company's head office prior to the General Assembly Meeting. The proposal of profit appropriation is notified to İstanbul Stock Exchange and Capital Market Board prior to the General Assembly Meeting. At the General Assembly Meetings, the shareholders exercise their right to ask questions and such questions are duly answered. No proposal is made other than the major shareholders.



Articles of Association of the Company contains no provision regarding vesting the authority for making decisions on splitting, sale, purchase and leasing in the General Assembly.

Minutes of General Assembly meetings are maintained at the Company's head office open to the shareholders for review.

5. Voting Rights and Minority Rights

Voting rights bear no concession. Minority shares are not represented at the management. No cumulative voting is applicable.

6. Policy and Time of Profit Appropriation

No concession is granted in connection with participation in Company's profits. Profit appropriation is carried out within the periods set forth in applicable laws.

Amount of profit available for appropriation is determined taking into account the new investments to be made and liquidity status.

7. Transfer of Shares

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

● **PART II - PUBLIC INFORMATION AND TRANSPARENCY**

8. Company's Informing Policy

Annual information and future expectations of the Company are announced to the public by the General Manager through the printed and visual media means upon closing of the annual Ordinary General Assembly Meeting.

Necessary Announcements of Special Cases are disclosed to the public on time in case of any material situation occurs during the year .

Responsibility for observing any and all matters which may require announcement exclusively to the public and answering the question asked to the Company rests with the Directorate of Shareholders Service. Questions asked to the Company during the year verbally or in writing are answered by this department and the Board of Directors is informed accordingly.

The members of the Board of Directors or managers of the Company have not purchased or sold any capital market instruments issued by the Company within the last year. Alsim Alarko San. Tes. ve Tic. A.Ş. holding 34.78% of the corporate capital sold the Company's shares with a nominal value of YTL 31,850 at the İstanbul Stock Exchange during the year.

The staff in charge of implementing the Company's informing policy are Harun Moreno, the General Manager and Ahmet Yüksel Varol, the Financial and Administrative Affairs Manager.

9. Announcement of Special Cases

Announcements have been made in connection with 13 special cases during the year.

No additional explanation is demanded.



10. Company's Website and Its Content

Website of Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. is www.alarkoyatirim.com.tr.

Visitors may access from the "Investor Relations" link of the website to "Report on Compliance with Corporate Management Principles of Capital Market Board" which contains a number of links for the following headings.

Information provided in Corporate Management Principles, Part II, Article 1.11.5 as mentioned in Article 10 of this report are accessible via the following links as well.

LIST OF LINKS :

- 1) Statement Of Compliance With Corporate Management Principles

PART I - SHAREHOLDERS

- 2) Shareholders Relations Department
- 3) Exercise of Right to Demand Information by the Shareholders
- 4) Information on General Assembly
- 5) Voting Rights and Minority Rights
- 6) Policy and Time of Profit Appropriation
- 7) Transfer of Shares

PART II - PUBLIC INFORMATION AND TRANSPARENCY

- 8) Company's Informing Policy
- 9) Announcement of Special Cases
- 10) Company's Website and Its Content
 - Trade Register information
 - Recent partnership and management structure
 - Detailed information on privileged stocks
 - Current text of Company's Articles of Association including date and issue number of Trade Register Gazettes where amendments thereto are published
 - Announcement of Special Cases
 - Annual Reports
 - Periodical financial statements and reports
 - Portfolio Statement
 - 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
 - Minutes of Board of Directors 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)



- Continuous Information Form
 - Portfolio Information
 - Ratios Against Total Portfolio 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

- 11) Announcement of Real Person Plenary Shareholder(s)
- 12) Publication of Insiders

PART III - STAKEHOLDERS

- 13) Informing the Stakeholders
- 14) Participation of Stakeholders in Management
- 15) Human Resources Policy
- 16) Information on Relations with Customers and Suppliers
- 17) Social Accountability

PART IV - BOARD OF DIRECTORS

- 18) Structure, Composition of Board of Directors and Independent Members of Board of Directors
- 19) Qualifications of Board of Directors
- 20) Mission, Vision and Strategical Objectives of the Company
- 21) Risk Management and Internal Control Mechanism
- 22) Powers and Responsibilities of Members of the Board of Directors and Managers
- 23) Operational Principles of Board of Directors
- 24) Prohibition from Making Business and Competition with the Company
- 25) Rules of Ethics
- 26) Number, Composition and Independence of Board of Director's sub-committees
- 27) Financial Rights Granted to Board of Directors

11. Announcement of Real Person Plenary Shareholder(s)

Real person plenary shareholders of the Company is announced by the Company upon request.

12. Announcement of Insiders

List of insiders has not been announced to public up to date until in this report. Names of insiders are as follows:

- Ayhan Yavrucu
- İzzet Garih
- Vedat Aksel Alaton
- Mesut Zaloğlu
- Hilmi Önder Şahin
- Seyit Mehmet Buruk
- Mehmet Kutman



- Sarper Volkan Özten
- Mustafa Filiz
- Ümit Nuri Yıldız
- Harun Moreno
- Ömer Çelik
- Ahmet Yüksel Varol
- Aysel Yürür
- Ayhan Arı

● PART III - STAKEHOLDERS

13. Information to Stakeholders

Stakeholders of the Company are regularly informed on matters they are involved.

Employees of the Company are informed through annual meetings regularly held. In addition, developments within the Company are announced on a continuous basis through our website, e-bulletins, technical publications and books.

14. Participation of Stakeholders in Management

No particular model is developed regarding participation of stakeholders in the Company's management.

Rights of stakeholders are protected by virtue of applicable legislation.

15. Human Resources Policy

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 defined in writing which should be strictly complied with by the staff in charge of recruitment.

In recruitment process are taken into consideration the physiological, psychological and intellectual properties required by each job. These properties are measured and evaluated by a written test. Following the initial evaluation by the Human Resources department, manager of the unit to recruit the personnel makes an interview with the candidate.

All employees are treated fairly and equally in terms of training and promotion opportunities. For this purpose, training plans and policies are developed which aim at improving the knowledge, skills and experience of the employees. The employees receive training regularly in every year.

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

An independent foreign Company is engaged to conduct an "Employee Satisfaction" inquiry once in every two years and necessary adjustments are made according to the results obtained from such inquiries.



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 awarded. Therefore, the creative personnel are motivated.

The safe working environment provided to the personnel is improved continuously.

16. Information on Relations with Customers and Suppliers

Our Company works as customer-focused and measures and evaluates the level of customer satisfaction on a permanent basis. Questions asked to our post-sales services department are answered latest within 48 hours.

17. Social Accountability

Social contributions are made through the GYO Association and the Education foundation founded by the group of companies being the major shareholder.

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 IV BOARD OF DIRECTORS

18. Structure, Composition and Independent Members of Board of Directors

Board of Directors

İzzet Garih	President
Vedat Aksel Alaton	Vice-President
Mesut Zalođlu	Member
Hilmi Önder Şahin	Member
Seyit Mehmet Buruk	Member
Mehmet Kutman	Member
Sarper Volkan Özten	Member

General Manager

Harun Hanne Moreno

Two independent members take office at the Board of Directors.

Assuming positions by the members of the Board of Directors in any other organization or entity other than the Company is not restricted anyway.

19. Qualifications of Members of the Board of Directors

Minimum qualifications required in election of members of the Board of Directors do comply with the Corporate Management Principles of Capital Market Board. Articles of Association of the Company requires that the members of the Board of Directors should meet the qualifications set forth in the Turkish Commercial Code and Capital Market Board legislation relating to election of members of the Board of Directors.

20. Mission, Vision and Strategic Objectives of the Company

Our trust is the first real estate investment trust established in Turkey and publicly held by 49% with the objective of using Alarko Group of Companies' 55 years experience and knowledge in land development sector more efficiently.



Main purpose of our land development projects dating back to 35 years is to construct for the society which;

- Have perfectly designed infrastructures,
- Meet all requirements of modern life-style,
- Preserve all particulars of the natural environment and integrate therewith,
- Maintain the character of being a profitable investment.

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

21. Risk Management and Internal Control Mechanism

A risk management and internal control mechanism is set by the Board of Directors. Managerial risks are reviewed regularly by the Auditing Committee which is constituted by the Board Members. The Committee has decided to have established, audited and updated an internal control mechanism and this duty is assigned to an Auditors Group. The Auditors Group inspects the internal control mechanism regularly against the approved annual audit plans and communicates its opinions and findings to top management.

Furthermore, the Auditing Committee reviews related matters and advises the Board of Directors accordingly. The Committee and the Board determine the measures to be taken and instruct the Company's managers through the General Manager.

22. Powers and Responsibilities of Members of Board of Directors and Managers

Powers and responsibilities of Members of the Board and managers are set forth in the Company's Articles of Association.

23. Operational Principles of Board of Directors

The Board has convened 14 times within the year. Agenda of the Board of Directors Meetings is determined by the President. Meetings are ensured to be attended by the members personally.

Decisions of the Board of Directors are taken unanimously. No weighed voting right is granted to the members .

24. Prohibition from Making Business and Competition with the Company

The members of the Board of Directors are banned to make business or compete with the Company within the year.

25. Rules of Ethics

Rules of ethics approved by the Company's Board of Directors, agreed by all of the personnel and managers of Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. 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, stakeholders, personnel, partners and sub- and related 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 lowest price even when the customers are satisfied and contented with what is given already,
- Achieve the profits deserved by the stakeholders under the current conditions,
- Give priority to teamwork as a corporation performing systematically on the basis of pre-defined procedures; share profit and 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 and subsidiaries. In addition, all employees are informed through annual Policy Meetings and our Policy Book published. Our existing and newly hired personnel are trained on this philosophy and related rules regularly.

Our philosophy including the rules of ethics is accessible via the intranet and our web site www.alarkoyatirim.com.tr.

All personnel of Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. are obliged to act in compliance with these rules.

Rules of ethics are followed-up by the superiors of all employees in the hierarchical order.

Any act or behaviour contrary to the rules of ethics should be immediately notified to the Management.

Any contrary act or behaviour 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.

Doers of actually proven contrary acts are applied disciplinary sanctions by the General Manager authorized by the Board of Directors.

26. Number, Composition and Independence of Board of Director's Sub-Committees

The Auditing Committee is established within the legal term and performs the duties set forth in the Communiqué of Capital Market Board. This committee is constituted by Mesut Zaloğlu and Seyit Mehmet Buruk.

27. Financial Rights Granted to Board of Directors

No right or interest is granted to the members of the Board of Directors including remuneration as per the decision of General Assembly.

No money is lent to the members of the Board of Directors or managers including credit utilization or guarantees as suretyship.



INDEPENDENT AUDITORS' REPORT

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

AUDITORS REPORT FOR THE RESTATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2004

We have audited the accompanying balance sheet of Alarko Gayrimenkul Yatırım Ortaklığı Anonim Şirketi (the Company) as of December 31, 2004 and the related statement of income for the year then ended, all expressed in the equivalent purchasing power of the Turkish Lira as of December 31, 2004. Our audit was made in accordance with Generally Accepted Auditing Standards in Turkey issued by Capital Market Board (CMB) and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly, the financial position of the Company as of December 31, 2004 and the results of its operations for the year then ended in accordance with the accounting standards issued by CMB's Communiqués Serial Number: XI-1 and Serial Number: XI-20 consistently applied with that of the preceding year.

Without qualifying our opinion, we would like to draw your attention to the following:

Explanation provided in accordance with the decision of CMB numbered 7/242 and dated February 25, 2005; Since the Company has loss for the current period in its financial statements prepared in accordance with the Communiqués Serial Number: XI-20 and Serial Number: XI-I issued by CMB, no profit could be distributed. There is no decision given by the Board of Directors as of the reporting date regarding the profit appropriation.

İstanbul, March 3, 2005

Denge Serbest Muhasebe ve Müşavirlik Hizmetleri A.Ş.
Member of MAZARS

Moris Moreno
CPA(Turkey)

**THE RESTATED FINANCIAL STATEMENTS
ACCORDING TO THE INFLATION**



ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
RESTATED BALANCE SHEETS AS OF DECEMBER 31, 2004 AND 2003
(In New Turkish Lira (YTL) in Equivalent Purchasing Power at December 31, 2004)

ASSETS	31 December 2004	31 December 2003
I- CURRENT ASSETS	98,210,771	140,691,356
A- LIQUID ASSETS	13,147,948	81,847,567
1- Cash on Hand	219	339
2- Cash at Banks	13,147,496	81,846,957
3- Other Liquid Assets	233	271
B- MARKETABLE SECURITIES	52,054,282	29,605,106
1- Government Bonds & Bills	6,666,882	-
2- Other Marketable Securities	45,387,400	29,605,106
C- SHORT-TERM TRADE RECEIVABLES	4,146,724	135,184
1- Customers	4,030,697	67
2- Notes	113,099	133,908
3- Deposits and Guarantees Given	2,928	1,209
D- OTHER SHORT-TERM RECEIVABLES	63	-
1- Due from Shareholders	63	-
E- INVENTORIES	28,815,700	29,028,099
1- Merchandise	29,315,561	29,499,330
2- Provision for Decrease in Value of Inventories (-)	(499,861)	(480,367)
3- Advances Given	-	9,136
F- OTHER CURRENT ASSETS	46,054	75,400
II- LONG-TERM ASSETS	43,119,635	3,662,247
A- FINANCIAL NON-CURRENT ASSETS	1,209,517	1,209,911
1- Participations	1,209,517	1,209,911
B- TANGIBLE FIXED ASSETS	11,779,610	2,420,095
1- Infrastructures	123,365	123,365
2- Buildings	12,430,891	2,626,152
3- Machinery Installation and Equipments	4,216	3,889
4- Furniture and Fixtures	120,395	118,230
5- Other Tangible Fixed Assets	342,604	342,603
6- Accumulated Depreciation (-)	(1,241,861)	(794,144)
C- INTANGIBLE FIXED ASSETS	30,130,360	32,035
1- Rights	30,117,535	-
2- Other Intangible Fixed Assets	12,825	32,035
D- OTHER LONG-TERM ASSETS	148	206
TOTAL ASSETS	141,330,406	144,353,603

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



LIABILITIES AND SHAREHOLDERS' EQUITY	31 December 2004	31 December 2003
I- SHORT-TERM LIABILITIES	894,455	135,754
A- TRADE PAYABLES	50,601	58,882
1- Suppliers	16,364	29,080
2- Deposits and Guarantees Given	34,237	29,802
B- OTHER SHORT-TERM PAYABLES	373,356	35,711
1- Due to Shareholders	1,254	443
2- Taxes, Duties and Other Withholdings Payable	366,428	29,725
3- Other Short-Term Payables	5,674	5,543
C- ADVANCES RECEIVED	34,782	40,683
D- ALLOWANCES	435,716	478
1- Other Allowances	435,716	478
II- LONG-TERM LIABILITIES	62,025	56,868
A- PROVISION FOR EXPENSES AND PAYABLES	62,025	56,868
1- Provision for Retirement Pay Liability	62,025	56,868
III- SHAREHOLDERS' EQUITY	140,373,926	144,160,981
A- SHARE CAPITAL	3,565,000	3,565,000
B- SHARE PREMIUMS	-	948,740
C- REVALUATION FUND RESERVE		
1- Revaluation Fund Reserve on Tangible Fixed Assets	-	-
2- Revaluation Fund Reserve on Participations	-	-
D- RESERVES	140,595,981	149,013,014
1- Legal Reserves	-	844,983
2- General Reserve	-	101,532,487
3- Cost Increase Fund	-	-
4- Shareholders' Equity Restatement Difference	140,595,981	237,564,518
5- Prior Years' Losses (-)	-	(190,928,974)
E- NET LOSS FOR THE YEAR (-)	(3,787,055)	(9,365,773)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	141,330,406	144,353,603



NOTES TO THE BALANCE SHEETS

(All currencies are in (YTL), unless otherwise indicated)

- 1. Operations of the Company:** The name of Aletim Alarko Elektrik Tesisat ve İnşaat Malzemeleri Anonim Şirketi, whose main activity was to undertake the production and trading of the electrical, electronic equipment and construction materials, was changed into Alarko Gayrimenkul Yatırım Ortaklığı Anonim Şirketi (the Company) through the publication in Turkish Trade Register Gazette numbered 4096 and dated August 06, 1996. Within the framework of this change, the essentials of the main activity were completely restructured in order to let the Company to activate as a real estate investment trust in accordance with the statements and regulations of Capital Market Board. On these basis, on October 31, 1996, the Company applied to Capital Market Board (Board) for the registration of share certificates to be issued due to share capital increase and has been registered by the Board through December 13, 1996 dated and G.Y.O. 1/1552 numbered certificate in line with Capital Market Board Law.
- 2. The shareholders, with the ownership percentage of 10 % or more are as follows:**

Shareholders	31.12.2004		31.12.2003	
	Ownership Percentage	Amount	Ownership Percentage	Amount
Alarko Holding A.Ş.	15.54 %	9,056,336	15.54 %	9,056,336
Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş.	34.78 %	20,268,942	35.68 %	20,793,440

Paid-in capital of the Company amounting to YTL 58,277,578 (historic YTL 3,565,000) consists of 3,565,000,000 units; 400,000,000 of which are first sequence shares to the name. 165,000,000 of these shares are Group A shares and represent the portion of share capital paid in cash and 235,000,000 Group B shares represent share capital paid in kind. 110,000,000 units of the remaining 3,165,000,000 units consist of the preemptive right used by Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş., 490,000,000 units consist of public offering second sequence Group C shares to the bearer, 1,000,000,000 units consist of third sequence Group C shares to the bearer, 500,000,000 units consist of fourth sequence Group C shares to the bearer, 625,000,000 units consist of fifth sequence Group C shares to the bearer, 375,000,000 units consist of sixth sequence Group C shares to the bearer and 65,000,000 units consist of sixth sequence Group C shares to the name.

As explained detailed in footnote 33 (d); in line with the decision given by the Board of Directors as of December 2, 2004, the Company has deducted the prior year's losses arising from the inflation adjustment, from the shareholders equity in accordance with the communique Serial Number: XI-20. Accordingly, the Company has no historical cost of legal and extraordinary reserves as of December 31, 2004.

As of December 31, 2003, historical costs of the legal and extraordinary reserves, in the Company's legal books are amounting to YTL 844,983 and YTL 101,532,487 respectively.



3. The privileges provided to the shares representing the capital (shares separated according to the groups and the type of privileges):

As of December 31, 2004 and 2003,

- a) Group A shares has the right to feature 4 candidates on the selection of members of Board of Directors.
- b) Group B shares has the right to feature 3 candidates on the selection of members of Board of Directors.

4. The registered share capital ceiling of the Company:

As of December 31, 2004 and 2003 the registered share capital of the Company is amounting to YTL 20,000,000.

5. Capital increases and sources of increase are as follows:

There is no increase in share capital as of December 31, 2004 and 2003.

6. Issued securities during the current year (excluding share certificates):

As of December 31, 2004 and 2003 the Company did not issue marketable securities excluding share certificates.

7. The matured debt securities during the current year:

The Company did not have any matured debt securities as of December 31, 2004 and 2003.

8. The movement of tangible fixed assets during the current year is as follows:

	<u>31.12.2004</u>	<u>31.12.2003</u>
a) Cost of Tangible Assets Purchased, Produced or Constructed	9,792,496	46,858
b) Cost of Tangible Assets Sold or Disposed	-	-
c) The Provision for the Decrease in the Value of Fixed Assets (*)	14,736	(195,547)

(*) As of December 31, 2004 the required provision is amounting to YTL 180,811. However, YTL 195,547 had been provided as a provision as of December 31, 2003. Therefore the difference between the two years amounting to YTL 14,736 is added to cost of fixed assets by reducing general and administrative expenses.

9. The total amount of the investment allowances which will be used in the current year and future years:

The Company does not have investment allowances which will be used in the current and future periods as of December 31, 2004 and 2003.



10. The receivable / payable balances of the Company with shareholders, participations, affiliated companies are as follows:

	31.12.2004				31.12.2003			
	Due From		Due To		Due From		Due To	
	Trade	Non Trade	Trade	Non Trade	Trade	Non Trade	Trade	Non Trade
Alarko Holding A.Ş.	-	63	-	-	-	-	-	-
Alsim Alarko Sanayi Tes. ve Tic. A.Ş.	-	-	-	1,115	-	-	-	286
Attaş Alarko Turistik Tes. A.Ş.	4,030,638	-	-	-	-	-	-	-
	<u>4,030,638</u>	<u>63</u>	<u>-</u>	<u>1,115</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>286</u>

The Company has dividends payable to shareholders amounting to YTL 139 and YTL 157, who have shares of Publicly owned portion of the Company, as of December 31, 2004 and 2003, respectively.

11. The valuation methods in stocks and in other balance sheet items, depreciation policies, the changes in the accounting policies according to the prior years and monetary effects of those changes and assumptions which would effect the continuity of the operations are as follows:

Accounting Principles Applied:

The Company prepared its financial statements as of December 31, 2004 and 2003 according to Capital Market Board's (CMB) Communique Serial Number: XI-1 "The Communique on Principles Regarding The Financial Statements and Reports In Capital Market" published in Official Gazette at January 29, 1989; additional communiques which include the changes and additions made to the said communique; and the communique Serial Number: XI-20 "The Communique on Principles Regarding The Restatement of The Financial Statements During The High Inflationary Periods" published in Official Gazette at November 28, 2001.

In respect to the Law numbered 5024 issued in the Official Gazette dated December 30, 2003 which is effective from January 01, 2004, inflation adjustment application has been covered by tax legislation and posting inflation adjustments to statutory records has become compulsory. In this respect, for the companies whose inflation adjustments related to the balance sheets as of December 31, 2003 have been posted to statutory records and those should have post these adjustments latest on until August 25, 2004, it is not possible to prepare their financial statements in historic basis. Therefore, in respect to the declaration of CMB dated April 27, 2004 and numbered MSD 10/303-9009, starting from the financial statements as of March 31, 2004 for the companies which are liable to prepare their financial statements in accordance with the communique Serial Number XI-20, it is not subject to prepare financial statements in historic basis in accordance with the communique Serial Number XI-1. In accordance with the Law numbered 5024, the application of revaluation of fixed assets and leasehold improvements has been terminated as of January 1, 2004.



The Law numbered 5083 about the local currency of the State of Republic of Turkey has been issued in the Official Gazette dated January 31, 2004 and numbered 25363. In accordance to the related Law effective from January 01, 2005 the currency of the State of Republic of Turkey is determined as New Turkish Lira (YTL) and the sub-currency of New Turkish Lira is determined as New Kuruş (YKr). In respect to this, by the declaration of CMB dated December 01, 2004 and numbered MSD-A0/832-43399 regarding " The Financial Statements To Be Issued By The Listed Companies and Capital Market Institutions During The Transition To YTL", it was stated that the financial statements as of December 31, 2004 and the financial statements ending as of prior periods including the comparative financial statements and financial data to be issued during 2005 should be prepared and provided to public in YTL. In this respect, the accompanying financial statements as of December 31, 2004 and related disclosures and the financial statements as of December 31, 2003 including the disclosures provided for comparative purposes have been prepared in YTL.

The basic accounting principles regarding the preparation of the accompanying financial statements:

a) Accounting Records:

Inflation Accounting;

The accompanying financial statements are based on the statutory records, which are maintained under the historical cost convention (except for the revaluation of property, plant and equipment and leasehold improvements in accordance with Turkish Tax Legislation before January 1, 2004) with adjustments and reclassifications, and restatement for the changes in the general purchasing power of the Turkish Lira, for the purpose of fair presentation in accordance with Communique Serial Number: X1-20. The restatement for the changes in the general purchasing power of Turkish Lira as of December 31, 2003 is based on Communique Serial Number: X1-20. The Communique Serial Number: X1-20 requires that financial statements prepared in the currency of a high inflationary economy be stated in terms of the measuring unit current at the balance sheet date and the corresponding figures for previous periods be restated in the same terms. One characteristic that necessitates the application of the said Communique is a cumulative three year inflation rate exceeding 100 % and inflation rate for the current year approaching or exceeding 10 %, which has been valid in Turkey in the year covered by the accompanying financial statements. The restatement was calculated by means of conversion factors derived from the Turkish countrywide wholesale price index published by the State Institute of Statistics. Such cumulative rates in Turkey have been realized as 69.72 % for the three years ended December 31, 2004, based on the countrywide wholesale price index.

The Communique Serial Number: XI-20 requires that the financial statements in high inflationary periods, be stated in terms of the purchasing power of the measuring unit current at the balance sheet date and the previous year's balance sheet be restated in the same terms (except for the footnote 30) in accordance with the same Communique. In that context, the accompanying footnotes of the prior year's balance sheet and profit and loss statement have been expressed in the purchasing power of YTL at December 31, 2004.



In accordance with the said Communiqué, the main principles regarding the restatement of the financial statements according to the inflation are as follows:

Monetary items reported in the balance sheet are not restated since they are already expressed in terms of the monetary unit current at the balance sheet date.

Non monetary assets, liabilities and shareholders' equity items (except for the revaluation fund that is omitted), which are not expressed in purchasing power of measuring unit current according to said Communiqué, are restated by using relevant conversion factors in order to be expressed in terms of purchasing power of measuring unit current regarding as of balance sheet date. The funds which are permitted due to inflation such as revaluation, which was permitted before January 1, 2004, are not taken into consideration in the restatement of shareholders' equity items. Capital increases by cash payment, from reserves and from undistributed profits are restated on the basis of the registration date of the Capital increase, or the collection date of the amounts paid against the capital increase.

In the income statement, except for the depreciation and amortization, cost of sales and non-monetary items which are directly related to income statement as an income or expense, all other items are restated by applying the relevant conversion factors of the transaction date of each item. Amortization and depreciation is re-calculated over the restated values of the related assets. Non-monetary items related directly with the income statement as an income or expense are re-calculated by considering the difference between the restated net value of the asset subjected to sale and the restated value of the sales amount. Cost of sales are re-calculated by considering the restated amounts of the inventories and other cost elements.

Losses arising from holding monetary assets and gains arising from holding monetary liabilities are accounted for entirely within the net monetary loss account.

As a first time application the Company prepared its financial statements according to the CMB Communiqué Serial Number: XI-1 and Serial Number: XI-20 as of December 31, 2003. In accordance with the Communiqué Serial Number: XI-20 the difference between the restated amounts of assets, and the sum of liabilities and shareholders' equity occurred till the beginning of the current year is classified within the equity accounts "Prior Years' Losses". In line with the decision given by the Board of Directors as of December 2, 2004, the Company has deducted the prior years' losses arising from the inflation adjustment, from the shareholders' equity in accordance with the Communiqué Serial Number: XI-20.

As of December 31, 2004, the indices and conversion factors published by Government Institute of Statistics in Turkey, used to restate the accompanying financial statements during the current year and prior years' are as follows :



	Indices	Factor
December 31, 2004	8,403.8	1.0000
December 31, 2003	7,382.1	1.1384
December 31, 2002	6,478.8	1.2971
December 31, 2001	4,951.7	1.6972

- b) Marketable Securities:** Marketable securities are stated at cost plus interest accrued for the period between the acquisition and balance sheet dates.
- c) Inventories:** Inventories are valued at cost of acquisition. Inventories are stated by restating the acquisition cost and other cost elements by considering the acquisition dates and initial recognition for other cost elements by using relevant conversion factors.
- d) Financial Fixed Assets:** Financial fixed assets are stated by restating the acquisition cost by reducing the amounts obtained from revaluation fund reserves.
- e) Tangible Fixed Assets:** Tangible fixed assets, subjected to depreciation, are stated by restating the cost amounts by using conversion factors, considering the acquisition date and initial recognition date of other cost elements. All of the tangible fixed assets are depreciated over the restated amounts by using the straight-line method on pro-rata basis. The depreciation rates considering the useful life of tangible fixed assets are as follows:

	2004	2003
Building	5.0 %	5.0 %
Land Improvements	12.5 %	12.5 %
Machinery and Equipment	25.0 %	25.0 %
Furniture and Fixtures	25.0 %	25.0 %

The Company has depreciated the tangible fixed assets according to Turkish Tax Legislation over the rates between 2 % and 20 % annually by using straight-line method in its statutory records.

- f) Intangible Fixed Assets:** Intangible fixed assets are comprised of leasehold improvements and rights. As of December 31, 2004 and 2003, leasehold improvements amortized over their restated costs with the rate of 25 % and rights with the rate of 3.125 % by using straight-line method on pro-rata basis.

The Company has depreciated the intangible fixed assets according to Turkish Tax Legislation by using straight-line method for leasehold improvements at the rate of 20 % and for the rights 3.125 % annually in its statutory records.

- g) Balance Sheet Items Denominated in Foreign Currencies:** Assets denominated in foreign currency are translated into YTL with Turkish Central Bank buying rates prevailing at the balance sheet date. Liabilities, which are denominated in foreign currency are translated into YTL with Turkish Central Bank selling rates prevailing at the balance sheet date. The currency differences of income or expenses arised from that operations are included in income statement.



h) Other Balance Sheet Items: Other balance sheet items are stated with the booked values.

12. Information on the subsequent events which have been explained in the appendix 1 of the Communiqué:

Ceiling of the retirement pay liability has been raised to YTL 1,649 starting by January 1, 2005.

Ceiling of the retirement pay liability has been raised to YTL 1,691 (historic YTL 1,485) starting by January 1, 2004.

13. Information on the income & loss depend on any kind of condition (the contents of the legal disputes which may effect the financial statements) which have been explained in the appendix 2 of the Communiqué:

There are no such cases as of December 31, 2004 and 2003.

14. Changes in the accounting estimates, which would materially effect the Company's gross margin rates:

There is no change on the accounting estimates, which have material effect on the gross margin rates of the Company as of December 31, 2004 and 2003.

15. The total amount of mortgages and guarantee letters on assets are:

Regarding the inventories and fixed assets of the Company as of December 31, 2004 and 2003;

On the two parcels of the land located in Büyükçekmece Eskice Region, there exists a right on behalf of İSKİ to take over the related land for the protection of the water sources existing on that land,

Related to the land located in İstanbul, Sarıyer Region was mortgaged from the first degree amounting to YTL 1.50 on behalf of Mobil Oil Türk A.Ş. at June 9, 1971 with journal number 1497,

Related with the ½ shares of Karaköy Business Center there is an agreement which is contingent to alive annuity on behalf of Nelly Rose.

Related to stores which were purchased in Beşiktaş, Etiler Alkent, according to the title-deed registry dated October 14, 1987 and numbered 6430; there are usage rights in favor of the patch numbered 1411-1 and against the patch numbered 1408-1 in order to use the central heating systems and in some parts in order to construct 1.5 meters width channels in the heating systems for 49 years period and with an amount of YTL 7.72. Apart from aforementioned usage right, with title deed registry dated February 26, 1992 and numbered 784, there is a personal usage right in favor of the owners on patch numbered 1410-1 which enables them to use the parking space that had been projected.

16. The total insurance coverage on assets:

The total insurance coverage on assets of the Company is amounting to YTL 33,979,920 and YTL 3,531,959 as of December 31, 2004 and 2003 respectively.



17. The total amount of mortgages and other guarantees received by the Company for its receivables are:

The total amount of the guarantee letters, notes of guarantee and mortgages are YTL 517,865 and YTL 1,134,137 as of December 31, 2004 and 2003 respectively, and the related breakdown is as follows:

	<u>31.12.2004</u>	<u>31.12.2003</u>
Notes of Guarantee	515,490	961,242
Letters of Guarantee	2,375	2,704
Mortgages Received	-	170,191
	<u>517,865</u>	<u>1,134,137</u>

18. The total amount of the commitments, which are not included in the liabilities:

The total amount of the commitments, which consist of guarantee letters are amounting to YTL 627,753 and YTL 13,210,463 as of December 31, 2004 and 2003 respectively.

19. The amount of blocked deposits in the bank accounts:

The Company does not have blocked deposit at its bank accounts as of December 31, 2004 and 2003. The Company has time deposits in the bank accounts amounting to YTL 81,846,606 and YTL 13,147,047 respectively as of December 31, 2004 and 2003.

20. Value of marketable securities and financial fixed assets, which are quoted to the stock exchange market in accordance with nominal values and value of financial fixed assets in accordance with market values:

The Company's Alarko Holding A.Ş. stocks' cost value is amounting to YTL 1,208,359 and the market value is YTL 1,966,811. The stocks' price, average of, weighted average prices of the Company in İstanbul Stock Exchange Market for the last five days prior to December 31, 2004 is amounting to YTL 38.97.

The Company's Alarko Holding A.Ş. stocks' cost value is amounting to YTL 1,208,359 and the market value is YTL 2,041,198. The stocks' price, average of, weighted average prices of the Company in İstanbul Stock Exchange Market for the last five days prior to December 31, 2003 is amounting to YTL 40.45.

21. The amount of the marketable securities issued by the participations, affiliates and shareholders:

The Company has no marketable security issued by the participations, affiliates and shareholders as of December 31, 2004 and 2003.



22. The breakdown of the accounts having the classification of "Others" and total amount exceeding either 20 % of the main group of accounts or 5 % of the total assets in the financial statements are as follows:

- a) **Other Marketable Securities:** As of December 31, 2004, Other Marketable Securities consists of variable funds Type-B amounting to YTL 41,601,381, public sector bonds and funds Type-B amounting to YTL 3,682,548 and liquid funds Type-B amounting to YTL 103,471.

As of December 31, 2003 this account consists of variable funds Type-B amounting to YTL 19,515,486, public sector bonds and funds Type-B amounting to YTL 9,987,098 and liquid funds Type-B amounting to YTL 102,522.

- b) **Other Sales:** As of December 31, 2004, total amount of other sales was YTL 3,529,864. YTL 152,453 of the total amount represents the rent charges to Alarko Carrier Sanayi ve Ticaret A.Ş. for the building in Ankara / Çankaya, YTL 54,757 represents rent charges to Altek Alarko Elektrik Santralleri Tesis ve İşletme A.Ş. for Şişhane building, YTL 3,313,925 represents rent charges to Attaş Turistik Tesisleri ve Ticaret A.Ş. for Hillside Beach Club 1. Class Holiday Village and YTL 8,729 of the total amount represents rent charges to other customers.

As of December 31, 2003, total amount of other sales was YTL 335,475. YTL 241,622 of the total amount represents the rent charges to Alarko Carrier Sanayi ve Ticaret A.Ş. for the building in Ankara / Çankaya, and to Altek Alarko Elektrik Santralleri Tesis ve İşletme A.Ş. for Şişhane building and YTL 93,852 of the total amount represents due date charges to customers.

- c) **Other Allowances:** As of December 31, 2004, Other Allowances amounting to YTL 435,716 represents the rent fee payable to Ministry of Environment and Forestry of the Republic of Turkey (T.C.) by the landlord (the Company) for Hillside Beach Club 1. Class Holiday Village which was leased to Attaş Alarko Turistik Tesisleri A.Ş.

- d) **Other Operating Income and Profits:** The breakdown of the Other Operating Income and Profits are as follows:

	<u>31.12.2004</u>	<u>31.12.2003</u>
Foreign Exchange Income	13,096,223	25,967,361
Gain on Sale of Marketable Securities	7,853,944	2,478,234
Rediscount Interest Income	-	29,050
Land Reservation Fee Income	110,240	-
Rent Fee to T.C. Ministry of Environment and Forestry	435,716	-
Other	474	43,335
	<u>21,496,597</u>	<u>28,517,980</u>



- e) **Other Operating Expenses and Losses:** The breakdown of the Other Operating Expenses and Losses are as follows:

	<u>31.12.2004</u>	<u>31.12.2003</u>
Foreign Exchange Losses	11,230,352	27,282,824
Construction Costs (Completed)	247,824	1,451,744
Income Tax and Fund Expenses on Marketable Securities (Footnote 33-b)	664,084	1,047,149
Land Reservation Fee Expense	110,240	-
Rent fee to T.C. Ministry of Environment and Forestry	435,716	-
Commission Expenses	-	1,269
Other	838	46,121
	<u>12,689,054</u>	<u>29,829,107</u>

23. **The summation of payables to and receivables from the personnel exceeding 1 % of the assets in the balance sheet and shown as other receivables and other short-term and long-term liabilities:**

Receivables from the personnel and payables to personnel does not exist as of December 31, 2004 and 2003.

24. **The reserve for doubtful receivables arising from the receivables from the shareholders, participations and affiliated companies:**

There is no reserve for doubtful receivables from the shareholders, participations and affiliated companies as of December 31, 2004 and 2003.

25. **The reserve for doubtful receivables for the receivables that are due or not collected (Totals are shown separately):**

There is no allowance for doubtful receivables that are due or not collected as of December 31, 2004 and 2003.

26. **The details of related parties and participations which the Company has relations with, the names and the ownership percentages and amounts of the participation in affiliated companies, the net profit or loss of the period in the last financial statements prepared by affiliated companies, whether they have been prepared according to the standards of Capital Market Board, whether they are subject to the independent audit and type of the independent audit report:**

The name, ownership percentage and the amount of the participation:

Participation	Ownership Percentage	Amount	
		<u>31.12.2004</u>	<u>31.12.2003</u>
Alarko Holding A.Ş.	0.00	1,208,359	1,208,359
Alsım Alarko Sanayi Tesisleri ve Ticaret A.Ş.	0.00	1,158	1,552
		<u>1,209,517</u>	<u>1,209,911</u>



According to the consolidated financial statements that are expressed in purchasing power of New Turkish Lira, the current period profit of Alarko Holding A.Ş. is amounting to YTL 10,943,979 as of September 30, 2004. These financial statements were prepared in accordance with the accounting standards of the CMB and were not subject to the independent audit.

The current year loss of Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. for the year ended December 31, 2004 is amounting to YTL 13,876,814. These financial statements are expressed in purchasing power of New Turkish Lira, are not prepared in accordance with the accounting standards of the CMB and are not subject to the independent audit.

According to the financial statements that are not expressed in purchasing power of Turkish Lira , the current period profit of Alarko Holding A.Ş. is amounting to YTL 10,545,174 as of September 30, 2003. These financial statements were prepared in accordance with the accounting standards of the CMB and were not subject to the independent audit.

The current year loss of Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. for the year ended December 31, 2003 is amounting to YTL 5,689,693. These financial statements are not expressed in purchasing power of Turkish Lira, are not prepared in accordance with the accounting standards of the CMB and are not subject to the independent audit.

27. The amount of free shares obtained from participations arising from increase in their share capital by using internal sources:

There are no free shares obtained as of December 31, 2004 from participations arising from increase in their share capital by using internal sources.

Free shares amounting to YTL 113 have been obtained from Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. as at December 31, 2003 arising from increase in share capital by using internal sources.

28. The ownership rights and their values on tangible fixed assets:

There are no ownership rights on tangible fixed assets as of December 31, 2004 and 2003.

29. Revaluation increase on tangible assets in the last three years are as follows:

According to the CMB Communiqué Serial Number: XI-20 revaluation fund reserve amounts are reduced from the cost of the related assets while restating the related assets.



30. The breakdown of the foreign currency denominated receivables, payables of the Company in terms of foreign currency amounts and their corresponding Turkish Lira equivalents are as follows:

	Foreign Currency	31.12.2004			31.12.2003		
		Foreign Currency Amount	Foreign Currency Rate	Amount In YTL	Foreign Currency	Foreign Currency Rate	Amount In YTL (*)
<u>Banks</u>	USD	436,661	1.3421	586,043	454,303	1.3958	634,132
	EURO	6,224,698	1.8268	11,371,279	39,982,329	1.7451	69,772,042
<u>Marketable Securities</u>	USD	4,967,500	1.3421	6,666,882	-	-	-
<u>Short-Term Trade Receivables</u>							
Notes Receivables	USD	84,270	1.3421	113,099	84,270	1.3958	117,627
<u>Trade Receivables</u>							
Receivables	USD	3,003,232	1.3421	4,030,638	-	-	-
<u>Trade Payables</u>							
Deposits and Guarantees Received	USD	21,190	1.3421	28,439	10,190	1.3958	14,224

(*) YTL figures are expressed in the purchasing power of YTL at December 31, 2003 for presentation purposes. The total amount of these figures expressed in purchasing power of YTL at December 31, 2004 is amounting to YTL 80,300,654.

31. The amount of the guarantee letters, warranties, advances, endorsements given in favor of the shareholders, participations and affiliated companies:

The Company has no obligation in the form of guarantees, endorsements, commitments or advances given to third parties on behalf of the shareholders and participations as of December 31, 2004 and 2003.

32. The average number of personnel in the year in terms of different categories are as follows:

	31.12.2004	31.12.2003
Manager	3	3
Administrative Personnel	6	13
	<u>9</u>	<u>16</u>



33. Other matters which might have significant effect on financial statements or which should be disclosed for the financial statements to be clear, interpretable and understandable are as follows:

As of December 31, 2004

- a) As the name of the Company was changed into Alarko Gayrimenkul Yatırım Ortaklığı Anonim Şirketi on July 31, 1996 through the publishment in Turkish Trade Register Gazette numbered 4096 and dated August 06, 1996, the Company is exempt from Corporation Tax in accordance with Article 8, Code 4-d and Income Tax stoppage rate is zero in accordance with Article 94, Code 6-a of the Income Tax Law, regarding the financial results after that date.
- b) The Company is not able to deduct the withholding and fund amounts related with time deposits and marketable securities due to the exemption stated above. In this respect, interest income and gain on the sale of marketable securities are disclosed with their gross values in the income statements for the year ended December 31, 2004 and 2003 whereas, withholding and fund amounts are reclassified as other operating expenses and losses.
- c) The value of real estates of the Company according to the expertise reports which are prepared by Elit Gayrimenkul Değerlendirme A.Ş., as of December 31, 2004 is as follows:

Definition of the Property	Nature	Expertise Amount	Expertise Date
Lands			
İzmir Güzelbahçe Terrain	120,540 m ²	4,220,000	11.01.2005
Büyükçekmece Eskice Terrain (*)	239,466 m ²	5,508,000	11.01.2005
Büyükçekmece Eskice Terrain (*)	819,272 m ²	5,802,505	11.01.2005
Maslak Terrain	19,200 m ²	23,040,000	11.01.2005
Buildings and Domiciles			
İstanbul Şişhane Business Center	730 m ²	850,000	11.01.2005
İstanbul Karaköy Business Center	1,730 m ²	785,000	11.01.2005
Ankara Çankaya Business Center	1,887 m ²	1,800,000	11.01.2005
Alkent İstanbul 2000 Büyükçekmece Houses	1 villa	840,000	11.01.2005
Hillside Beach Club Holiday Village	100,000 m ²	43,810,000	19.01.2005
Etiler Alkent Shopping Center	4,125 m ²	4,515,000	29.12.2004

(*) The project to construct 45 villas which was stated as Real Estate Project as of December 31, 2003 would be placed on 239,466 m² of the related land. Therefore, 239,466 m² of the land which was projected and the remaining 819,272 m² of the land which was not projected are shown separately as of December 31, 2004.



According to expertise reports the expertise amounts of İstanbul Karaköy Business Center and the villa in Alkent İstanbul 2000 Büyükçekmece are amounting to YTL 785,000 and YTL 840,000 respectively. Since the restated costs of these assets in financial statements are YTL 965,811 and YTL 1,339,861 respectively, the provision for decrease in value of İstanbul Karaköy Business Center amounting to YTL 180,811 is reduced from its restated cost and the provision for the villa in Alkent İstanbul 2000 Büyükçekmece amounting to YTL 499,861 is recorded to provision for decrease in value of inventories. YTL 675,914 of the total provision amounting to YTL 680,672 is recorded to prior year's general and administrative expenses. In current year YTL 4,758 is recorded in general and administrative expenses which is the net amount of the decrease amounting YTL 14,736 in general and administrative expenses for İstanbul Karaköy Business Center and increase amounting to YTL 19,494 in general and administrative expenses for Alkent İstanbul 2000 Büyükçekmece.

- d) According to the Board of Directors decision as of December 2, 2004, the Company has deducted the prior year's losses arising from the inflation adjustment from the shareholders' equity in accordance with the declaration of CMB dated December 31, 2003 and numbered MSD-10/694-19161. The breakdown of the deduction realized as of December 31, 2004 is as follows:

	Balances as of December 31, 2004	Amount Deducted	Remaining Balances	Balances as of December 31, 2004
Net Loss for the Year 2003 (*)	(9,365,773)	9,365,773	-	-
Nominal Extraordinary Reserves	101,532,487	(101,532,487)	-	-
Nominal Legal Reserves	844,983	(844,983)	-	-
Nominal Share Premiums	948,740	(948,740)	-	-
Nominal Share Capital	3,565,000	-	3,565,000	3,565,000
Shareholders' Equity				
Restatement Difference (*)	237,564,519 (*)	(96,968,538)	140,595,981	140,595,981
Prior Years' Losses (*)	(190,928,974) (*)	190,928,974	-	-

(*) Expressed in equivalent purchasing power of YTL at December 31, 2004.



- e) The breakdown of the foreign exchange gains/losses which are subjected to restatement and reclassified in the Income Statement is as follows:

	<u>31.12.2004</u>
Other Operating Income and Profit	13,096,223
Other Operating Expenses and Losses (-)	<u>11,230,352</u>
Net Foreign Exchange Gain	<u><u>1,865,871</u></u>

As the above foreign exchange income and losses are included in "Net Monetary Position" in the financial statements, net monetary loss would be YTL 13,833,515.

- f) As of December 31, 2004 the Company has entered into forward contract which enables the Company to exchange USD 5,000,000 with Euro 4,127,115 on February 16, 2005, in order to hedge the risk of bearing USD position in its financial statements.
- g) The lawsuit opened against the Company related with 15,250 m² land located in Muğla, Fethiye region, Kaya Village has resulted in favor of General Directorate of Forest. Due to decision of civil court, 5,146.77 m² of the land registry has been canceled and the Company has been disqualified to intervention and sentenced to the expenses of the trial. However the decision has not been announced to the Company's lawyer and General Directorate of Forest as of December 31, 2004, after the announcement has been realized the Company will apply for the superior courts' decision.
- h) As of December 31, 2003, the Company had capitalized the project expenses related to Emlak Bankası Ataşehir East and West Region adjudication. However, since the adjudication was lost and resulted in 2004, the Company expensed the total amount of project expenses which amounts to YTL 216,419 in the current year.
- i) Explanation provided in accordance with the decision of CMB numbered 7/242 and dated February 25, 2005; Since the Company has loss for the current period in its financial statements prepared in accordance with the Communiques Serial Number: XI-20 and Serial Number: XI-I issued by CMB, no profit could be distributed. There is no decision given by the Board of Directors as of the reporting date regarding the profit appropriation.



As of December 31, 2003

- a) As the name of the Company was changed into Alarko Gayrimenkul Yatırım Ortaklığı Anonim Şirketi on July 31, 1996 through the publishment in Turkish Trade Register Gazette numbered 4096 and dated August 06, 1996, the Company is exempt from Corporation Tax in accordance with Article 8, Code 4-d, and Income Tax stoppage rate is zero in accordance with Article 94, Code 6-a of the Income Tax Law, regarding the financial results after that date.
- b) The Company is not able to deduct the withholding and fund amounts related with time deposits and marketable securities due to the exemption stated above. In this respect, Interest Income and Gain on the Sale of Marketable Securities are disclosed with their gross values in the income statements for the year ended December 31, 2003 whereas, withholding and fund amounts are reclassified as Other Operating Expenses and Losses.
- c) The value of real estates of the Company according to the expertise reports which are prepared by the Gayrimenkul Ekspertiz ve Değerlendirme A.Ş., as of December 31, 2003 is as follows:

Definition of the Property	Nature	Expertise Amount	Expertise Date
Land			
İzmir Güzelbahçe Terrain	120,540 m ²	4,183,629	20.01.2004
Büyükçekmece Eskice Terrain	1,058,738 m ²	11,583,244	07.01.2004
Maslak Terrain	19,200 m ²	24,043,058	06.01.2004
Binalar-Konutlar			
İstanbul Şişhane Business Center	730 m ²	967,642	06.01.2004
İstanbul Karaköy Business Center	1,730 m ²	796,881	06.01.2004
Ankara Çankaya Business Center	1,887 m ²	1,730,372	08.01.2004
Alkent İstanbul 2000 Büyükçekmece Houses	1 villa	859,494	07.01.2004
Real Estate Projects			
Büyükçekmece Eskice Village(*)	45 adet villa	29,325,245	07.01.2004

(*) During the previous period this real estate project was projected of 90 villas on a land of 861,147 m² by the Company and the expertise value of this project was stated amounting to YTL 73,341,572. In the current year, this project was revised of 45 villas on a land of 239,466 m² and the expertise value is stated amounting to YTL 29,325,245 as of December 31, 2003.

In the Company's records the restated net book values of İstanbul Karaköy Business Center and the villa in Alkent İstanbul 2000 Büyükçekmece are amounting to YTL 992,428 and YTL 1,339,861, and the values according to the expertise reports are amounting to YTL 796,881 and YTL 859,494 respectively. Accordingly, the provision for decrease in value of inventories for İstanbul Karaköy Business Center amounting to YTL 195,547 is reduced from its restated cost and the provision for the villa in Alkent İstanbul 2000 Büyükçekmece amounting to YTL 480,367 is recorded to provision for decrease in value of inventories. Total provision amounting to YTL 675,914 is recorded to general and administrative expenses.



- d) According to the requirement of Capital Market Board Regulations Serial Number: VI-11 item 30, Real Estate Investment Trusts should contain at least 3 real estate projects apart from the capital market tools and their ratio to total portfolio should not be less than 10 %. The Company's portfolio as at December 31, 2003 regarding the real estate projects is as follows:

Type	December 31, 2003 Portfolio Value	Ratio to Total
Lands	42,155,039	89.36 %
Buildings and Domiciles	4,251,933	9.01 %
Real Estate Projects	767,680	1.63 %
	<u>47,174,652</u>	<u>100.00 %</u>

As a result of the realization of the deliveries of 98 villas within "The Alkent İstanbul 2000 Büyükçekmece Project", purchase of the Land in Maslak, Sarıyer and the increase in expertise values of other lands, the value of the real estate projects and the buildings in total portfolio is decreased. In line with recovery of market conditions, by purchasing new real estates and by starting the new real estate projects which are under preparation, the value of real estate projects and the buildings in the portfolio will increase.

- e) The Company has signed an agreement with Alsim at September 17, 2003 in order to buy Hillside Beach Club 1. Class Holiday Village by transferring the whole establishing, including building, fixed assets, furniture, cash registers and all the other related parts. In addition, Alsim has owned the continuous rights of Hillside Beach Club which had the Operating Certificate from The Ministry of Tourism as of December 10, 1986 and No: 2761. The process has not been finalized as of reporting date.
- f) Shareholders' Equity Accounts are carried to the balance sheet date by restating these items with the general price index as of balance sheet date. The inflation effect derived from the shareholders' equity items which are stated at nominal values in the accompanying financial statements is shown under the "Reserves" Account within the "Shareholders' Equity Restatement Differences" Account. The breakdown of "Shareholders' Equity Restatement Differences" Account as of December 31, 2003 is as follows:

Account Name	December 31, 2003
Share Capital	54,219,174
Emission Premium	945,233
Legal Reserves	3,942,032
Extraordinary Reserves	163,664,084
	<u>222,770,523</u>



According to the accompanying restated financial statements expressed in equivalent purchasing power of Turkish Lira as of December 31, 2003, prepared in line with CMB's Communique Serial Number: XI-20, the restatement difference for the above shareholders' equity items is amounting to YTL 222,770,523. The total difference due to restatement in financial statements as of December 31, 2003, is amounting to YTL 190,928,974 and classified as "Prior Years' Losses" Account. If these two accounts are evaluated together, "Shareholders' Equity Restatement Difference" Account balance is amounting to YTL 31,841,549.

- g) The breakdown of the foreign exchange gains/losses which are subjected to restatement and reclassified in the Income Statement is as follows:

	<u>31.12.2003</u>
Other Operating Income and Profit	25,967,361
Other Operating Expenses and Losses (-)	<u>27,282,824</u>
Net Foreign Exchange Losses	<u><u>1,315,463</u></u>

As the above foreign exchange income and losses are included in "Net Monetary Position" in the financial statements, net monetary loss would be YTL 17,588,712.

**ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****RESTATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**
(In New Turkish Lira (YTL) in Equivalent Purchasing Power at December 31, 2004)

	31 December 2004	31 December 2003
A- GROSS SALES	3,529,864	972,293
1- Domestic Sales	-	636,818
2- Other Sales	3,529,864	335,475
B- SALES ALLOWANCES (-)	-	(17,825)
1- Sales Discounts (-)	-	(17,825)
C- NET SALES	3,529,864	954,468
D- COST OF SALES (-)	-	(558,686)
GROSS PROFIT	3,529,864	395,782
E- OPERATING EXPENSES (-)	(2,554,922)	(1,353,189)
1- General and Administrative Expenses (-)	(2,554,922)	(1,353,189)
INCOME / (LOSS) FROM MAIN OPERATIONS	974,942	(957,407)
F- OTHER OPERATING INCOME AND PROFIT	23,617,808	37,669,507
1- Dividends from Participations	18	11,883
2- Interest and Other Dividends Income	2,121,193	9,139,644
3- Other Operating Income and Profits	21,496,597	28,517,980
G- OTHER OPERATING EXPENSES AND LOSSES (-)	(12,689,054)	(29,829,107)
H- FINANCIAL EXPENSES (-)	-	(3,412)
1- Short-Term Financial Expenses (-)	-	(3,412)
OPERATING PROFIT	11,903,696	6,879,581
I- EXTRAORDINARY INCOME AND PROFITS	8,638	27,902
1- Recovery of Prior Years' Provisions	8,635	22,169
2- Other Extraordinary Income and Profits	3	5,733
J- EXTRAORDINARY EXPENSES AND LOSSES (-)	(3)	(7)
1- Other Extraordinary Expenses and Losses (-)	(3)	(7)
INCOME FOR THE YEAR	11,912,331	6,907,476
K- PROVISION FOR TAXATION (-)	-	-
NET INCOME FOR THE YEAR	11,912,331	6,907,476
L- NET MONETARY LOSS (-)	(15,699,386)	(16,273,249)
NET LOSS FOR THE YEAR (-)	(3,787,055)	(9,365,773)

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



NOTES TO THE STATEMENTS OF INCOME

(All currencies are in (YTL), unless otherwise indicated)

1. Depreciation and amortization expenses incurred during the current year is as follows:

	<u>31.12.2004</u>	<u>31.12.2003</u>
a) Depreciation Expenses	447,717	221,771
b) Amortization Expenses	742,791	19,434
	<u>1,190,508</u>	<u>241,205</u>

2 Provision expenses for the year are as follows:

	<u>31.12.2004</u>	<u>31.12.2003</u>
a) Retirement Pay Liability	21,001	21,779
	<u>21,001</u>	<u>21,779</u>

3. Financial expenses during the year:

	<u>31.12.2004</u>	<u>31.12.2003</u>
a) Allocated to the Cost of Production	-	-
b) Allocated to the Cost of Fixed Assets	-	-
c) Directly Charged to Expenses	-	3,412
	<u>-</u>	<u>3,412</u>

4. Financial expenses related with the shareholders, participations and affiliated companies for the current year (The ones which exceed 20 % of the total amount will be shown separately):

The Company does not have financial expenses related with shareholders, participation and affiliated companies as of December 31, 2004 and 2003.

5. Purchases from and sales to the shareholders, participations and affiliated companies (The breakdown of the accounts having total amount exceeding 20 % of the main group of accounts will be shown separately):

The Company has purchased Hillside Beach Club 1. Class Holiday Village amounting to YTL 36,390,697 and 39 stores in Etiler, Alkent amounting to YTL 4,200,000 from one of its shareholders namely Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. as of December 31, 2004.

As of December 31, 2003 there is no purchase from and sales to shareholders, participations and affiliated companies.



6. Other transactions with the affiliated companies, participations and shareholders such as rent and interest, expenses (The breakdown of the accounts having total amount exceeding 20 % of the main group of accounts will be shown separately):

The Company has issued invoices related to rent, service and other miscellaneous expenses to its group companies amounting to YTL 4,265,573 and the same stated expenses which were invoiced by the group companies to the Company is amounting to YTL 422,008 as of December 31, 2004.

The Company has issued invoices related to rent, service and other miscellaneous expenses to its group companies amounting to YTL 283,254 and the same stated expenses which were invoiced by the group companies to the Company is amounting to YTL 168,430 as of December 31, 2003.

The breakdown of the rent income received from the group companies as of December 31, 2004 and 2003 is as follows:

	<u>31.12.2004</u>	<u>31.12.2003</u>
Attaş Alarko Turistik Tesisler A.Ş.	3,313,925	-
Alarko Carrier Sanayi ve Ticaret A.Ş.	152,453	178,590
Altek Alarko Elektrik Santralleri Tesis İşletme ve Ticaret A.Ş.	54,757	63,032
	<u>3,521,135</u>	<u>241,622</u>

7. During the current year, the total amount of salary and other benefits provided to the executives such as the Chairman and members of the Board of Directors, general manager, general coordinator and general manager assistants:

The total amount of salary and other benefits provided to the executives such as the Chairman and members of the Board of Directors, general manager, general coordinator and assistant general manager during the year 2004 is amounting to YTL 402,935.

The total amount of salary and other benefits provided to the executives such as the Chairman and members of the Board of Directors, general manager, general coordinator and assistant general manager during the year 2003 is amounting to YTL 405,968.

8. Depreciation calculation methods applied by the Company and increases (+) and decreases (-) in the amount of depreciation expense due to the changes in the methods:

The depreciation amount for tangible and intangible assets is calculated over the restated amounts by using straight-line method on pro-rata basis as of December 31, 2004 and 2003.

9. Costing system (order and process costing etc.) and valuation of inventories (weighted moving average method, first in first out, weighted average method etc.):

Inventories are valued at cost of acquisition as of December 31, 2004 and 2003.



10. The reason of the inventory count incomplete or partially could not be performed:

The inventories consist of buildings and lands which are included in merchandise account and purchased for resale as of December 31, 2004 and 2003. There are no raw materials as at year end.

11. Scrap sales included in domestic and foreign sales and the breakdown of service sales, which exceed 20 % of gross sales in separate totals:

The Company does not have scrap sales and service sales for the years ended December 31, 2004 and 2003.

12. Incentives and subventions related to domestic and export sales:

The Company does not have any incentive or subvention related to domestic and export sales as of December 31, 2004 and 2003.

13. The detail and the sources of prior years' income and profits and prior years' expenses and losses are as follows:

Prior Years' Income and Profits:

The Company does not have any prior years' income and profits as of December 31, 2004 and 2003.

Prior Years' Expenses and Losses:

The Company does not have any prior years' expenses and losses as of December 31, 2004 and 2003.

14. The earnings per share and dividends per share ratio for the ordinary and privileged shares separately are as follows:

Due to net loss realized in the restated financial statements expressed in equivalent purchasing power of New Turkish Lira for the years ended 2004 and 2003 according to the Communiqué XI-20, the Company will not realize profit distribution.

There is no decision given by the Board of Directors as at the reporting date regarding the profit appropriation.

15. The changes in the production quantity of the services and goods produced in the current year for each main production group separately are as follows:

The Company did not produce services and goods during the years ended December 31, 2004 and 2003.

16. The changes in the sales of services and goods realized in the current year for each main sales group separately are as follows:

<u>Main Sales Group</u>	<u>31.12.2004</u>	<u>31.12.2003</u>
Villa and Land Sales	-	636,818
Rent Income	3,529,864	241,622
Due Date Differences	-	93,853
	<u>3,529,864</u>	<u>972,293</u>

**ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****RESTATED STATEMENTS OF FUND FLOWS FOR THE YEARS ENDED
DECEMBER 31, 2004 AND 2003****(In New Turkish Lira (YTL) in Equivalent Purchasing Power at December 31, 2004)**

	31 December 2004	31 December 2003
A- SOURCES	82,845,195	65,487,252
1- Sources from Operations	13,570,415	7,112,370
a) Profit from Operations	11,903,696	6,879,581
b) Depreciation Expense (+)	1,190,508	241,204
c) Expenses not Requiring Outflow of Funds (+)	476,211	22,257
d) Income not Generating Inflow of Funds (-)	-	(30,672)
2- Sources from Extraordinary Profits	8,638	27,902
a) Extraordinary Profit	8,638	27,902
3- Decrease in Current Assets	68,942,679	58,346,750
4- Decrease in Fixed Assets	-	230
5- Increase in Short-Term Liabilities	323,463	-
B- USE OF FUNDS	82,845,195	65,487,252
1- Funds Used for Extraordinary Losses	3	7
a) Extraordinary Losses	3	7
2- Increase in Current Assets	26,481,588	45,666,009
3- Increase in Fixed Assets	40,647,896	1,059,784
4- Decrease in Short-Term Liabilities	478	1,629,036
5- Net Monetary Loss	15,699,386	16,273,249
6- Decrease in Long-Term Liabilities	15,844	29,598
7- Dividends Paid	-	829,569
CHANGE IN NET WORKING CAPITAL		
Decrease in Net Working Capital (-)	(43,239,286)	(11,022,166)



ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
RESTATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED
DECEMBER 31, 2004 AND 2003

(In New Turkish Lira (YTL) in Equivalent Purchasing Power at December 31, 2004)

	31 December 2004	31 December 2003
A- CASH AT BEGINNING OF THE YEAR	81,847,567	136,957,304
B- CASH PROVIDED DURING THE YEAR	23,512,014	39,945,679
1- Cash Provided from Sales	(479,957)	2,246,507
a) Net Sales	3,529,864	954,467
b) Decrease in Receivables (Arising from Sales)	-	1,292,040
c) Increase in Receivables (-) (Arising from Sales)	(4,009,821)	-
2- Cash Provided from Other Operating Income and Profits	23,617,808	37,669,507
3- Cash Provided from Extraordinary Income and Profits	8,638	27,902
4- Increase in Short-Term Liabilities (not Related to Purchases)	336,179	-
a) Other Increases	336,179	-
5- Cash Provided from Other Activities	29,346	1,763
C- CASH USED DURING THE YEAR	92,221,633	95,055,416
1- Cash Used for the Costs	(199,683)	14,948,863
a) Cost of Sales	-	558,686
b) Increase in Inventories	-	14,373,609
c) Decrease in Payables (Arising from Purchases)	12,716	16,568
d) Decrease in Inventories (-)	(212,399)	-
2- Cash Used in Operating Expenses	1,343,413	1,089,727
a) General and Administrative Expenses	2,554,922	1,353,189
b) Expenses not Requiring Cash Outflow (-)	(1,211,509)	(263,462)
3- Cash Used for Expenses and Losses from Other Operations	12,253,816	29,829,107
a) Other Operating Expenses and Losses	12,689,054	29,829,107
b) Expenses not Requiring Cash Outflow (-)	(435,238)	-
4- Cash Used for Financial Expenses	-	3,412
5- Cash Used in Extraordinary Expenses and Losses	3	7
a) Extraordinary Expenses and Losses	3	7
6- Net Monetary Loss	15,699,386	16,273,249
7- Cash Used in Fixed Asset Investments	40,647,896	1,059,557
8- Dividends Paid	-	829,569
9- Cash Used in Other Activities	22,466,802	31,021,925
D- CASH AT THE END OF THE YEAR (A+B-C)	13,147,948	81,847,567
E- (DECREASE) IN CASH (B-C)	(68,699,619)	(55,109,737)



ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**RESTATED STATEMENTS OF COST OF SALES FOR THE YEARS ENDED
DECEMBER 31, 2004 AND 2003**

(In New Turkish Lira (YTL) in Equivalent Purchasing Power at December 31, 2004)

	31 December 2004	31 December 2003
I- COST OF GOODS SOLD	-	-
TRADING OPERATIONS		
A- Merchandise at the Beginning of the Period (+)	29,499,330	13,182,510
B- Purchases During the Period (+)	32,650	16,875,506
C- Current Year Expenses (-) (*)	(216,419)	-
D- Merchandise at the End of the Period (-)	(29,315,561)	(29,499,330)
II- COST OF MERCHANDISES SOLD	-	558,686
III- COST OF SERVICES SOLD	-	-
COST OF SALES (I+II+III)	-	558,686
(*) Explained in footnote number 33-h to restated balance sheet.		



ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
RESTATED STATEMENTS OF PROFIT APPROPRIATION FOR THE YEARS
ENDED DECEMBER 31, 2004 AND 2003
(In New Turkish Lira (YTL) in Equivalent Purchasing Power at December 31, 2004)

	31 December 2004 (*)	31 December 2003
A- APPROPRIATION OF INCOME		
1- Income / (Loss) for the Year	(3,787,055)	(9,365,773)
2- Prior Years' Losses (-)	-	(190,928,974)
3- Taxes and Funds Payable	-	-
4- First Legal Reserves	-	-
NET DISTRIBUTABLE INCOME / (LOSS)	(3,787,055)	(200,294,747)
5- First Dividend to Shareholders - To the Owners of Ordinary Shares	-	-
6- Second Dividend to Shareholders - To the Owners of Ordinary Shares	-	-
7- Second Legal Reserves	-	-
EXTRAORDINARY RESERVES	-	-
B- EARNINGS PER SHARE (YTL / %) - To the Owners of Ordinary Shares (YTL / %)	-	-
C- DIVIDENDS PER SHARE (YTL / %) - To the Owners of Ordinary Shares (YTL / %)	-	-
(*) There is no decision given by the Board of Directors as at the reporting date regarding the profit appropriation.		



PROPOSAL FOR PROFIT APPROPRIATION

In accordance with the Communiqué on “Rules and Principles Regarding the Restatement of the Financial Statements During the High Inflationary Periods” with Serial Number: XI-20 published by the Capital Market Board, net loss for the year in the restated financial statements is YTL 3,787,055.

Therefore, we kindly propose the General Assembly that there is no need to make a decision about profit appropriation.

Board of Directors

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

Phone: (90 212) 227 52 00
Fax: (90 212) 261 84 31

Web Site: www.alarkoyatirim.com.tr
e-mail: agmyo@alarko.com.tr