

**ALARKO GAYRİMENKUL YATIRIM
ORTAKLIĞI ANONİM ŞİRKETİ**

**FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2017 AND
INDEPENDENT AUDITOR'S REPORT**

**(CONVENIENCE TRANSLATION OF
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH)**

**(CONVENIENCE TRANSLATION OF
INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)**

INDEPENDENT AUDITOR'S REPORT

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

A) Report on the Audit of the Financial Statements

1) Opinion

We have audited the financial statements of Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. ("the Company"), which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Turkish Accounting Standards (TAS).

2) Basis for Opinion

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

3) Key Audit Matters

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

3) Key Audit Matters (cont'd)

Key Audit Matter	How the matter was addressed in the audit
<p>Fair value determination of investment properties</p> <p>As explained in Note 8, fair value of investment properties of the Company is TL 517.115.000 as of 31 December 2017.</p> <p>The Company's fair value of investment properties is taken into records according to valuation reports obtained from the independent valuation experts. Investment properties constitute a significant part of the Company's financial statements and various estimates and assumptions were used by independent valuation company when carrying out the valuation. Thus, determining the fair value of investment properties and accuracy of the fair value amounts stated in the financial statements is considered as key audit matter.</p> <p>Accounting policies initiated to investment properties are in Note 2 and initiated explanations are in Note 8.</p>	<p>Throughout our audit, below procedures are performed in order to evaluate the accuracy of fair value of such investment properties:</p> <ul style="list-style-type: none"> • Assessment of competence and independence of valuation experts appointed by the Company's management, • Assessment of suitability of the valuation methods used by valuation experts, • Involvement of independent experts in audit process and by negotiating with the experts appointed by Company's management, assessment and examination of the assumptions used in valuation reports (including real discount rates, market rents, market values and estimated occupancy rate), • By negotiating with Company's management; <ul style="list-style-type: none"> ➢ Assessment of future plans and explanations used in valuation reports in terms of macroeconomic data: ➢ Analysing estimates and assumptions used in valuation reports by comparing them with previous years' data, ➢ Assessment of cash flow estimates prepared for each cash generating unit and by comparing them with previous financial results deciding if they are reasonable. • Assessment of the completeness of the disclosure requirements under TAS regarding to fair value of investment properties and review of the explanations in the financial statement disclosures.

4) Other Matters

The financial statements of Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. for the year ended 31 December 2016 was audited by another auditor who expressed an unmodified opinion on those financial statements on 27 February 2017.

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

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

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

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

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

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

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

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

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

6) Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

B) Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No. 6102 ("TCC"), the auditor's report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Company on 23 February 2018.

In accordance with paragraph four of the Article 402 of TCC, nothing has come to our attention that may cause us to believe that the Company's set of accounts and financial statements prepared for the period 1 January-31 December 2017 does not comply with TCC and the provisions of the Company's articles of association in relation to financial reporting.

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

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

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



Koray Öztürk
Partner

İstanbul, 23 February 2018

INDEX	PAGE
STATEMENT OF FINANCIAL POSITION	1-2
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	3
STATEMENT OF CHANGES IN EQUITY	4
STATEMENT OF CASH FLOWS	5
NOTES TO THE FINANCIAL STATEMENTS	6-53
NOTE 1 ORGANIZATION AND OPERATIONS OF THE COMPANY	6
NOTE 2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS	7-22
NOTE 3 CASH AND CASH EQUIVALENTS	23
NOTE 4 FINANCIAL INVESTMENTS	23-24
NOTE 5 TRADE RECEIVABLES AND PAYABLES	24-25
NOTE 6 OTHER RECEIVABLES AND PAYABLES	25
NOTE 7 INVENTORIES	26
NOTE 8 INVESTMENT PROPERTIES	27-28
NOTE 9 PROPERTY, PLANT AND EQUIPMENT	29
NOTE 10 INTANGIBLE ASSETS	30
NOTE 11 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	31
NOTE 12 EMPLOYEE BENEFITS	32-33
NOTE 13 OTHER ASSETS AND LIABILITIES	33
NOTE 14 SHARE CAPITAL	34-35
NOTE 15 REVENUE AND COST OF SALES	35
NOTE 16 GENERAL ADMINISTRATIVE EXPENSES	36
NOTE 17 EXPENSES BY NATURE	36-37
NOTE 18 OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES	37-38
NOTE 19 INCOME AND EXPENSES FROM INVESTING ACTIVITIES	38
NOTE 20 TAX ASSETS AND LIABILITIES	38
NOTE 21 EARNINGS PER SHARE	39
NOTE 22 RELATED PARTY DISCLOSURES	39-40
NOTE 23 NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS	40-48
NOTE 24 FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING)	49-51
NOTE 25 SEGMENT REPORTING	51
NOTE 26 EVENTS AFTER THE REPORTING PERIOD	51
NOTE 27 DISCLOSURE OF OTHER MATTERS THAT MAY AFFECT FINANCIAL STATEMENTS SIGNIFICANTLY OR IS NECESSARY FOR FINANCIAL STATEMENTS TO BE CLEAR, INTERPRETABLE AND COMPREHENSIBLE	52
NOTE 28 SUPPLEMENTARY NOTES: MONITORING COMPLIANCE WITH PORTFOLIO RESTRICTIONS	52-53

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**AUDITED STATEMENTS OF FINANCIAL POSITION
AS OF 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

		Current Year	As Restated	As Restated
	Notes	31 December	Prior Year (*)	Prior Year (*)
		2017	31 December	1 January
			2016	2016
ASSETS				
Current Assets		405.320.291	354.401.310	284.873.223
Cash and Cash Equivalent	3	74.465.493	68.682.082	48.761.157
Financial Investments	4	304.929.466	254.724.594	202.452.849
Trade Receivables		22.122.031	16.181.512	14.574.365
<i>Trade Receivables from Related Parties</i>	5,22	<i>21.971.729</i>	<i>16.032.283</i>	<i>14.484.726</i>
<i>Trade Receivables from Third Parties</i>	5	<i>150.302</i>	<i>149.229</i>	<i>89.639</i>
Inventories	7	3.271.735	14.547.444	17.328.264
Prepaid Expenses		186.480	32.659	110.579
Other Current Assets	13	345.086	233.019	1.646.009
Non-Current Assets		521.644.242	426.314.249	365.556.084
Financial Investments	4	4.417.029	2.634.939	1.856.415
Other Receivables	6	24.084	15.788	15.165
<i>Other Receivables from Third Parties</i>		<i>24.084</i>	<i>15.788</i>	<i>15.165</i>
Investment Properties	8	517.115.000	423.551.000	363.609.000
Property, Plant and Equipment	9	34.723	53.690	60.582
Intangible Assets		53.406	58.832	14.689
<i>Other Intangible Assets</i>	10	<i>53.406</i>	<i>58.832</i>	<i>14.689</i>
Prepaid Expenses		-	-	233
TOTAL ASSETS		926.964.533	780.715.559	650.429.307

(*) Restatement effects explained in Note 2.vi.

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

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**AUDITED STATEMENTS OF FINANCIAL POSITION
AS OF 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

		Current Year 31 December 2017	As Restated Prior Year (*) 31 December 2016	As Restated Prior Year (*) 1 January 2016
	Notes			
LIABILITIES				
Current Liabilities				
Trade Payables		5.627.487	3.732.052	3.416.499
<i>Trade Payables to Related Parties</i>	5.22	2.139.352	1.767.351	1.759.505
<i>Trade Payables to Third Parties</i>	5	21.760	42.351	14.826
Payables Related to Employee Benefits	12	2.117.592	1.725.000	1.744.679
Other Payables	6	79.860	77.415	66.380
<i>Other Payables to Third Parties</i>		3.367.816	1.857.990	1.564.736
<i>Other Payables to Third Parties</i>		3.367.816	1.857.990	1.564.736
Deferred Income		40.459	29.296	25.878
Non-Current Liabilities				
Other Payables	6	1.809.149	950.456	752.384
<i>Other Payables to Third Parties</i>		1.435.838	606.309	467.455
<i>Other Payables to Third Parties</i>		1.435.838	606.309	467.455
Long-term Provisions		373.311	344.147	284.929
<i>Long-term Provisions for Employee Benefits</i>	12	373.311	344.147	284.929
EQUITY				
Equity Attributable to Owners of the Company				
Share Capital	14	919.527.897	776.033.051	646.260.424
Adjustments to Share Capital	14	919.527.897	776.033.051	646.260.424
Other Comprehensive Income or Expenses That will not be Reclassified Subsequently to Profit or (Loss)		10.650.794	10.650.794	10.650.794
- <i>Gains / (Losses) on Revaluation and Remeasurement for Defined Benefit Plans</i>		54.712.578	54.712.578	54.712.578
- <i>Gains / (Losses) on Revaluation and Remeasurement for Defined Benefit Plans</i>		(11.442)	(17.903)	(9.767)
Other Comprehensive Income or Expenses That May Be Reclassified Subsequently to Profit or (Loss)		(11.442)	(17.903)	(9.767)
- <i>Gains/(Losses) on Revaluation and Remeasurement of Available for Sale Financial Assets</i>	4	3.154.235	1.372.145	593.621
- <i>Gains/(Losses) on Revaluation and Remeasurement of Available for Sale Financial Assets</i>		3.154.235	1.372.145	593.621
Restricted Reserves Appropriated from Profit	14	5.214.716	4.202.891	3.585.146
Prior Years' Profit/(Losses)	14	693.449.927	569.400.307	384.936.809
Net Profit/Loss for the Year	21	152.357.089	135.712.239	191.791.243
TOTAL LIABILITIES AND EQUITY		926.964.533	780.715.559	650.429.307

(*) Restatement effects explained in Note 2.vi.

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

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**AUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD BETWEEN 1 JANUARY – 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

		Current Year	As Restated
		1 January-	Prior Year (*)
		31 December	1 January-
	Notes	2017	2016
Revenue	15	40.918.147	23.791.105
Cost of Sales (-)	15	<u>(11.284.919)</u>	<u>(2.780.820)</u>
GROSS PROFIT/(LOSS)		29.633.228	21.010.285
Administrative expenses (-)	16,17	(5.385.225)	(5.338.706)
Other Income from Operating Activities	18	141.226.710	128.082.714
Other Expenses from Operating Activities (-)	18	<u>(13.306.235)</u>	<u>(8.200.217)</u>
OPERATING PROFIT/(LOSS)		152.168.478	135.554.076
Income from Investing Activities	19	188.611	158.163
OPERATING PROFIT/(LOSS) BEFORE FINANCE INCOME/(EXPENSE)		152.357.089	135.712.239
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		152.357.089	135.712.239
Tax Expense/Income from Continuing Operations			
Current Tax (Expense)/Income	20	-	-
Deferred Tax (Expense)/Income		-	-
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		152.357.089	135.712.239
PROFIT/(LOSS) FOR THE YEAR	21	152.357.089	135.712.239
OTHER COMPREHENSIVE INCOME			
Items that will not be Reclassified Subsequently to Profit or (Loss)			
Gain/(Loss) on Remeasurement of Defined Benefit Plans	12	6.461	(8.136)
Items that may be Reclassified Subsequently to Profit or (Loss)			
Gain/(Loss) on Revaluation and/or Reclassification of Available for Sale Financial Assets	14	1.782.090	778.524
OTHER COMPREHENSIVE INCOME/(EXPENSE)		1.788.551	770.388
TOTAL COMPREHENSIVE INCOME/(EXPENSE)		154.145.640	136.482.627
Earnings per share			
Earnings/(Loss) per share from continuing operations	21	14,3048	12,7420

(*) Restatement effects explained in Note 2.vi.

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

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**AUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD BETWEEN 1 JANUARY – 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

	Notes	Share Capital	Adjustments to Share Capital	Accumulated Gain/Loss on Remeasurement of Defined Benefit Plans	Accumulated Gain/Loss on Revaluation and/or Reclassification of Available for Sale Financial Assets	Restricted Reserves Appropriated from Profit	Prior Years' Profit/(Losses)	Net Profit/(Loss) for the Year	Total Equity
Balances as of 1 January 2016 (Reported)		10.650.794	54.712.578	(9.767)	593.621	3.585.146	384.936.809	131.791.243	586.260.424
Revaluation Effect	2.vi	-	-	-	-	-	-	-	-
Balances as of 1 January 2016 (Restated)		10.650.794	54.712.578	(9.767)	593.621	3.585.146	384.936.809	131.791.243	60.000.000
Transfers		-	-	-	-	617.745	184.463.498	(185.081.243)	646.260.424
Total Comprehensive Income / (Expense)		-	-	(8.136)	778.524	-	-	135.712.239	136.482.627
Dividends		-	-	-	-	-	-	(6.710.000)	(6.710.000)
Balances as of 31 December 2016 (Closing balances)		10.650.794	54.712.578	(17.903)	1.372.145	4.202.891	569.400.307	135.712.239	776.033.051
Balances as of 1 January 2017 (Reported)		10.650.794	54.712.578	(17.903)	1.372.145	4.202.891	509.400.307	133.207.239	713.528.051
Revaluation Effect		-	-	-	-	-	-	-	-
Balances as of 1 January 2017 (Restated)		10.650.794	54.712.578	(17.903)	1.372.145	4.202.891	569.400.307	2.505.000	62.505.000
Transfers		-	-	-	-	1.011.825	124.049.620	(125.061.445)	776.033.051
Total Comprehensive Income / (Expense)		-	-	6.461	1.782.090	-	-	152.357.089	154.145.640
Dividends		-	-	-	-	-	-	(10.650.794)	(10.650.794)
Balances as of 31 December 2017 (Closing Balances)		10.650.794	54.712.578	(11.442)	3.154.235	5.214.716	693.449.927	152.357.089	919.527.897

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

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**AUDITED STATEMENTS OF CHANGES IN CASH FLOWS
FOR THE PERIOD BETWEEN 1 JANUARY – 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

	Current Year 1 January- 31 December 2017	As Restated Prior Year (*) 1 January- 31 December 2016
	Notes	
A. Cash Flows from Operating Activities		
Profit/Loss for the Year	152.357.089	135.712.239
Adjustments to Reconcile Profit/Loss for the Year	(99.581.518)	(66.173.148)
- Adjustments Related to Depreciation and Amortization Expenses	9,10 29.704	20.670
- Adjustments Related to Gain/Loss on Fair Value	8 (92.751.316)	(59.720.318)
- Adjustments Related to Provisions	12 65.623	57.958
- Adjustments Related to Interest Income and Expenses	18 (7.142.057)	(6.689.599)
- Adjustments Related to Gain/Loss on Disposal of Non-Current Assets	19 -	(22)
- Other Adjustments Related to Profit/(Loss)	5 216.528	158.163
Changes in working capital	7.758.053	3.118.578
- Adjustments Related to Increase/Decrease in Inventories	7 11.275.709	2.780.820
- Adjustments Related to Increase/Decrease in Trade Receivables	5,22 (5.968.436)	(1.607.169)
- Adjustments Related to Increase/Decrease in Other Receivables from Operations	6 (8.296)	(623)
- Adjustments Related to Increase/Decrease in Trade Payables	5,22 372.001	7.846
- Adjustments Related to Increase/Decrease in Other Payables from Operations	6 2.339.355	432.108
- Adjustments Related to Other Increase /Decrease in Working Capital	(252.280)	1.505.596
Cash Generated from Operations	60.533.624	72.657.669
Employment termination benefits paid	12 (29.998)	(6.876)
Cash outflows for acquisition of debt instruments	4 (48.804.010)	(52.271.745)
	11.699.616	20.379.048
B. Cash Flows from Investing Activities		
Payments for Purchase of Property, Plant and Equipment and Intangible Assets	9,10 (14.816)	(57.921)
Payments for Purchase of Property, Plant and Equipment and Intangible Assets	9 9.505	22
Payments for Purchase of Investment Properties	8 (812.684)	(221.682)
Dividends Received	(188.611)	(158.141)
Interest Received	5.741.195	6.689.599
	4.734.589	6.251.877
C. Cash flows from financing activities		
Dividends Paid	14 (10.650.794)	(6.710.000)
	(10.650.794)	(6.710.000)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	5.783.411	19.920.925
D. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	68.682.082	48.761.157
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (A+B+C+D)	74.465.493	68.682.082

(*) Restatement effects explained in Note 2.vi.

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

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

AUDITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

1. Organization and Operations of the Company

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

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

As of 31 December 2017 and 2016, the shareholders and the shareholding structure of the Company at historic values is as follows:

Shareholders	31 December 2017		31 December 2016	
	Share rate (%)	Share amount (TL)	Share rate (%)	Share amount (TL)
Alarko Holding A.Ş.	16,42	1.748.258	16,42	1.748.258
Alsim Alarko Sanayi Tesisleri ve Tic. A.Ş.	34,78	3.704.641	34,78	3.704.641
Public Offering	48,77	5.194.442	48,77	5.194.442
Other (*)	0,03	3.453	0,03	3.453
Total	100,00	10.650.794	100,00	10.650.794

(*) Represents total shareholdings less than 10%.

As of 31 December 2017 and 2016, the difference arising from restatement of the nominal value of the share capital amounts to TL 54.712.578 (Note 14 (b)).

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

The majority of the Company shares belong to Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. and 48,77% of the Company shares is traded at the Istanbul Stock Exchange since 1996.

As of 31 December 2017 and 2016, the average number of the Company personnel is 6 and 7, respectively.

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

Approval of financial statements:

Board of Directors has approved the consolidated financial statements and delegated authority for publishing it on 23 February 2018. General Assembly has the authority to modify the financial statements.

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

AUDITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

2. Basis of Presentation of the Financial Statements

i. Basis of Presentation:

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

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

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

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

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

ii. Adjustment of Financial Statements during Hyper-Inflationary Periods :

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

iii. Adjustments:

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

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

iv. Offsetting:

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

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**AUDITED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

2. Basis of Presentation of the Financial Statements (continued)

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

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

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

The financial statements of the Company are prepared comparatively with the prior period in order to enable the determination of the financial situation and performance trends. In order to comply with the presentation of the financial statements in the current period, comparative information is reclassified when necessary and significant differences are disclosed.

The Company has reassessed the fair value of its investment property Hillside Beach Club Resort for the years 2015 and 2016 and redetermined the fair values of the said property which was determined in prior periods according to new fair value reports that has been taken from experts. Within the context of TAS 8 "Accounting Policies, Accounting Estimates and Errors", the Company has retrospectively restated its financial statements. TAS 1 (Revised) "Presentation of Financial Statements" requires when an entity makes a retrospective restatement of items in its financial statements, it shall present, as a minimum, three statement of financial position, two of each of the other statements, and related notes. Accordingly, the Company has comparatively presented its statement of financial position with the restated comparative financial information at 31 December 2016 and 1 January 2016, restated profit or loss and other comprehensive income statement at 31 December 2016. The effect of restatement on accumulated profit and net income as of 31 December 2017 is as follows:

	Previously Preported Prior Period 31 December 2016	Restatement Effect	Restated Prior Period 31 December 2016
Investment Properties	361.046.000	62.505.000	423.551.000
Prior Years' Profit	509.400.307	60.000.000	569.400.307
Net Profit for the Year	133.207.239	2.505.000	135.712.239

	Previously Preported Prior Period 1 January 2016	Restatement Effect	Restated Prior Period 1 January 2016
Investment Properties	303.609.000	60.000.000	363.609.000
Prior Years' Profit	516.728.052	60.000.000	576.728.052

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**AUDITED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

2. Basis of Presentation of the Financial Statements (continued)

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

a) Amendments to TFRSs that are mandatorily effective from 2017

Amendments to TAS 12	<i>Recognition of Deferred Tax Assets for Unrealized Losses</i> ¹
Amendments to TAS 7	<i>Disclosure Initiative</i> ¹
Annual Improvements to TFRS Standards 2014–2016 Cycle	<i>TFRS 12</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2017.

Amendments to TAS 12 *Recognition of Deferred Tax Assets for Unrealized Losses*

The Company assessed the adequacy of taxable income consistent with these changes and the adoption of this amendment does not have any effect on the Company's financial statements.

The application of the amendments in TAS 12 has no effect on the Company's financial statements.

Amendments to TAS 7 *Disclosure Initiative*

This amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

Annual Improvements to TFRS Standards 2014–2016 Cycle

TFRS 12: Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with TFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Since none of the Company's shares in these assets are classified as held for sale, the adoption of this improvement does not have any effect on the Company's financial statements.

b) New and revised TFRSs in issue but not yet effective

The Company has not applied the following new and revised TFRSs that have been issued but are not yet effective:

TFRS 9	<i>Financial Instruments</i> ¹
TFRS 15	<i>Revenue from Contracts with Customers</i> ¹
Amendments to TFRS 10 and TAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
Amendments to TFRS 2	<i>Classification and Measurement of Share-Based Payment Transactions</i> ¹
TFRS Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration</i> ¹
Amendments to TAS 40	<i>Transfers of Investment Property</i> ¹
Annual Improvements to TFRS Standards 2014–2016 Cycle	<i>TFRS 1</i> ¹ , <i>TAS 28</i> ¹
Amendments to TAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> ²

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

AUDITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

2. Basis of Presentation of the Financial Statements (continued)

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

b) New and revised TFRSs in issue but not yet effective (continued)

IFRS 9 Financial Instruments

IFRS 9 introduced new requirements for the classification and measurement of financial assets / liabilities and for derecognition and for general hedge accounting.

Key requirements of IFRS 9:

- all recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognized in profit or loss.
- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under TAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.
- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in TAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in TAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

AUDITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

2. Basis of Presentation of the Financial Statements (continued)

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

b) New and revised TFRSs in issue but not yet effective (continued)

TFRS 9 Financial Instrument (continued)

In January 2016, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, TFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. TFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted by applying all requirements of the standard. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

TFRS 15 Revenue from Contracts with Customers

TFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. TFRS 15 will supersede the current revenue recognition guidance including TAS 18 *Revenue*, TAS 11 *Construction Contracts* and the related Interpretations when it becomes effective. The core principle of TFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under TFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in TFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by TFRS 15.

Later on *Clarifications to TFRS 15* in relation to the identification of performance obligations, principal versus agent considerations were issued, as well as licensing application guidance.

Apart from the providing more extensive disclosures on the Company's revenue transactions, the directors are assessing that the application of IFRS 15 will have a significant impact on the financial position and/or financial performance of the Company.

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**AUDITED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

2. **Basis of Presentation of the Financial Statements (continued)**

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

b) **New and revised TFRSs in issue but not yet effective (continued)**

IFRS Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

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

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

The Interpretations Committee came to the following conclusion:

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

Annual Improvements to IFRS Standards 2014–2016 Cycle

- **IFRS 1:** Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose.
- **TAS 28:** Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

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

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

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

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**AUDITED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

2. Basis of Presentation of the Financial Statements (continued)

viii. Summary of Significant Accounting Policies and Valuation Methods

(a) Financial Instruments:

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

i. Cash and Cash Equivalents

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

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

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

Fair Value

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

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

ii. Financial Assets Held to Maturity

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

iii. Financial Assets Available for Sale

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

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

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

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**AUDITED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

2. Basis of Presentation of the Financial Statements (continued)

viii. Summary of Significant Accounting Policies and Valuation Methods (continued)

(a) Financial Instruments (continued):

iv. Trade Receivables

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

Fair Value

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

v. Trade Payables

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

Fair Value

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

vi. Impairment in Financial Assets

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

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

(b) Related Parties:

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

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity,
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

AUDITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

2. Basis of Presentation of the Financial Statements (continued)

viii. Summary of Significant Accounting Policies and Valuation Methods (continued)

(b) Related Parties:

(b) An entity is related to a reporting entity if any of the following conditions applies:

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

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

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

(c) Inventories:

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

(d) Investment Properties :

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

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**AUDITED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

2. Basis of Presentation of the Financial Statements (continued)

viii. Summary of Significant Accounting Policies and Valuation Methods (continued)

(d) Investment Properties (continued):

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

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

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

(e) Tangible Assets :

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated and carried at cost less accumulated impairment.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost or valuation of assets, other than freehold land and properties under construction, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**AUDITED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

2. Basis of Presentation of the Financial Statements (continued)

viii. Summary of Significant Accounting Policies and Valuation Methods (continued)

(e) Tangible Assets (continued):

Deprecation rates of assets are as below:

	<u>Economic Lives</u>
Buildings	2% - 2,5%
Land improvements	10%
Machinery, plant and equipment	20% - 25%
Furniture and fixtures	6% - 25%
Other tangible assets	20%

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

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

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

(f) Intangible Assets :

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

	<u>Economic Lives</u>
Leasehold improvements	3% - 50%
Rights	3,125% - 33,33%

(g) Effect of Exchange Differences:

Foreign Currency Balances and Transactions

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

In preparing the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**AUDITED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

2. Basis of Presentation of the Financial Statements (continued)

viii. Summary of Significant Accounting Policies and Valuation Methods (continued)

(g) Effect of Exchange Differences:

Foreign Currency Balances and Transactions (continued)

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks (see below for hedging accounting policies); and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

(h) Impairment of Tangible and Intangible Assets Other Than Goodwill:

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

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

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

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

AUDITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

2. Basis of Presentation of the Financial Statements (continued)

viii. Summary of Significant Accounting Policies and Valuation Methods (continued)

(h) Impairment of Assets (continued):

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

(i) Taxes :

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

(j) Employee Benefits :

Provision for Termination Indemnity:

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

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

Profit-sharing and bonus plans:

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

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**AUDITED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

2. Basis of Presentation of the Financial Statements (continued)

viii. Summary of Significant Accounting Policies and Valuation Methods (continued)

(k) Revenue :

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

Rent income from investment properties

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

Revenue from real estate sales

Revenue from the sale is recognized when The Company has transferred to the buyer the significant risks and rewards of ownership of the real estates, The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the real estate sold; the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the entity; and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue and cost of sales are recognized once the sales contracts of the projects are in line with the above stated criteria.

If there is significant financing cost within the sales, the fair value of the sales price is reduced to the present value of receivables. Determination of the present value of the receivables; the nominal value of the sales price is used to discount the interest rate to the sale price of the related service. The difference between the nominal value of the sales price and the fair value in this way is reflected in the sales revenue related periods.

The cost of sales mainly consists of housing costs and expenses that made for these properties.

Dividend and interest income:

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

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

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**AUDITED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

2. Basis of Presentation of the Financial Statements (continued)

viii. Summary of Significant Accounting Policies and Valuation Methods (continued)

(l) Earnings per Share:

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

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

(m) Borrowing Costs :

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

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

(n) Events After the Reporting Period:

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

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

(o) Conditional Assets and Liabilities:

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

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

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

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**AUDITED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

2. Basis of Presentation of the Financial Statements (continued)

viii. Summary of Significant Accounting Policies and Valuation Methods (continued)

(p) Statement of Cash Flows

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

(r) Share capital and dividends

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

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

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

ix. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

Fair values of investment properties

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

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**AUDITED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

3. Cash and Cash Equivalents

The details of the cash and cash equivalents as at 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Banks	73.566.807	67.864.943
TL Demand deposits	47.272	54.766
TL Time deposits	1.025.857	-
Foreign currency demand deposits	1.039	-
Foreign currency time deposits (*)	72.492.639	67.810.177
B type liquid funds	898.686	817.139
Total (Note 23(i))	74.465.493	68.682.082

(*) As of 31 December 2017, the interest rate on USD time deposits at banks varies between 3,50%- 4,40% and the accrued interest amounts to TL 113.442; the interest rate on Euro time deposits at banks varies between 1,85%- 1,90% and the accrued interest amounts to TL 9.584; interest rate on TL time deposits at banks 14% and the accrued interest amounts to TL 13.589 (As of 31 December 2016, the interest rate on USD time deposits at banks varies between 1,85%- 3,60% and the accrued interest amounts to TL 77.234; the interest rate on Euro time deposits at banks varies between 1,70%- 1,75% and the accrued interest amounts to TL 20.165).

The Company has no blocked deposits at banks as of 31 December 2017 and 2016.

4. Financial Assets

As of 31 December 2017 and 2016, breakdown of the Company's financial assets is as follows:

Financial assets held to maturity;

Currency	31 December 2017			31 December 2016		
	Book Value (TL)	Interest Rate	Maturity Date	Book Value (TL)	Interest Rate	Maturity Date
US Dollar	304.929.466	% 3,38	3 April 2018	254.724.594	% 3,75	14 July 2017
Total	304.929.466			254.724.594		

As of 31 December 2017, financial assets held to maturity consist of Eurobonds of which coupon payment date is 3 April 2018 (31 December 2016 – Eurobond 14 July 2017).

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**AUDITED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

4. Financial Assets (continued)

Financial assets available for sale;

	31 December 2017		31 December 2016	
	Participation Rate (%)	Amount (TL)	Participation Rate (%)	Amount (TL)
Alsim Alarko Sanayi Tesisleri ve Tic. A.Ş.(*)	-	1.196	-	1.196
Alarko Konut Projeleri Geliştirme A.Ş.(*)	-	143	-	143
Alarko Holding A.Ş. (*)	-	4.415.690	-	2.633.600
Toplam	-	4.417.029	-	2.634.939

(*) Participation rate is lower than 1%.

Investment in Alarko Holding A.Ş. is based on the stock price which is the current best bid at the Istanbul Stock Exchange expected to approach its fair value as of 31 December 2017 and 2016. The Company monitors the increases and decreases related to fair value recognition in the Shareholder's Equity account under "Accumulated other comprehensive income and expenses to be reclassified in profit and loss" account in the financial statements. Accordingly, the value increase of TL 1.782.090 (2016: TL 778.524) has resulted in a total value increase of TL 3.154.235 (2016: TL 1.372.145) (Note 14 (c)).

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

5. Trade Receivables and Payables

The details of the Company's trade receivables as of 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Trade receivables (Note 23(i))	150.302	149.229
Trade receivables from related parties, net (Note 22(a) and 23(i))	21.971.729	16.032.283
Doubtful receivables	-	9.773
Allowance for doubtful receivables (-)	-	(9.773)
Total	22.122.031	16.181.512

The average credit period on trade receivable is between 5 - 10 days (2016: 5 - 10 days).

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**AUDITED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

5. Trade Receivables and Payables (continued)

As of 31 December 2017 and 2016, movements on the provision for allowance of trade receivables are as follows :

	1 January- 31 December 2017	1 January- 31 December 2016
Movement of Allowance for Doubtful Receivables		
Allowance for doubtful receivables at the beginning	9.773	54.839
Amounts written off during the year	-	(25.066)
Amounts recovered during the year (Note 18)	(9.773)	(20.000)
Allowance for doubtful receivables at the ending (Note 23 (i))	-	9.773

Trade payables consist of the following :

	31 December 2017	31 December 2016
Trade payables	2.117.592	1.725.000
Trade payables to related parties (Note 22 (a) and 23 (ii))	21.760	42.351
Total	2.139.352	1.767.351

6. Other Receivables and Payables

Other long term receivables consist of the following :

	31 December 2017	31 December 2016
Other Non-current Receivables		
Deposits and guarantees given	24.084	15.788
Total (Note 23 (i))	24.084	15.788

Other short term payables consist of the following :

	31 December 2017	31 December 2016
Other Short Term Liabilities		
VAT payable	1.929.272	1.399.248
Payables to Muğla Orman Bölge Müdürlüğü	667.662	-
Other taxes and dues payable	769.736	453.182
Other current liabilities	1.146	5.560
Total (Note 23 (ii))	3.367.816	1.857.990

Other long term payables consist of the following:

	31 December 2017	31 December 2016
Other Long Term Liabilities		
Payables to Muğla Orman Bölge Müdürlüğü	667.662	-
Deposits and guarantees received (Note 23 (ii))	768.176	606.309
Total	1.435.838	606.309

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**AUDITED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

7. Inventories

Inventories consist of real estate held for trading. As of 31 December 2017 and 2016, breakdown of inventories is as follows:

	31 Aralık 2017			31 Aralık 2016		
	Restated Book Value (TL)	Sales Value (TL)	Expertise Value (TL)	Restated Book Value (TL)	Sales Value (TL)	Expertise Value (TL)
<u>Real Estate Project</u>						
Land share (1 Parcel Lot) and project cost	-	-	-	11.275.709	-	17.215.000
Projects unsold	-	-	-	-	-	28 December 2016
<u>Land in Büyükkçekmece</u>						
Land Cost (3 Parcel Lots)	3.271.735	-	66.517.000	3.271.735	-	49.700.000
Total	3.271.735	-	66.517.000	14.547.444	-	66.915.000

Real Estate Construction Project: The construction license of 63 villas and 1 social facility constructed on an area of 239.466 m² on section 106, parcel 18 in Büyükkçekmece Eskiçe District sales contracts have been made for 9 villas as of 31 December 2017 (31 December 2016 - 54 villas).

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

As of 31 December 2017, the Company's real estate held for trading have been valued by the valuation company Rehber Gayrimenkul Değerleme Danışmanlık A.Ş. (31 December 2016 - A Artubir Gayrimenkul Değerleme A.Ş.)

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**AUDITED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

8. Investment Properties

Investment properties consist of the following:

<u>Fair Value</u>	<u>Investment Properties</u>
As of 1 January 2016	363.609.000
Additions	221.682
Net gain from fair value adjustments (Note 18)	59.720.318
Disposals	-
<u>As of 31 December 2016</u>	<u>423.551.000</u>
Additions	812.684
Net gain from fair value adjustments (Note 18)	92.751.316
Disposals	-
<u>As of 31 December 2017</u>	<u>517.115.000</u>

As of 31 December 2017 and 2016, the total insurance on investment properties is TL 106.492.918 and TL 106.107.609, respectively (Note 26).

31 December 2017 and 2016, the market values of investment properties are as follows:

<u>Name of Real Estate</u>	<u>31 December 2017</u>	
	<u>Date of Expertise Report</u>	<u>Market Value (TL)</u>
Hillside Beach Club Holiday Village	28 December 2017	306.000.000
Etiler Alkent Sitesi – Shops	28 December 2017	28.240.000
Büyükçekmece Alkent 2000 – Shops	28 December 2017	9.740.000
Eyüp Topçular – Factory	28 December 2017	64.910.000
Ankara Çankaya Business Center	28 December 2017	6.897.000
İstanbul Karaköy Business Center	28 December 2017	10.708.000
İstanbul Şişhane Business Center	28 December 2017	8.895.000
Land in Maslak (*)	28 December 2017	81.725.000
Total		517.115.000

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

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**AUDITED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

8. Investment Properties (continued)

31 December 2017 and 2016, the market values of investment properties are as follows (continued):

Name of Real Estate	31 December 2016	
	Date of Expertise Report	Market Value (TL)
Hillside Beach Club Holiday Village	8 February 2018	265.000.000
Etiler Alkent Sitesi – Shops	28 December 2016	16.268.000
Büyükçekmece Alkent 2000 – Shops	28 December 2016	7.824.000
Eyüp Topçular – Factory	28 December 2016	43.391.000
Ankara Çankaya Business Center	28 December 2016	5.140.000
İstanbul Karaköy Business Center	28 December 2016	8.493.000
İstanbul Şişhane Business Center	28 December 2016	7.435.000
Land in Maslak (*)	28 December 2016	70.000.000
Total		423.551.000

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

Name of Real Estate	1 January 2016	
	Date of Expertise Report	Market Value (TL)
Hillside Beach Club Holiday Village	8 February 2018	230.000.000
Etiler Alkent Sitesi – Shops	28 December 2015	14.800.000
Büyükçekmece Alkent 2000 – Shops	28 December 2015	7.000.000
Eyüp Topçular – Factory	28 December 2015	39.681.000
Ankara Çankaya Business Center	28 December 2015	5.025.000
İstanbul Karaköy Business Center	28 December 2015	6.675.000
İstanbul Şişhane Business Center	28 December 2015	6.221.000
Land in Maslak (*)	28 December 2015	54.207.000
Total		363.609.000

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

As of 31 December 2017, the investment properties of the Company are valued by A Artıbir Gayrimenkul Değerleme A.Ş. (31 December 2016 - A Artıbir Gayrimenkul Değerleme A.Ş. and Rehber Gayrimenkul Değerleme Danışmanlık A.Ş.(Hillside Beach Club Resort 1 January ve 31 December 2016 revaluation reports).

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

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**AUDITED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

9. Property, Plant and Equipments

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

	Land Improvements	Buildings	Plant, Machinery and Equipment	Furniture and Fixture	Other Tangible Fixed Assets	Total
<u>Cost Value</u>						
Opening balance as of 1 January 2017	123.365	311	4.216	102.129	27.373	257.394
Disposals (-)	(123.365)	(311)	-	(29.127)	-	(152.803)
Closing balance as of 31 December 2017	-	-	4.216	73.002	27.373	104.591
<u>Accumulated Depreciation</u>						
Opening balance as of 1 January 2017	123.365	311	4.216	48.439	27.373	203.704
Charge for the year	-	-	-	9.462	-	9.462
Disposals (-)	(123.365)	(311)	-	(19.622)	-	(143.298)
Closing balance as of 31 December 2017	-	-	4.216	38.279	27.373	69.868
Carrying value as of 31 December 2017	-	-	-	34.723	-	34.723

As of 31 December 2016, movement of property, plant and equipments consist of the following :

	Land Improvements	Buildings	Plant, Machinery and Equipment	Furniture and Fixture	Other Tangible Fixed Assets	Total
<u>Cost Value</u>						
Opening balance as of 1 January 2016	123.365	311	4.216	116.790	27.373	272.055
Additions	-	-	-	2.832	-	2.832
Disposals (-)	-	-	-	(17.493)	-	(17.493)
Closing balance as of 31 December 2016	123.365	311	4.216	102.129	27.373	257.394
<u>Accumulated Depreciation</u>						
Opening balance as of 1 January 2016	123.365	311	4.216	56.208	27.373	211.473
Charge for the year	-	-	-	9.724	-	9.724
Disposals (-)	-	-	-	(17.493)	-	(17.493)
Closing balance as of 31 December 2016	123.365	311	4.216	48.439	27.373	203.704
Carrying value as of 31 December 2016	-	-	-	53.690	-	53.690

As of 31 December 2017 and 2016, the total insurance on tangible assets amounts to TL 106.556 and TL 99.417, respectively (Note 26).

Depreciation expenses are included in general administrative expenses.

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**AUDITED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

10. Intangible Assets

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

	<u>Rights</u>	<u>Other Intangible Assets</u>	<u>Total</u>
<u>Cost Value</u>			
Opening balance as of 1 January 2017	46.444	168.824	215.268
Additions	-	14.816	14.816
Closing balance as of 31 December 2017	46.444	183.640	230.084
<u>Accumulated Amortization</u>			
Opening balance as of 1 January 2017	29.782	126.654	156.436
Charge for the year	9.676	10.566	20.242
Closing balance as of 31 December 2017	39.458	137.220	176.678
Carrying value as of 31 December 2017	6.986	46.420	53.406

As of 31 December 2016, movement of intangible assets consist of the following :

	<u>Rights</u>	<u>Other Intangible Assets</u>	<u>Total</u>
<u>Cost Value</u>			
Opening balance as of 1 January 2016	33.334	126.845	160.179
Additions	13.110	41.979	55.089
Closing balance as of 31 December 2016	46.444	168.824	215.268
<u>Accumulated Amortization</u>			
Opening balance as of 1 January 2016	20.264	125.226	145.490
Charge for the year	9.518	1.428	10.946
Closing balance as of 31 December 2016	29.782	126.654	156.436
Carrying value as of 31 December 2016	16.662	42.170	58.832

Amortisation expenses are included in general administrative expenses.

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**AUDITED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

11. Provisions, Conditional Assets and Liabilities

- a) As stated among the Company's inventories, investment properties and fixed asset accounts as of 31 December 2017 and 2016;

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

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

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

<u>Collateral/pledge/mortgage ("CPM") position given by the Company</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
A. CPMs given for Company's own legal personality	1.702.737	1.953.633
B. CPMs given on behalf of fully consolidated companies	-	-
C. CPMs given in the normal course of business activities on behalf of third parties	-	-
D. Total amount of other CPMs		
i. Total amount of CPMs given on behalf of the parent	-	-
ii. Total amount of CPMs given to on behalf of other Group companies which are not in scope of B and C	-	-
iii. Total amount of CPMs given on behalf of third parties which are not in scope of C	-	-
Total	<u>1.702.737</u>	<u>1.953.633</u>

As of 31 December 2017 and 2016, the ratio of other given CPM's by the Company to equity is 0%.

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

	<u>31 December 2017</u>	<u>31 December 2016</u>
Guarantee notes received	530.574	1.136.841
Guarantee letters received	617.881	805.796
Total	<u>1.148.455</u>	<u>1.942.637</u>

- d) As of 31 December 2017, there are no significant cases against the company that will cause cash outflows.

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

AUDITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira (TL))

12. Employee Benefits

Under Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, who is called up for military service, dies or retires after completing 25 years of service and reaches the retirement age (58 for women, 60 for men).

The amount payable consists of one month's salary limited to a maximum of TL 4.732,48 for each period of service at 31 December 2017 (31 December 2016: TL 4.297).

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

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2017, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated with the assumption of 3,74% real discount rate calculated by using 9,50% annual inflation rate and 13,60% discount rate (31 December 2016: 3,55%). Estimated amount of retirement pay not paid due to voluntary leaves is also taken into consideration as 100% for employees with 0-15 years of service, and 0% for those 16 or more years of service. Ceiling amount of TL 4.732,48 which is in effect since 31 December 2017 is used in the calculation of Company's provision for retirement pay liability (31 December 2016: 4.297,21 TL).

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

Short term provisions consist of the following:

	31 December 2017	31 December 2016
Payables Arising from Employee Benefits	79.860	77.415
	<u>79.860</u>	<u>77.415</u>

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**AUDITED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

12. Employee Benefits (continued)

Long term provisions consist of the following:

Provisions for employee benefits:

	1 January- 31 December 2017	1 January- 31 December 2016
Provision for retirement pay provision at the beginning of the period	282.338	228.555
Service cost	25.749	27.839
Interest cost	38.397	24.684
Retirement pay paid	(29.998)	(6.876)
Actuarial (gain)/loss	(6.461)	8.136
Provision for retirement pay provision at the ending of the period	<u>310.025</u>	<u>282.338</u>

Provision for unused leaves:

	1 January- 31 December 2017	1 January- 31 December 2016
Provision for unused vacations at the beginning of the period	61.809	56.374
Increase during the period	1.477	5.435
Provision for unused vacations at the end of the period	<u>63.286</u>	<u>61.809</u>

13. Other Assets and Liabilities

Other current assets consist of the following:

	31 December 2017	31 December 2016
Prepaid taxes and funds	345.086	233.019
Total	<u>345.086</u>	<u>233.019</u>

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**AUDITED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

14. Equity

a) Paid-in capital

As of 31 December 2017 and 2016, the Company's registered share capital amounts to TL 20.000.000 while the issued and paid-in capital amounts to TL 10.650.794. The issued capital consists of 1.065.079.400 shares of Kr 1 nominal value each. The Company's shareholding structure is elaborated in Note 1.

b) Capital adjustment differences

As of 31 December 2017 and 2016, the difference arising from restatement of nominal capital amounts to TL 54.712.578 (Note 1).

c) Financial assets value increase fund

Investment in Alarko Holding A.Ş. is based on the stock price which is the current best bid at the Istanbul Stock Exchange which is expected to approach its fair value as of 31 December 2017 and 2016. The Company monitors the increases and decreases which arise from fair value recognition under "Accumulated Other Comprehensive Income and Expenses to be Reclassified in Profit or Loss" in the Shareholder's Equity account in the financial statements. Accordingly, there is a value increase of TL 1.782.090 as of 31 December 2017 and a value decrease of TL 778.524 as of 31 December 2016 both of which is stated in the "Accumulated Other Comprehensive Income and Expenses to be Reclassified in Profit or Loss" account (Note 4).

d) Restricted profit reserves

As of 31 December 2017, the restricted profit reserves consist of legal reserves amounting to TL 5.214.716 (31 December 2016 – TL 4.202.891).

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

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

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

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**AUDITED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

14. Equity (continued)**e) Retained Earnings/(Accumulated Losses):**

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

	31 December 2017	31 December 2016
Extraordinary reserves	569.400.307	384.936.809
Prior years' profit	124.049.620	184.463.498
	<u>693.449.927</u>	<u>569.400.307</u>

Profit Distribution:

Listed companies processes their profit distributions according to the II-19.1 numbered CMB profit distribution declaration become effective on or after February 1, 2014.

Shareholders distributes their profits within the frame of profit distribution policies determined by general assembly and according to the related declaration by the approval of general assembly. Within the mentioned declaration, minimum rate of distribution is not determined. Companies distribute their profits according to the predetermined terms in their articles of incorporation or profit distribution policies.

The profit for the period stated in the 2016 financial statements amounts to TL 133.207.239 and the first legal reserve made in the prior years reached the defined ceiling; hence the Company shall not make first level legal reserves. A portion of TL 10.650.794 out of the net distributable profit for the period TL 131.791.243 shall be distributed as dividends in cash. Second level legal reserves shall be made in the amount of TL 1.011.825 calculated over the total distributed amount. The balance shall be added to the extraordinary reserves. Dividend distribution shall begin as of 31 May 2017. The dividend distribution process is realized such that the receivables dividends of shares listed at the stock exchange are transferred to the members' bank accounts at Takasbank A.Ş. until 2 June 2017.

15. Sales and Cost of Sales

Sales revenues consist of the following:

	1 January- 31 December 2017	1 January- 31 December 2016
Rental income	22.414.684	18.530.081
Income from real estate sales	18.503.463	5.261.024
Total	<u>40.918.147</u>	<u>23.791.105</u>

Cost of real estate sold:

	1 January- 31 December 2017	1 January- 31 December 2016
Cost of real estate sold	10.781.069	2.694.214
Cost of land sold	503.850	86.606
Total	<u>11.284.919</u>	<u>2.780.820</u>

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**AUDITED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

16. General Administration Expenses

General administration expenses consist of the following :

	1 January- 31 December 2017	1 January- 31 December 2016
General administrative expenses	5.385.225	5.338.706
	<u>5.385.225</u>	<u>5.338.706</u>

General administration expenses consist of the following :

	1 January- 31 December 2017	1 January- 31 December 2016
Personnel expenses	2.042.587	1.761.904
Taxes, duties, and fees	1.450.738	1.271.345
Outsourced repair work and services	769.078	1.284.909
Rent expenses	450.141	391.773
Bank expenses	76.658	60.187
Legal consultancy expenses	45.000	49.352
Financial consultancy and audit expenses	30.973	38.072
Depreciation and amortization expenses (Note 9,10)	29.704	20.670
Lawsuits, execution and notary expenses	25.711	17.129
Other consultancy expenses	14.900	11.940
Printing house and press expenses	10.860	14.040
Communication expenses	7.633	8.794
Other	431.242	408.591
Total	<u>5.385.225</u>	<u>5.338.706</u>

17. Expenses by Nature

Depreciation and amortisation expenses consist of the following:

	1 January- 31 December 2017	1 January- 31 December 2016
Intangible assets (Note 10)	20.242	10.946
Property, plant and equipment (Note 9)	9.462	9.724
Total	<u>29.704</u>	<u>20.670</u>

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**AUDITED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

17. Expenses by Nature (continued)

Expenses related to employee benefits consist of the following:

	1 January- 31 December 2017	1 January- 31 December 2016
Wages and salaries	1.760.063	1.512.977
Personnel transportation expenses	39.863	34.302
Personnel catering expenses	18.772	26.634
Personnel health expenses	7.709	6.950
Other personnel expenses	216.180	181.041
Total	<u>2.042.587</u>	<u>1.761.904</u>

18. Other Operating Income / (Expenses)

Other operating income consists of the following:

	1 January- 31 December 2017	1 January- 31 December 2016
Increase on fair values of investment properties (Note 8)	92.751.316	59.720.318
Foreign exchange gains	38.918.028	59.336.629
Interest income	7.142.057	6.689.599
Turkish ministry of environment and forestry – Rental Expense	1.793.669	1.474.152
Turkish ministry of environment and forestry – Land appropriation	300.949	289.848
Gain on sale of other marketable securities	135.492	66.774
Income from real estate other than rental income	74.773	58.950
Electricity, water, transmission line	11.007	10.601
Provisions no longer required (Note 5)	9.773	20.000
Rediscount interest income	5.262	2.760
Income from maturity differences	-	466
Other	84.384	412.617
Total	<u>141.226.710</u>	<u>128.082.714</u>

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**AUDITED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

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

Other operating expenses consist of the following:

	1 January- 31 December 2017	1 January- 31 December 2016
Foreign exchange losses	10.191.269	6.061.350
Turkish ministry of environment and forestry – Rental Provision	2.103.699	1.713.137
Turkish ministry of environment and forestry – Adequate Pay	466.655	-
Turkish ministry of environment and forestry – Land appropriation	300.949	289.848
Rediscount interest expenses	33.179	5.262
Electricity, water, transmission line	11.007	10.601
Other	199.477	120.019
Total	13.306.235	8.200.217

19. Income from Investing Operations

Income from investing operations consists of the following:

	1 January- 31 December 2017	1 January- 31 December 2016
Dividends received	188.611	158.141
Gain on sale of fixed assets	-	22
	188.611	158.163

20. Tax Assets and Liabilities

In Turkey, the corporation tax rate for 2017 is 20% (2016 – 20%). This rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation through addition of disallowable expenses to the commercial revenues of the companies with respect to the tax legislation.

Calculation of current period corporation tax is as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Tax reconciliation		
Profit for the year	152.357.089	135.712.239
Other deductions (*)	(152.357.089)	(135.712.239)
	-	-
Tax rate 20% (2016: 20%)	-	-
Current corporate tax provision	-	-

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

Deferred Tax Assets and Liabilities

Due to the Company's REIT status, no deferred tax calculation has been made as of 31 December 2017 and 2016 (Note 2 (viii) (i)).

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**AUDITED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

21. Earnings per Share

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

	1 January- 31 December 2017	1 January- 31 December 2016
Profit / (loss) for the year	152.357.089	135.712.239
Weighted average number of ordinary shares for the reporting period (per share of TL 1 nominal value)	10.650.794	10.650.794
Earnings / (loss) per share (TL)	14,3048	12,7420

22. Related Party Disclosures

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

	31 December 2017	
	Receivables	Payables
	Short term	Short term
Balances with related parties	Trade	Trade
Attaş Alarko Turistik Tesisler A.Ş.	22.004.908	-
Less: Deferred income	(33.179)	-
Alarko Holding A.Ş.	-	19.973
Alarko Carrier San. ve Tic A.Ş.	-	1.787
Total (Note 5)	21.971.729	21.760

	31 December 2016	
	Receivables	Payables
	Short term	Short term
Balances with related parties	Trade	Trade
Attaş Alarko Turistik Tesisler A.Ş.	16.037.545	-
Less: Deferred income	(5.262)	-
Alarko Holding A.Ş.	-	41.058
Alarko Carrier San. ve Tic A.Ş.	-	1.293
Total (Note 5)	16.032.283	42.351

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**AUDITED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

22. Related Party Disclosures (continued)

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

Details of transactions are as follows :

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

Transactions with related parties	1 January - 31 December 2016			
	Goods Purchases	Service Purchases	Other Purchases	Other Sales
Attaş Alarko Turistik Tes. A.Ş.	221.682	-	430.648	15.567.234
Alarko Carrier San. ve Tic. A.Ş.	-	-	3.212	560.475
Alarko Holding A.Ş.	55.089	141.364	412.341	-
Total	<u>276.771</u>	<u>141.364</u>	<u>846.201</u>	<u>16.127.709</u>

As of 31 December 2017 and 2016, there are no doubtful receivables arising from related parties.

As of 31 December 2017 and 2016, the salaries and similar remuneration provided to top management amounts to TL 1.306.605 and TL 1.141.903, gross, respectively.

23. Nature and Level of Risks Arising from Financial Instruments**Financial instruments and financial risk management**

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

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

i. Credit Risk

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

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**AUDITED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

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

i. Credit Risk (continued)

As of 31 December 2017, maturity and guarantee structure of the Company's receivables and cash and cash equivalents consist of the following:

Details of credit risk by class of financial instruments	Receivables			Deposits at Banks	Cash and Cash Equivalents
	Trade Receivables	Other Related Parties	Other		
31 December 2017					
Maximum credit risk exposed as of balance sheet date (A+B+C+D) (1)					
(Note 3, 5 and 6)	21.971.729	150.302	24.084	73.566.807	898.686
- Secured portion of the maximum credit risk by guarantees	-	29.343	-	-	-
A. Net book value of financial assets that are neither past due nor impaired (2)	21.971.729	150.302	24.084	73.566.807	898.686
(Dipnot 3, 5 and 6)					
B. Net book value of financial assets that are past due but not impaired (3)	-	-	-	-	-
C. Net book value of the impaired assets	-	-	-	-	-
- Past due (gross amount) (Note 5)	-	-	-	-	-
- Impairment (-) (Note 5)	-	-	-	-	-
- Secured portion of the net book value by guarantees, etc	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-
D. Off-balance sheet items include credit risk	-	-	-	-	-

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

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

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

ALARKO GAYRIMENKUL YATIRIM ORTAKLIĞI A.Ş.

**AUDITED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

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

i. Credit Risk (continued)

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

	<u>Receivables</u>				<u>Deposits at Banks</u>	<u>Cash and Cash Equivalents</u>
	<u>Trade Receivables</u>	<u>Other</u>	<u>Related Parties</u>	<u>Other</u>		
31 December 2016						
Maximum credit risk exposed as of balance sheet date (A+B+C+D) (1)						
(Note 3, 5 and 6)	16 032 283	149 229	-	15 788	67 864 943	817 139
- Secured portion of the maximum credit risk by guarantees	-	45 411	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired (2)	16 032 283	149 229	-	15 788	67 864 943	817 139
(Dipnot 3, 5 and 6)						
B. Net book value of financial assets that are past due but not impaired (3)	-	-	-	-	-	-
C. Net book value of the impaired assets	-	-	-	-	-	-
- Past due (gross amount) (Note 5)	-	9 773	-	-	-	-
- Impairment (-) (Note 5)	-	(9 773)	-	-	-	-
- Secured portion of the net book value by guarantees, etc	-	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured portion of the net book value by guarantees, etc	-	-	-	-	-	-
D. Off-balance sheet items include credit risk	-	-	-	-	-	-

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

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

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

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**AUDITED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

23. Nature and Level of Risks Arising from Financial Instruments (continued)**i. Credit Risk (continued)**

As of 31 December 2017 and 2016, there are no receivables overdue but not impaired.

ii. Liquidity Risk

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

The following table shows the maturity breakdown of the Company's non-derivative short term financial liabilities as of 31 December 2017 and 2016:

31 December 2017

<u>Contract Terms</u>	<u>Carrying value</u>	<u>Total Contracted</u>	<u>Less than</u>		
		<u>Cash Outflows</u>	<u>3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>
		<u>(I+II+III)</u>	<u>(I)</u>	<u>(II)</u>	<u>(III)</u>
Non-derivative financial liabilities					
Trade payables to related parties (Note 5)	21.760	21.760	21.760	-	-
Other trade payables (Note 5)	2.117.592	2.117.592	2.117.592	-	-
Other payables (Note 6)	4.803.654	4.803.654	3.367.816	-	1.435.838
Total	6.943.006	6.943.006	5.507.168	-	1.435.838

31 December 2016

<u>Contract Terms</u>	<u>Carrying value</u>	<u>Total Contracted</u>	<u>Less than</u>		
		<u>Cash Outflows</u>	<u>3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>
		<u>(I+II+III)</u>	<u>(I)</u>	<u>(II)</u>	<u>(III)</u>
Non-derivative financial liabilities					
Trade payables to related parties (Note 5)	42.351	42.351	42.351	-	-
Other trade payables (Note 5)	1.725.000	1.725.000	1.725.000	-	-
Other payables (Note 6)	2.464.299	2.464.299	1.857.990	-	606.309
Total	4.231.650	4.231.650	3.625.341	-	606.309

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**AUDITED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

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

iii. Market Risk

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

iv. Foreign Currency Risk

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

Foreign currency position

On "totals" basis;

	<u>31 December 2017</u>	<u>31 December 2016</u>
A. Foreign currency assets	397.601.202	337.092.902
B. Foreign currency liabilities	748.145	586.278
Net foreign currency position (A-B)	<u>396.853.057</u>	<u>336.506.624</u>

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**AUDITED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

23. Nature and Level of Risks Arising from Financial Instruments (continued)**iv. Foreign Currency Risk (continued)****Foreign Currency Position**

Breakdown on foreign currency basis;

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

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**AUDITED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

23. Nature and Level of Risks Arising from Financial Instruments (continued)**iv. Foreign Currency Risk (continued)****Foreign Currency Position**

Breakdown on foreign currency basis;

	31 December 2016		
	TL Amount (Functional Currency)	US Dollar	Euro
1. Trade Receivables	14.558.131	4.136.773	-
2a. Monetary Financial Assets	322.534.771	84.459.598	6.820.819
2b. Non-monetary Financial Assets	-	-	-
3. Other	-	-	-
4. CURRENT ASSETS	337.092.902	88.596.371	6.820.819
5. Trade Receivables	-	-	-
6a. Monetary Financial Assets	-	-	-
6b. Non-monetary Financial Assets	-	-	-
7. Other	-	-	-
8. NON-CURRENT ASSETS	-	-	-
9. TOTAL ASSETS	337.092.902	88.596.371	6.820.819
10. Trade Payables	-	-	-
11. Financial Liabilities	-	-	-
12a. Monetary Other Liabilities	-	-	-
12b. Non-Monetary Other Liabilities	-	-	-
13. CURRENT LIABILITIES	-	-	-
14. Trade Payables	-	-	-
15. Financial Liabilities	-	-	-
16a. Monetary Other Liabilities	586.278	166.594	-
16b. Non-Monetary Other Liabilities	-	-	-
17. NON-CURRENT LIABILITIES	586.278	166.594	-
18. TOTAL LIABILITIES	586.278	166.594	-
19. Net Foreign Currency Assets/Liabilities Position (9-18)	336.506.624	88.429.777	6.820.819
20. Monetary Items Net Foreign Currency Assets / Liabilities position (1+2a+5+6a-10-11-12a-14-15-16a)	336.506.624	88.429.777	6.820.819

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**AUDITED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

23. Nature and Level of Risks Arising from Financial Instruments (continued)**iv. Currency Risk (continued)**

Foreign currency position sensitivity analysis as of 31 December 2017 and 2016 is as follows:

	31 December 2017		31 December 2016	
	Profit / Loss		Profit / Loss	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency	Appreciation of Foreign Currency	Depreciation of Foreign Currency
In case of US Dolar changes in 10% against TL				
1 - US Dolar net asset/liability	36.561.541	(36.561.541)	31.120.207	(31.120.207)
2- US Dolar hedges (-)	-	-	-	-
3- Net effect of US Dollar (1 +2)	36.561.541	(36.561.541)	31.120.207	(31.120.207)
In case of Euro changes in 10% against TL				
4 - Euro net asset/liability	3.123.764	(3.123.764)	2.530.455	(2.530.455)
5 - Euro hedges (-)	-	-	-	-
6- Net effect of Euro (4+5)	3.123.764	(3.123.764)	2.530.455	(2.530.455)
TOTAL (3 + 6)	39.685.305	(39.685.305)	33.650.662	(33.650.662)

v. Interest Risk

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

As of 31 December 2017 and 2016, the Company does not have significant financial assets with interest sensitivity.

vi. Share Price Risk

The Company is exposed to stock price risk which is the risk of encountering price changes in securities included in the Company portfolio. As of 31 December 2017, if there is a 10% increase/decrease in the best bid among current orders pending at the Istanbul Stock Exchange which are used in valuation of these securities with other variables remaining constant, the Company's equity will be higher/lower by a total of TL 441.569, net, without any effect in profit/loss (31 December 2016 – TL 263.360) (Note 4).

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**AUDITED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

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

vii. Capital Risk Management

For proper management of capital risk, the Company aims

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

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

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

There's basically no change in the Company's general strategy with respect to the previous year. As of 31 December 2017 and 2016, the ratio of the total equity to net debts is as follows:

	31 December 2017	31 December 2016
Total borrowings	7.436.636	4.682.508
Less: Cash and cash equivalents	(74.465.493)	(68.682.082)
Net debt	(67.028.857)	(63.999.574)
Total equity	919.527.897	776.033.051
Total capital	852.499.040	712.033.477
Net debt/Equity ratio	0%	0%

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**AUDITED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

24. Financial Instruments (Fair Value Disclosures and Explanations on Hedge Accounting)

31 December 2017	Loans and receivables (including cash and cash equivalents)	Financial assets held for sale	Financial liabilities at amortized cost	Carrying value	Not
<u>Financial assets</u>					
Cash and cash equivalents	74.465.493	-	-	74.465.493	3
Trade receivables	150.302	-	-	150.302	5
Due from related parties	21.971.729	-	-	21.971.729	5
Other receivables	24.084	-	-	24.084	6
Other financial assets	-	4.417.029	-	4.417.029	4
<u>Financial liabilities</u>					
Trade payables	-	-	(2.117.592)	(2.117.592)	5
Due to related parties	-	-	(21.760)	(21.760)	5
Other financial liabilities	-	-	(4.803.654)	(4.803.654)	6
31 December 2016	Loans and receivables (including cash and cash equivalents)	Financial assets held for sale	Financial liabilities at amortized cost	Carrying value	Not
<u>Financial assets</u>					
Cash and cash equivalents	68.682.082	-	-	68.682.082	3
Trade receivables	149.229	-	-	149.229	5
Due from related parties	16.032.283	-	-	16.032.283	5
Other receivables	15.788	-	-	15.788	6
Other financial assets	-	2.634.939	-	2.634.939	4
<u>Financial liabilities</u>					
Trade payables	-	-	(1.725.000)	(1.725.000)	5
Due to related parties	-	-	(42.351)	(42.351)	5
Other financial liabilities	-	-	(2.464.299)	(2.464.299)	6

Financial Instruments

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

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

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

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

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**AUDITED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

24. Financial Instruments (Fair Value Disclosures and Explanations on Hedge Accounting) (continued)

Financial Assets

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

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

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

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

Financial Liabilities

Trade payables have been presented at their fair values.

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

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

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

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

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**AUDITED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

24. Financial Instruments (Fair Value Disclosures and Explanations on Hedge Accounting) (continued)

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

Fair value levels as of reporting period

	31 December 2017	Fair value as at 31 December 2017		
		Level 1 TL	Level 2 TL	Level 3 TL
Financial Assets				
Financial assets held for sale	4.415.690	4.415.690	-	-
Investment properties	517.115.000	-	517.115.000	-
	31 December 2016	Fair value as at 31 December 2016		
		Level 1 TL	Level 2 TL	Level 3 TL
Financial Assets				
Financial assets held for sale	2.633.600	2.633.600	-	-
Investment properties	423.551.000	-	423.551.000	-

25. Segment Reporting

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

26. Events After the Reporting Period

The Company's Management has decided to make valuation of Mosalarko OJSC that operates in the Russia. Purchase of 10% shared of Mosalarko OJSC will be decided according to conclusion of the valuation report.

It has been decided to distribute TL 15.337.144 dividend in cash from distributable profit TL 152.357.089 to the shareholders with the Board of Directors decision dated 23 February 2018 No:366.

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**AUDITED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

27. Disclosure of Other Matters That May Affect Financial Statements Significantly or is Necessary for Financial Statements to Be Clear, Interpretable and Comprehensible

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

	31 December 2017	31 December 2016
Inventories (Note 7)	-	39.499.444
Investment Properties (Note 8)	106.492.918	106.107.609
Property, Plant and Equipment (Note 9)	106.556	99.417
Total	106.599.474	145.706.470

28. Supplementary Notes: Monitoring Compliance with Portfolio Restrictions

As of 31 December 2017 and 2016, compliance with portfolio restrictions is monitored as follows:

	Main Account Items of Unconsolidated / Separate Financial Statements	Related Regulation	Current Year (TL) 31 December 2017	Prior Year (TL) 31 December 2016
A	Money Market and Capital Market Instruments	Art. 24/(b)	383.810.649	326.040.276
B	Real estates, real estate projects and rights supported by real estates	Art. 24/(a)	520.386.735	438.098.444
C	Affiliates	Art. 24/(b)	1.339	1.339
	Due from Related Parties (Non-Trade)	Art. 23/(f)	-	-
	Other Assets		22.765.810	16.575.500
D	Total Assets	Art. 3/(p)	926.964.533	780.715.559
E	Financial Liabilities	Art. 31	-	-
F	Other Financial Liabilities	Art. 31	-	-
G	Lease Obligations	Art. 31	-	-
H	Due to Related Parties (Non-Trade)	Art. 23/(f)	-	-
i	Equity	Art. 31	919.527.897	776.033.051
	Other Liabilities		7.436.636	4.682.508
D	Total Liabilities and Equity	Art. 3/(p)	926.964.533	780.715.559
	Other Financial Informations Related with Unconsolidated Financial Statements	Related Regulation	Current Year (TL) 31 December 2017	Prior Year (TL) 31 December 2016
A1	Part of Money Market Instruments and Capital Market Instruments Held for Real Estates (3 Years)	Art. 24/(b)	-	-
A2	Time and Demand Deposits in TL/ Foreign Currency	Art. 24/(b)	73.566.807	67.864.943
A3	Foreign Capital Market Instruments	Art. 24/(d)	-	-
B1	Real estates, real estate projects and rights supported by real estates	Art. 24/(d)	-	-
B2	Lands Held Idle	Art. 24/(c)	84.996.735	73.271.735
C1	Foreign Investments	Art. 24/(d)	-	-
C2	Participation in the Operating Company	Art. 28/1(a)	1.339	1.339
J	Non-cash Loans	Art. 31	1.702.737	1.953.633
K	Mortgage lien on lands to be administrated for projects and the property of which does not belong to the company	Art. 22/(c)	-	-
L	All of the money and capital markets in a single investment company Tools	Art. 22/(l)	4.415.690	2.633.600

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**AUDITED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira (TL))

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

As of 31 December 2017 and 2016, compliance with portfolio restrictions is monitored as follows (continued):

	Portfolio Limitations	Related Regulation	Current Year 31 December 2017	Current Year 31 December 2016	Ratio of Minimum/Maximum
1	Mortgage lien on lands to be administrated for projects and the property of which does not belong to the company	Art. 22/(c)	0,00 %	0,00 %	≤ 10 %
2	Real estates, real estate projects and rights supported by real estates	Art. 24/(a),(b)	56,14 %	56,11 %	≥ 51 %
3	Money Market and Capital Market Instruments and Subsidiaries	Art. 24/(b)	41,41 %	41,76 %	≤ 49 %
4	Real estates, real estate projects and rights supported by real estates, Subsidiaries, Capital Market Instruments	Art. 24/(d)	0,00 %	0,00 %	≤ 49 %
5	Lands Held Idle	Art. 24/(c)	9,17 %	9,39 %	≤ 20 %
6	Participation in the Operating Company	Art. 28/1 (a)	0,00 %	0,00 %	≤ 10 %
7	Borrowing Limit	Art. 31	0,19 %	0,25 %	≤ 500 %
8	Time and Demand Deposits in TL / Foreign Currency	Art. 24/(b)	7,94 %	8,69 %	≤ 10 %
9	All of the money and capital markets in a single investment company Tools	Art. 22/(l)	0,48 %	0,34 %	≤ 10 %

As promulgated by the Communiqué Serial: III, No: 48.1 issued in the Official Gazette dated 28.05.2013, the Article 24(c) of the “Communiqué on Principles Regarding Real Estate Investment Trusts” states that “The rate of lands and registered lands which are in the portfolio but which, in spite of a period of five years having elapsed from their acquisition, have not been administrated for any project development cannot exceed 20% of the total assets.” As per the financial statements as of 31 December 2017, the ratio of the Company’s plots of land to the total assets is 9.17% which is a rate that falls within the limit stated in the Communiqué.

Further to the above, the Article 24(a) of the Communiqué Serial: III No: 48.1 on the “Principles Regarding Real Estate Investment Trusts” is stated as follows: “REICs are required to invest in real estate, rights supported by real estate, and real estate projects at a minimum rate of 51% of their portfolio values”. As per the financial statements of 31 December 2017, this rate is 56.14% and stays within the limits introduced by the Communiqué.

Further, the Article 24(b) of the Communiqué Serial: III No: 48.1 on the “Principles Regarding Real Estate Investment Trusts” is stated as follows: “REICs can invest in the assets stated in Article 22.1(k) and the investments stated in Article 28 of the Communiqué up to a maximum of 49% of the portfolio value.” As per the financial statements of 31 December 2017, this rate is 41.41% and stays within the limits introduced by the Communiqué.

The article 24 (b) of the said communiqué promulgates that “The companies can invest in time deposit and demand deposits in Turkish Liras or any foreign currency for investment purposes at a maximum rate of 10% of their total assets”. In the 31 December 2017 financial statements, this rate is 7.94% and stays within the limits introduced by the Communiqué.

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