



**ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**  
**Annual Report 2014**

**March 24, 2015**  
General Assembly Meeting  
2014 Fiscal Year

Registered Capital  
TL 20.000.000

Issued Capital  
TL 10.650.794



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## MESSAGE FROM THE BOARD OF DIRECTORS

Dear Shareholders,

World economy has not been able to get over the effects of the economic crisis of 2008 yet. It is observed that the growth rate of approximately 3,3 % in world economy in 2014 has shown a performance similar to that of 2013. With the exception of the USA, the average growth rate of the developed economies was very low. The average growth rate of the economies of developed countries was approximately 1,8 % in 2014. While a 2,4 % growth was observed in the USA economy, the growth rate in the Euro Zone remained at 0,9 % and many European countries experienced serious economic shrinkage. The Japanese economy also showed an underperformance in 2014 and did not attain the growth rate expected.

Growth rate also slowed down in many developing countries including China. The average growth rate in developing countries was 4,8 % in 2014. A growth rate of 7,4 % was attained by China.

On the other hand, mainly Japan, the Euro Zone and the USA as well as the developed economies are continuing to try and cope with high public debts and budget deficits. Unemployment rates are very high particularly in the Euro Zone and it seems this will continue being an issue for long years.

The Turkish economy showed a growth of about 3 % due to the shrinkage in domestic demand and the negative effect of the recession in the Euro Zone. Inflation in the CPI was 8,17 % and unemployment 10,7 %. A very good budget performance was attained in 2014 and the ratio of the budget deficit of a total of TL 22,7 billion to the GNP was 1,2 %. Moreover, the current deficit decreased considerably attaining the level of US\$ 45,8 billion and the ratio of the current deficit to the GNP regressed to 5,7 %.

In 2015, the increase in interest rates considered by FED, the central bank of the USA, will have a negative influence on developing economies. The tension between Russia and the Ukraine and the confusion in the Middle East also increase risks related to global economy. Many countries and mainly the Euro Zone will continue to deal with recession and low growth rates in 2015. Countries dealing with low growth rates should be expected to turn to quantitative easing on one hand and lower their interest rates and devalue their currency to ensure competitive superiority on the other. Serious drop in oil prices will have a positive influence on growth, inflation and current deficit in many countries. However, this will have a negative effect on many countries whose economy is to a great extent dependent on oil revenues and particularly Russia.

In 2015, Turkish economy is expected to show a higher rate of growth than in 2014. The serious drop in oil prices will have a positive impact on current deficit and inflation. However, we should anticipate a decrease in our export income due to recession in the Euro Zone, shrinkage in the Russian economy and the conflicts in the Middle East.

The construction sector has always been among the leading sectors of countries as they have a high employment potential and affect a great variety of sectors. However, as a result of the relatively low growth rate in the economy, the real estate demand in 2014 was at the same level as the previous year and the accumulated real estate stock rose still further. Therefore, in 2015, the construction sector will try to deplete the existing housing stock.

Our company continued to increase its rent revenues with new high prestige real estate included in its portfolio and continued its sales of its existing real estate. Keeping a close eye on leading indicators in the economy, our company is continuing its efforts towards developing new projects and will realize them when the conjuncture is favorable.

We would like to thank all of our shareholders who have always supported us and our employees who have worked devotedly.

With best regards to your esteemed committee.

**Board of Directors**



## BOARD OF DIRECTORS AND AUDITORS

<u>Board of Directors</u>	<u>Duty</u>	<u>Commencement Date of Duty</u>	<u>Expiry Date of Duty</u>
Mustafa Filiz	Chairman	27.03.2013	24.03.2015
Ahmet Önder Kazazoğlu	Vice Chairman	27.03.2013	24.03.2015
Mehmet Alper Kaptanoğlu	Director	27.03.2013	24.03.2015
Mehmet Ahkemoğlu	Director	27.03.2013	24.03.2015
Hilmi Önder Şahin	Director	27.03.2013	24.03.2015
İzzet Cemal Kışmir	Director (Independent)	27.03.2013	24.03.2015
Mehmet Sağıroğlu	Director (Independent)	27.03.2013	24.03.2015

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

### Auditor

BDO Denet Bağımsız Denetim Yeminli Mali Müşavirlik A.Ş. (Member, BDO International Network)	25.03.2014	24.03.2015
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### Independent Auditor

BDO Denet Bağımsız Denetim Yeminli Mali Müşavirlik A.Ş. (Member, BDO International Network)	25.03.2014	24.03.2015
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### Powers and Limits of Members of the Board of Directors

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



## INFORMATION REGARDING MEMBERS OF THE BOARD

### **Mustafa FILİZ**

#### ***Chairman of the Board of Directors***

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

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

Mustafa Filiz who is presently the Senior Vice President of Accounting of the Alarko Group of Companies is also a member of the Board of various companies of the Group.

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

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

### **Ahmet Önder KAZAZOĞLU**

#### ***Vice Chairman of the Board***

Kazazoğlu was born in Kilis in 1953. In 1975, he graduated from the Mechanical Engineering Faculty of METU. In 1977, he completed his Master's Degree at the same faculty.

Kazazoğlu joined the Alarko Group of Companies in 1979. He worked as administrator on various projects of the company both at home and abroad. Kazazoğlu is the Senior Vice President of the Altek Alarko Elektrik Santralleri Tesis, İşletme ve Ticaret A.Ş. since 2013 and a member of the Board in various companies of the Group.

Kazazoğlu is married and has two children. He speaks English.

Ahmet Önder Kazazoğlu does not qualify as independent director according to the CMB's Communiqué Numbered II-17.1.

### **Mehmet Alper KAPTANOĞLU**

#### ***Member of the Board***

Kaptanoğlu was born in Borçka in 1950. In 1973, he graduated from ITU Faculty of Mechanical Engineering.

Kaptanoğlu joined the Alarko Group of Companies in 1973 and held managerial positions in various companies of the Group. He has been working as Deputy Chief Executive Officer of Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. since 1998. He is a Board member in various companies of the Group.

Kaptanoğlu is married and has two children. He speaks English.

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

### **Mehmet AHKEMOĞLU**

#### ***Member of the Board***

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

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

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

**Hilmi Önder ŞAHİN*****Member of the Board***

Şahin was born in Ayvalık in 1948. He graduated from the Mining Department of the Engineering Faculty of METU in 1970 and completed his graduate studies at the same faculty in 1972.

Şahin started to work at Alarko as an Instrumentation Engineer in 1975. This was followed by managerial positions in various companies of the Group. Şahin has been General Manager of Alarko Carrier Sanayi ve Ticaret A.Ş. since 1995. He is also a member of the Board in various companies of the Group.

Şahin is married and has two children. Şahin speaks English.

Hilmi Önder Şahin does not qualify as independent director according to the CMB's Communiqué Numbered II-17.1.

**İzzet Cemal KİŞMİR*****Independent Member of the Board***

Kişmir was born in Ankara in 1964. He graduated from the Department of Finance Management of the Faculty of Business Administration of Marmara University in 1986. In 1988, he completed his graduate studies in Modern Management at the same university and did MBA studies in "International Finance and Strategic Management" at Hartford University, Barney School of Business in 1996.

He started to work at STFA Holding as Area Sales Coordinator in 1987. This was followed by various managerial positions at Mobil Oil, Garanti Bankası, TEB BNP Paribas. He has been the CEO of BNP Paribas Cardif in Turkey and a member of the Board since 2011.

Kişmir is married and has one child. He speaks English.

İzzet Cemal Kişmir qualifies as independent director according to the CMB's Communiqué Numbered II-17.1.

**Mehmet SAĞIROĞLU*****Independent Member of the Board***

Sağiroğlu was born in Izmir in 1951. He graduated from Bosphorus University, Faculty of Economic and Administrative Sciences, Management Department in 1976.

Sağiroğlu began working as Chief of Budget Planning and Control at Türk Demirdöküm Fabrikaları A.Ş. in 1976. This was followed by various managerial positions at T. Sınai Kalkınma Bankası, Fideltus Capital, Global Menkul Değerler and Global Kurumsal Finansman A.Ş. He has been a member of the Board of Pegasus Hava Taşımacılığı A.Ş. since 2013.

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

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



## **AGENDA OF THE ANNUAL GENERAL ASSEMBLY MEETING OF MARCH 24, 2015**

1. Opening and moment of silence.
2. Deliberations and decision on the election of the Presiding Committee.
3. Deliberations and decision to authorize the Presiding Committee to sign the minutes of the General Assembly Meeting.
4. Reading and deliberation of the Annual Report of the Board of Directors, Auditor's Report and Independent Auditor's Report for the year 2014.
5. Reading, discussion and approval of the Statements of Financial Position and Statements of Comprehensive Income of 2014.
6. Deliberations and resolution for the acquittal of the Members of the Board of Directors for the activities in year 2014.
7. Deliberations and resolution on the proposal of the Board of Directors for the profit distribution of the year 2014.
8. Deliberations and decision on the election of the Board of Directors and determination of the salaries and terms of office of the members.
9. Deliberations and resolution regarding vesting the power set out in articles 395 and 396 of the Turkish Commercial Code to the members of the Board of Directors.
10. Presenting information to General Assembly on procedures indicated in articles 1.3.6 of the "Corporate Governance Principles" in the annex of the Communiqué numbered II-17.1 of the Capital Market Board.
11. Deliberations and decision concerning the signing of a contract for the auditing of the company's accounts and operations for the year 2015 by an Independent Auditing Company selected by the Board of Directors in accordance with the Capital Markets Regulations, Turkish Commercial Code and approval of the draft of the contract.

### **Board of Directors**



## ANNUAL REPORT OF THE BOARD OF DIRECTORS

Dear Shareholders,

We hereby present the Annual Statement of Financial Position, Statement of Comprehensive Income and other financial statements which reflect the results of our company's activities in 2014 for your evaluation and criticism.

- 1) Our annual report covers the period between January 1, 2014 and December 31, 2014.
- 2) The members of the Board and the Statutory Auditors during 2014 are their terms of office are presented on page 4.
- 3) The Board of Directors convened 16 times during the term. All members of the Board participated in 11 meetings. One Board member was unable to participate in five of the meetings due to an excuse. Decisions of the Board were taken unanimously. Therefore, there is no record of dissenting votes.
- 4) The company's registered capital ceiling in 2014 was TL 20.000.000.
- 5) Our issued capital is TL 10.650.794 and our net profit for the period TL 78.151.728.
- 6) The rate of participation to our Ordinary General Assembly Meeting held on March 25, 2014 was 55,76 %. The shareholders that hold more than 10 % of our capital are; Alarko Holding A.Ş. with 16,42 % of the shares and Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. with 34,78 % of the shares. 48,77 % of the capital is offered to the public.

In the last three years of activity a cash dividend of 29,00 % was paid in 2011, a cash dividend of 21,64 % was paid in 2012 and a cash dividend of 40,00 % was paid in 2013.

The proposal for profit distribution for the year 2014 submitted by the Board of Directors to the approval of the General Assembly is on page 19 of the report. At the time this report was written, the nominal value of TL 1 of our share certificate registered with the Borsa İstanbul, where their transaction is carried out, was TL 21,00.

- 7) No donations were made to foundations and associations in 2014.
- 8) There are no important lawsuits brought against our company which could impinge on its financial status or activities of the company as of 31 December 2014.
- 9) Shareholders who control the management, members of the board of directors, top executives and their spouses and blood and in-law relatives up to and including second kin have not executed any transaction which may lead to conflict of interest with the Company or its affiliates. Members of the Board have no transactions of their own or on behalf of others that could be within the scope of the noncompetition covenant.
- 10) Footnote 27 to the financial statements contains information related to checking compliance with portfolio limitations.



## GENERAL INFORMATION REGARDING OUR ACTIVITIES

The construction sector is very sensitive to economic fluctuations. The real estate demand in 2014 kept its level of the previous year as a result of the relatively low growth in the economy and the monthly mortgage interest rate that remained over 1 %. However, increase in construction and occupancy permits continued and the housing stock that increased in recent years continued to increase reaching high levels. Therefore, the construction sector will continue to try and deplete the existing stock and at the same time continue its efforts towards the sale of new projects.

The Lake Mansions Project which constitutes the last phase of the Alkent Istanbul 2000 project has become a highly prestigious residential development with its social facilities center, outstanding landscape architecture and special security due to its being located on a single lot. Sales of the few remaining mansions of this project in which most of the dwellings have been sold is continuing. We are also continuing to work on a project for our estate in Maslak and are looking for suitable lots for new projects.

In previous years, our company further reinforced its real estate portfolio that brings regular rent revenue with quality real estate. The highly prestigious real estate we have added to our portfolio is as follows: the five star Hillside Beach Club Holiday Village built over an area of 100.037 m<sup>2</sup>, a closed area of 23.922 m<sup>2</sup> and a bed capacity of 781 at Fethiye Kalemya Bay, the 13.794 m<sup>2</sup> factory and facilities built over an area of 13.503 m<sup>2</sup> in Eyüp, Istanbul, 39 shops with a total area of 4.233 m<sup>2</sup> in Istanbul Alkent Etiler Shopping Center, the 4 storey 1.730 m<sup>2</sup> Alarko Business Center in Karaköy, Necatibey Caddesi, the 750 m<sup>2</sup> Alarko-Dim Business Center consisting of 3 office floors and 3 shop floors in Tepebaşı, Istanbul, and the 6 storey 1.943 m<sup>2</sup> Alarko Business Center in Çankaya, Ankara, and 10 shops with an area of 784 m<sup>2</sup> at Istanbul, Büyükçekmece Alkent 2000.

In contrast to previous years, the rent income we obtain from Hillside Beach Club Holiday Village and the business center in Karaköy has increased considerably in 2014. Moreover, thanks to its strong equity and using our resources in money and capital markets our company also obtained high financial income in 2014.

## ADDITIONAL INFORMATION REGARDING OUR ACTIVITIES

- 1) Our Company had no activities related to Research and Development in the financial term of 2014.
- 2) Information regarding the internal control system of our company and its internal and external auditing activities: Our Company conforms to the principles stated in the Corporate Governance Principles. Hence, an "Auditing Committee" was constituted within the Board of Directors and the committee's work principles were determined by the Board. The results of the internal auditing reports drawn as a result of the inspections carried out in accordance with the internal control system set up and the audit reports drawn at the end of inspections carried out by the independent auditing companies are followed by the committee and reported to the Board. The financial statements showing the results of the activities of Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. for the year 2014 have been subject to independent auditing by BDO Denet Bağımsız Denetim Yeminli Mali Müşavirlik A.Ş. (Member, BDO International Network). Both internal auditing and independent auditing were conducted twice within the financial period of 2014 and no adverse case was determined. Neither public nor special inspection was conducted within the term. The financial statements of the company were examined by the Auditing Committee and it was determined that they reflected the financial status of the company correctly, and were in accordance with the records and that the results of 2014 were in compliance with the relevant laws and the Articles of Association.



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

<b>Subsidiaries</b>	<b>Declared Capital (TL)</b>	<b>Share (TL)</b>	<b>Share (%)</b>
Alsim Alarko Sanayi Tesisleri ve Tic. A.Ş.	120.072.000	1.196	0,00
Alarko Konut Projeleri Geliştirme A.Ş.	22.193.713	143	0,00
Alarko Holding A.Ş.	223.467.000	608.222	0,27

Information regarding our partnership ratios in our shareholdings as of 31 December 2014 and the dividends we have accumulated in 2013 and 2014 are given in note numbers 4 and 19 to the Financial Statements.

- 4) Our Company does not possess any own share.
- 5) As there is no practise by the Company and the members of the Board of Directors against to the applicable laws and regulations, there is neither any administrative nor judicial litigation against the Company and the members of the Board of Directors.
- 6) Objectives determined in former terms have been attained and there are no matters that have not been implemented in the decisions taken at the General Assemblies of the Company.
- 7) No extraordinary General Assembly was held during the term.
- 8) Our company has no spending within the social responsibility Project. Social contributions are made through the GYO (Real Estate Investment) Association and Alarko Educational Cultural Foundation.
- 9) Our company is a dependent company of Alarko Holding A.Ş. as defined in Turkish Commercial Code Article 195 Paragraph 1. Our company has carried out some transactions of goods and services with the parent company and its affiliates. All aforesaid transactions are conducted in accordance with arm's length principle.

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

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

- 10) No significant incident has occured since end of the past year until the date of report, which can affect rights of shareholders, creditors and the other related third parties.
- 11) There have been no legislative amendments that can seriously affect the Company's activities within the term.
- 12) Conflict of interest does not exist between the Company and investment consulting institutions as well as rating instutions which render services to the Company.
- 13) 10 special case announcements were made during the year. No additional explanation was requested.



## FINANCIAL RIGHTS GRANTED TO BOARD MEMBERS AND TOP EXECUTIVES

Except for the Independent Members of the Board, no financial rights such as honorariums, fees, bonuses, premiums, profit share are granted to Board Members. The gross total of fees and similar financial rights provided to the Independent Board Members and top executives in 2014 was TL 933.952.

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

## INFORMATION ABOUT HUMAN RESOURCES

The average number of employees on the 01.01.2014 - 31.12.2014 term is 7.

As of 31.12.2014, the company has calculated TL 184.313 employment termination indemnities with full provision.

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

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

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

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

## CURRENT CAPITAL AND PARTNERSHIP STRUCTURE

Shareholders	Share Amount (TL)	Number of shares and votes	Ratio (%)	Number of (*) A Group shares and votes	Number of (**) B Group shares and votes	Number of C Group shares and votes
Alarko Holding A.Ş.	1.748.259	174.825.881	16,42	16.467.000	–	158.358.881
Alsım Alarko Sanayi Tesisleri ve Ticaret A.Ş.	3.704.641	370.464.092	34,78	–	23.500.000	346.964.092
Other	3.453	345.271	0,03	33.000	–	312.271
Public Offering	5.194.441	519.444.156	48,77	–	–	519.444.156
<b>Total</b>	<b>10.650.794</b>	<b>1.065.079.400</b>	<b>100</b>	<b>16.500.000</b>	<b>23.500.000</b>	<b>1.025.079.400</b>

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

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

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

There has been no change in the capital and partnership structure of the company in 2014.



## **PROFIT DISTRIBUTION POLICY**

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

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

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

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

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

There is no privileges in profit distribution.

Our Company distributed a profit of TL 4.260.318 in 2014

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

There were no amendments made to the Articles of Association within the term.

## **RISKS AND EVALUATION OF RISKS BY THE MANAGING BODY**

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

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

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



## FINANCIAL INDEXES

According to the independently audited financial statements prepared as of December 31, 2014 financial indexes are as follows.

Financial Indexes	Year 2014	Year 2013
Net Sales	TL 14.919.333	TL 32.208.298
Net Profit for the Period	TL 78.151.728	TL 84.385.039
Current Ratio	75,00	120,77
Liquidity Ratio	67,91	108,82
Dept Equity Ratio	0,79 %	0,57 %
Total Assets	TL 463.942.210	TL 388.760.710

Analysis of the basic ratios regarding the term of 2014 shows that our Company's net working capital is adequate, that it can pay all its short term liabilities in cash or with economic assets that can be liquidated in a short period and also that its operating activities are financed with its equities. The Company's paid-in capital is TL10.650.794, and it is in a position to pay its depts. The financial structure of the company is propitious to maintaining its activities. Hence, there are no precautions taken concerning this issue.

As of 31.12.2014, the number of shares at par value of TL 1,00 is 10.650.794 and the current value per share is TL 44.

Information regarding assets in our portfolio is summarized below :

### i – Real Estates

Real Estates, Real Estate Projects, Chattel Real		Appraisal Date	Appraisal Value (TL)	
			VAT excluded	VAT Included
- Villas in Büyükçekmece Eskice Village	Büyükçekmece Eskice Village 106/18 parcel 63 villas, 13 villas remaining.	29.12.2014	19.530.000	23.045.400
- Land in Büyükçekmece Eskice Village	Büyükçekmece / İstanbul, 3 parcels 622.651,10 m <sup>2</sup> .	29.12.2014	47.543.000	56.100.740
- Maslak Land	Sarıyer / İstanbul, 2 parcels, in Maslak, on the Şişli - İstinye Büyükdere motorway 18.961,90 m <sup>2</sup> .	29.12.2014	47.406.000	55.939.080
- İstanbul Şişhane Business Center	Beyoğlu / İstanbul, gross 730 m <sup>2</sup> , 3 floors offices, 1 floor / entrance store, with elevator, generator, air conditioning and floor heating .	29.12.2014	2.955.000	3.486.900
- İstanbul Karaköy Business Center	Karaköy / İstanbul, gross 1.730 m <sup>2</sup> , single block, elevator, fuel-oil heating, ½ bought in 1997, ½ bought in 1999.	29.12.2014	4.325.000	5.103.500
- Ankara Çankaya Business Center	Çankaya / Ankara, gross 1.887 m <sup>2</sup> , single block, 6 storeys, elevator, chiller air conditioning, natural gas heating.	29.12.2014	3.886.000	4.585.480



Real Estates, Real Estate Projects, Chattel Real		Appraisal Date	Appraisal Value (TL)	
			VAT excluded	KDV Dahil
- Fethiye Hillside Beach Club Holiday Village	10.128,09 m <sup>2</sup> , in Fethiye / Muğla, Parcel 3 with 1. Class Holiday Village in Kaya Village, Kalemya Bay.	29.12.2014	19.243.371	22.707.178
- Fethiye Hillside Beach Club Holiday Village (usufruct)	Fethiye / Muğla, 2 parcels, 84.762 m <sup>2</sup> , usufruct for parcel 1 in Kaya Village, Kalemya Bay.	29.12.2014	108.256.629	127.742.822
- Factory and land in Eyüp - Topçular	Eyüp / İstanbul, 15.675 m <sup>2</sup> , facilities located in Topçular neighborhood. Door no. 8, block 247, parcel 56.	29.12.2014	33.000.000	38.940.000
- 39 shops in Etiler Alkent Housing Estate	39 shops in Etiler Alkent Shopping Center in Beşiktaş, İstanbul.	29.12.2014	11.500.000	13.570.000
- 10 shops in Büyükçekmece Alkent 2000 Yeditepe Housing Estate	10 shops in Büyükçekmece Alkent 2000 Shopping Center in Büyükçekmece, İstanbul.	29.12.2014	6.007.500	7.088.850
<b>TOTAL</b>			<b>303.652.500</b>	<b>358.309.950</b>

#### ii – Money and Capital Market Instruments

Type	Total (TL)	Ratio (%)
Government Bonds and Bills	153.999.747	79,79
Foreign Currency Time Deposits	35.772.305	18,54
Share Certificates	2.706.587	1,40
Mutual Funds	507.648	0,26
TL Deposit	27.089	0,01
<b>TOTAL</b>	<b>193.013.376</b>	<b>100</b>

#### iii – Participations

Type	Total (TL)	Ratio (%)
Participations	1.339	100

## INFORMATION REGARDING PORTFOLIO ASSETS LEASED

Information Regarding Portfolio Assets Leased	Insurance Value (TL)	Rent Appraisal Date	Rent Appraisal Value (TL)	Monthly Rent (TL)	Leasee	Lease Start	Lease Term
- İstanbul Şişhane Business Center	800.000	29.12.2014	10.500	-	Not rented as of 31.12.2014	-	-
			7.500	-	Not rented as of 31.12.2014	-	-
			6.864	4.100	Çırakoğlu Mimarlık Tasarım ve Dış. Ltd. Şti.	01.10.2014	1 year
			4.246	3.000	Evo Bilgi Teknolojileri San. Tic. Ltd. Şti.	01.03.2014	1 year
			4.246	5.225	Moka Ödeme Kuruluşu A.Ş.	01.09.2014	1 year
			4.246	3.370	Züccacıyeciler Derneği İktisadi İşletmesi	01.11.2014	1 year
			1.632	1.190	Benim Ev ve Mutfak Eşyaları San. Tic. A.Ş.	01.11.2009	5 years
			16.826	21.586	Burak Fahri Yön ve Ortakları	01.08.2014	5 years
- Ankara Çankaya Business Center	1.970.000	29.12.2014	27.202	33.849	Alarko Carrier San. ve Ticaret A.Ş. - Ankara Şb.	01.02.2014	1 year
- Factory in Eyüp - Topçular	2.200.000	29.12.2014	51.728	53.767	Karyer Isı San. ve Tic. Ltd. Şti.	01.01.2015	1 year
<b>- 10 shops in Büyükdere Alkent 2000</b>	<b>1.124.666</b>	<b>29.12.2014</b>	<b>39.200</b>	<b>38.516</b>			
1	821.841	29.12.2014	28.900	31.596	Migros Ticaret A.Ş.	01.01.2014	7 years
2	75.552	29.12.2014	2.600	1.200	Banu Eraslan	01.01.2015	year
3	49.389	29.12.2014	1.750	1.000	Banu Eraslan	01.09.2014	1 year
4	26.192	29.12.2014	850	1.050	Yavuz Önder	01.11.2014	1 year
5	25.590	29.12.2014	850	-	Not rented as of 31.12.2014	-	-
6	24.974	29.12.2014	850	1.070	Mürsel Küçük	01.03.2014	1 year
7	24.974	29.12.2014	850	650	Mosino Kuaforiük Hizmetleri ve Ticaret Ltd. Şti.	01.06.2014	1 year
8	24.974	29.12.2014	850	650	Mosino Kuaforiük Hizmetleri ve Ticaret Ltd. Şti.	01.06.2014	1 year
9	25.590	29.12.2014	850	650	Mosino Kuaforiük Hizmetleri ve Ticaret Ltd. Şti.	01.06.2014	1 year
10	25.590	29.12.2014	850	650	Mosino Kuaforiük Hizmetleri ve Ticaret Ltd. Şti.	01.06.2014	1 year





Information Regarding Portfolio Assets Leased	Insurance Value (TL)	Rent Appraisal Date	Rent Appraisal Value (TL)	Monthly Rent (TL)	Leasee	Lease Start	Lease Term
- 39 shops in Etiler Alkent Shopping Center	8.453.000	29.12.2014	81.981	138.211			
1 F1-01	543.175	29.12.2014	4.565	8.420	Migros Ticaret A.Ş.	01.02.2010	10 years
2 F1-02	1.164.234	29.12.2014	6.037	18.049	Migros Ticaret A.Ş.	01.02.2010	10 years
3 F1-03	323.852	29.12.2014	3.965	5.023	Migros Ticaret A.Ş.	01.02.2010	10 years
4 F2-01	110.684	29.12.2014	1.550	1.784	Çiçek Sepeti - Cem Kutsal	01.01.2015	1 year
5 F2-02	248.014	29.12.2014	1.621	2.740	Alkent Kuru Temizleme San. İç ve Dış Tic. Ltd. Şti.	01.12.2014	1 year
6 F2-03	182.422	29.12.2014	1.621	3.000	Terapist Veteriner Tıp Merkezi Ltd. Şti.	01.09.2014	1 year
7 F2-04	182.422	29.12.2014	1.892	2.175	Doruk Unlu Mam. San. ve Perakende Hizm. A.Ş.	01.10.2011	5 years
8 F2-05	182.422	29.12.2014	1.976	2.175	Doruk Unlu Mam. San. ve Perakende Hizm. A.Ş.	01.10.2011	5 years
9 F2-06	182.422	29.12.2014	1.892	5.835	Aycin Eczanesi	01.06.2014	1 year
10 F2-07	69.692	29.12.2014	639	2.415	Deniz 35 Gıda Pazarlama Ticaret Ltd. Şti.	01.08.2014	1 year
F2-07	137.329	29.12.2014	1.253	2.754	Artay Kültür ve Sanat Organizasyon Ltd. Şti.	01.12.2014	1 year
F2-08	143.480	29.12.2014	1.267	2.877	Artay Kültür ve Sanat Organizasyon Ltd. Şti.	01.12.2014	1 year
F2-08	65.591	29.12.2014	584	2.273	Deniz 35 Gıda Pazarlama Ticaret Ltd. Şti.	01.08.2014	1 year
F2-11	137.329	29.12.2014	1.692	2.515	Plaza Yapı Malzemeleri İthalat ve Ticaret A.Ş.	01.08.2014	1 year
F2-12	278.759	29.12.2014	1.692	2.515	Plaza Yapı Malzemeleri İthalat ve Ticaret A.Ş.	01.08.2014	1 year
F2-13	69.692	29.12.2014	1.692	2.040	Esra Karataş	01.12.2014	1 year
F2-14	137.329	29.12.2014	1.730	1.850	Erhan Yılmaz	01.03.2014	1 year
F2-15	69.692	29.12.2014	803	925	Çiçek Sepeti - Cem Kutsal	01.01.2015	1 year
F2-15	69.692	29.12.2014	819	2.050	Fırat Cemalgil	01.02.2014	1 year
F2-16	334.103	29.12.2014	1.622	1.861	Çiçek Sepeti - Cem Kutsal	01.01.2015	1 year
F3-01	34.846	29.12.2014	572	2.700	Tülin Özdemir	01.05.2014	1 year
F3-01	69.692	29.12.2014	1.162	1.715	Tülin Özdemir	01.07.2014	1 year
F3-01	34.846	29.12.2014	572	1.650	Mika Ev Tekstil San. ve Tic. A.Ş.	01.05.2014	1 year



Information Regarding Portfolio Assets Leased		Insurance Value (TL)	Rent Appraisal Date	Rent Appraisal Value (TL)	Monthly Rent (TL)	Leasee	Lease Start	Lease Term
	F3-01	69.692	29.12.2014	1.154	592	Berrin - Bünyamin Özgültekin	01.10.2014	1 year
19	F3-02	139.379	29.12.2014	1.730	2.100	Emor Emlak Org. Kırtasiye Tic. Ltd. Şti.	01.03.2014	1 year
20	F3-03	139.379	29.12.2014	1.622	1.100	Emor Emlak Org. Kırtasiye Tic. Ltd. Şti.	01.03.2014	1 year
21	F3-04	139.379	29.12.2014	1.622	2.116	E-Lab Sağlık Hizmetleri A.Ş.	01.07.2014	1 year
22	F3-05	139.379	29.12.2014	1.622	2.116	E-Lab Sağlık Hizmetleri A.Ş.	01.07.2014	1 year
23	F3-06	278.759	29.12.2014	3.244	6.769	Akbank A.Ş.	01.04.2014	5 years
24	F3-07	69.692	29.12.2014	2.433	3.650	Gülşay Egemen	01.11.2014	1 year
	F3-07	209.071	29.12.2014	812	1.100	Gülşay Egemen	01.07.2014	1 year
25	F3-08	114.785	29.12.2014	1.622	1.295	STR Film Yapımcılığı Eğitim Turizm Ltd. Şti.	01.11.2014	1 year
26	F3-09	139.379	29.12.2014	1.622	2.142	STR Film Yapımcılığı Eğitim Turizm Ltd. Şti.	01.03.2014	1 year
27	F3-10	114.785	29.12.2014	1.622	1.758	STR Film Yapımcılığı Eğitim Turizm Ltd. Şti.	01.03.2014	1 year
28	F3-11	139.379	29.12.2014	1.730	2.225	Duru Otomotiv Turizm Tic. Ltd. Şti.	01.04.2014	1 year
29	F3-12	139.379	29.12.2014	1.384	1.184	Berrin - Bünyamin Özgültekin	01.10.2014	1 year
	F3-12	139.379	29.12.2014	1.384	1.184	Berrin - Bünyamin Özgültekin	01.10.2014	1 year
	F3-12	69.692	29.12.2014	692	1.615	Santeks Saner Tekstil Ticaret Ltd. Şti.	01.03.2014	1 year
30	F4-01	71.738	29.12.2014	789	1.290	Gülşay Egemen	01.08.2014	1 year
	F4-01A	69.692	29.12.2014	761	1.460	Osman Gül	01.10.2014	1 year
31	F4-02	69.692	29.12.2014	796	1.650	Gülşay Egemen	01.01.2015	1 year
	F4-02A	71.738	29.12.2014	826	817	Tatlı Rüyalar Gıda ve Danış. San. Tic. Ltd. Şti.	01.05.2014	1 year
32	F4-03	141.430	29.12.2014	1.839	2.040	Bambino Oyuncak Sanayi Ticaret Ltd. Şti.	01.11.2014	1 year
33	F4-04	69.692	29.12.2014	1.730	1.675	Mino Gıda Ticaret ve Sanayi Ltd. Şti.	01.11.2014	1 year
34	F4-05	69.692	29.12.2014	1.730	1.849	Candostlar Kuaför Güzellik Salon İş. Ltd. Şti.	01.06.2014	1 year
35	F4-06	137.329	29.12.2014	1.769	3.643	Candostlar Kuaför Güzellik Salon İş. Ltd. Şti.	01.06.2014	1 year
36	F4-07	143.480	29.12.2014	1.548	1.817	Akip Gıda Sanayi Ticaret A.Ş.	01.11.2014	1 year



Information Regarding Portfolio Assets Leased		Insurance Value (TL)	Rent Appraisal Date	Rent Appraisal Value (TL)	Monthly Rent (TL)	Leasee	Lease Start	Lease Term
	37	282.865	29.12.2014	1.514	3.633	Akip Gıda Sanayi Ticaret A.Ş.	01.11.2014	1 year
	38	147.581	29.12.2014	675	3.917	Candostlar Kuaför Güzellik Salon İş. Ltd. Şti.	01.06.2014	1 year
		184.472	29.12.2014	839	2.092	Tatlı Rüyalar Gıda ve Danış. San. Tic. Ltd. Şti.	01.05.2014	1 year
	39	180.372	29.12.2014	1.652	2.041	Tatlı Rüyalar Gıda ve Danış. San. Tic. Ltd. Şti.	01.05.2014	1 year
- Fethiye Hillside Beach Club Holiday Village (*)		65.903.138	29.12.2014	10.585.000	<b>13.142.154</b>	Attaş Alarko Turistik Tesisler A.Ş.		
					13.067.154	Attaş Alarko Turistik Tesisler A.Ş.	21.04.2004	Unlimited
					75.000	Kafkas Kuyumculuk – Mehmet Fuat KIRGIZ	08.04.2014	1 Season

**Footnotes:**

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



## PROPOSAL FOR PROFIT DISTRIBUTION

The profit for the period as in the financial statements presented to the approval of the General Assembly is TL 78.151.728. As the total of the first order general legal reserves set aside in previous years has reached the legal ceiling, the net distributable profit for the period is TL 78.151.728.

We propose ;

- To distribute TL 5.005.873 out of the net distributable profit for the term to shareholders as dividend,
- To set aside TL 447.333 out of the profit to be distributed as second order general legal reserves,
- To transfer the remaining sum to extraordinary reserves,
- To start profit distribution as of the 29<sup>th</sup> of May 2015.

### Board of Directors

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

Profit for the Period .....	TL 78.151.728
First Order General Legal Reserves (has reached the ceiling) .....	-
Net Distributable Profit for the Period .....	TL 78.151.728
Dividends to Shareholders (cash) .....	TL 5.005.873
Second Order General Legal Reserves .....	TL 447.333
Balance to be Transferred to Extraordinary Reserves.....	TL 72.698.522
Ratio of Dividends to Total Issued Capital .....	47,00 %
Ratio of Dividends to Net Distributable Profit .....	6,41 %



## REPORT ON COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

### PART I – STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

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

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

### PART II – SHAREHOLDERS

#### 2.1. Unit in Charge of Relations with Shareholders

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

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

The manager of the Investor Relations Department is responsible to General Manager Harun Hanne Moreno. The report regarding the activities conducted was presented to the Board of Directors on 16.01.2015.

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

#### For Communication :

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

#### 2.2. Exercise of Right to Obtain Information by the Shareholders

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

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

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



### **2.3. General Assembly Meetings**

The Ordinary Annual General Assembly meeting of the company was held at the company headquarters at Muallim Naci Cad. No. 69 Ortaköy, Istanbul, with a quorum of 55,76 %. The meeting was attended by representatives of the media.

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

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

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

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

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

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

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

### **2.4. Voting Rights and Minority Rights**

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

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



<b>Subsidiaries</b>	<b>Declared Capital (TL)</b>	<b>Share (TL)</b>	<b>Share (%)</b>
Alsim Alarko Sanayi Tesisleri ve Tic. A.Ş.	120.072.000	1.196	0,00
Alarko Konut Projeleri Geliştirme A.Ş.	22.193.713	143	0,00
Alarko Holding A.Ş.	223.467.000	608.222	0,27

## **2.5. Profit Share Rights**

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

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

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

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

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

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

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

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

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

Our Company distributed a profit of TL 4.260.318 in 2014.

## **2.6. Transfer of Shares**

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



## **PART III – PUBLIC INFORMATION AND TRANSPARENCY**

### **3.1. Corporate Internet web-site and its contents :**

Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. has a web-site. The Company's web-site address is [www.alarkoyatirim.com.tr](http://www.alarkoyatirim.com.tr). Matters specified in the Corporate Governance Principles have been included in the web-site.

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

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

### **LIST OF LINKS :**

#### **PART I – STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES**

#### **PART II – SHAREHOLDERS**

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

#### **PART III – PUBLIC INFORMATION AND TRANSPARENCY**

### **3.1. Company's Web-site and its contents**

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



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

### **3.2. Annual Report**

## **PART IV – OWNERS OF INTEREST**

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

## **PART V – BOARD OF DIRECTORS**

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

### **3.2. Annual Report**

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

## **PART IV - OWNERS OF INTEREST**

### **4.1. Informing the Stakeholders**

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

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

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

### **4.2. Participation of Owners of Interest in Management**

No particular model has been developed regarding participation of owners of interest in the Company's management. Rights of owners of interest are protected by virtue of applicable legislation.



#### 4.3. Human Resources Policy

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

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

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

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

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

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

#### 4.4. Rules of Ethics and Social Responsibility

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

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

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

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

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



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

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

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

## **PART V – BOARD OF DIRECTORS**

### **5.1. Structure and Composition of Board of Directors**

#### **Board of Directors**

Mustafa Filiz	Chairman
Ahmet Önder Kazazoğlu	Vice Chairman
Mehmet Alper Kaptanoğlu	Member
Mehmet Ahkemoğlu	Member
Hilmi Önder Şahin	Member
İzzet Cemal Kışmir	Member (Independent)
Mehmet Sağıroğlu	Member (Independent)

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

There are 2 independent members on the Board of Directors.

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

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

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

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

#### **General Manager**

##### **Harun Hanne Moreno**

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

Harun Moreno started to work at the Alarko Group of Companies in 1986. Following various middle and top management positions in the various units of the group, he was appointed



general manager of the Alarko Real Estate Investment Partnership Co. in 2001. He is still holding this position.

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

## **5.2. Operational Principles of the Board of Directors**

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

The Board of Directors held 16 meetings during the term. All members participated in 11 of the meetings. One member of the Board did not participate in 5 meetings due to excuses. Board decisions were taken unanimously. Therefore, there is no record of dissenting votes. In 2014 there were no related party transactions and transactions of important character to be presented to the approval of the independent members of the Board.

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

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

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

Hence;

- Corporate Governance Committee consisting of 4 members was established to develop corporate governance applications. Independent member Mehmet Sağırođlu was elected as chairman of the committee and independent member Mustafa Filiz, Mehmet Ahkemođlu and Metin Franko were elected as members of the Committee. The Corporate Governance Committee convened 2 time with the total number of members within the term and presented the Board a report regarding their activities.
- An Committee of Early Identification of Risks consisting of 4 members was constituted to detect the risks that our Company could be faced with and to organize an effective risk management system. Independent member Mehmet Sağırođlu was elected as Chairman and Mustafa Filiz, Mehmet Ahkemođlu and Hilmi Önder Şahin were elected as members of the Committee. The Committee of Early Identification of Risks convened 6 times with the total number of members in 2014 and presented the Board a report regarding their activities.
- Independent member İzzet Cemal Kışmir was elected as Chairman of the Auditing Committee within the Board and independent member Mehmet Sağırođlu was elected as member. The Auditing Committee convened 5 times with the total number of members in 2014 and presented the Board a report regarding their activities.



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

All of the committees consist of non-executive members.

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

#### **5.4. Risk Management and Internal Audit Mechanism**

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

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

#### **5.5. Strategic Objectives of the Company**

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

The main purpose of our land development projects dating back 42 years is to provide people buildings that;

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

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

#### **5.6. Pecuniary Rights**

No pecuniary benefits such as honorariums, fees, premiums, bonuses are given to members of the Board of Directors except the independent members of the Board of Directors. The gross total of pecuniary benefits given to Independent Board members and top executives was TL 933.952 (Gross) in 2014.

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

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

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



## INDEPENDENT AUDITORS' REPORT ON ANNUAL REPORT

To the Board of Directors of  
Alarko Gayrimenkul Yatırım Ortaklığı A.Ş.

1. As part of our audit, we have assessed whether the financial information and the assessment and explanations of the Board of Directors presented in the annual report of Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. (the "Company") prepared as of 31 December 2014 are consistent with the audited financial statements as of the same date.
2. Management is responsible for the preparation of the annual report in accordance with the Communiqué related to the Determination of the Minimum Content of the Companies' Annual Report.
3. Our responsibility is to express an opinion on whether the financial information provided in the annual report is consistent with the audited financial statements on which we have expressed our opinion dated 23 February 2015.

Our assessment is made in accordance with the principles and procedures for the preparation and issuing of annual reports in accordance with Turkish Commercial Code No 6102 ("TCC"). Those principles and procedures require that audit is planned and performed to obtain reasonable assurance whether the financial information provided in the annual report are free from material misstatement regarding the consistency of such information with the audited financial statements and the information obtained during the audit.

We believe that the assessment we have made is sufficient and appropriate to provide a basis for our opinion.

4. Based on our opinion, the financial information and the assessment and explanations of the Board of Directors in the accompanying annual report of Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. are consistent with the audited financial statements as of 31 December 2014 as also indicated in the independent auditor's report dated 23 February 2015.

Istanbul,  
23 February 2015

BDO Denet Bağımsız Denetim  
Yeminli Mali Müşavirlik A.Ş.  
Member, BDO International Network

  
BDO DENET  
Bağımsız Denetim  
Yeminli Mali Müşavirlik A.Ş.

Bülent Üstünel  
Partner in charge



## INDEPENDENT AUDITORS' REPORT

### To the Board of Directors of Alarko Gayrimenkul Yatırım Ortaklığı A.Ş.

We have audited the accompanying statement of financial position of Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. (the Company) as of 31 December 2014 and the related statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### ***Management's responsibility for the financial statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Turkish Accounting Standards ("TAS") published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the independent audit standards published by the Capital Markets Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**BDO DENET**  
Bağımsız Denetim  
Yeminli Mali Müşavirlik A.Ş.



### **Opinion**

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. as of 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with the Turkish Accounting Standards (TAS).

### **Report on Other Legal and Regulatory Requirements**

1. Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no 6102; Auditors' Report on system and Committee of Early Identification of Risks is presented to the Board of Directors of the company on 23 February 2015.
2. Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that the Group's bookkeeping activities, financial statements for the period 1 January - 31 December 2014 are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.
3. Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and requested documents in connection with the audit.

Istanbul,  
23 February 2015

BDO Denet Bağımsız Denetim  
Yeminli Mali Müşavirlik A.Ş.  
Member, BDO International Network



Bülent Üstünel  
Partner in charge





**FINANCIAL STATEMENTS AUDITED  
BY INDEPENDENT AUDITORS**



**ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**  
**AUDITED STATEMENTS OF FINANCIAL POSITION**  
**AS OF 31 DECEMBER 2014 AND 31 DECEMBER 2013 (TL)**

<b>ASSETS</b>	<b>Notes</b>	<b>Current Period 31 December 2014</b>	<b>Previous Period 31 December 2013</b>
<b>CURRENT ASSETS</b>		<b>224.548.291</b>	<b>201.823.015</b>
Cash and Cash Equivalents	2,3	36.307.042	39.137.063
Financial Assets	2,4	153.999.747	129.292.842
Trade Receivables	2,5	12.906.250	13.242.385
Trade Receivables from Related Parties		12.828.282	13.154.122
Trade Receivables from Non-Related Parties		77.968	88.263
Inventories	2,7	19.798.264	19.798.264
Prepaid Expenses		104.821	188.924
Other Current Assets	2,13	1.432.167	163.537
<b>NON - CURRENT ASSETS</b>		<b>239.393.919</b>	<b>186.937.695</b>
Financial Assets	2,4	2.707.926	2.835.652
Other Receivables	2,6	15.663	60.951
Other Receivables from Related Parties		–	–
Other Receivables from Non-Related Parties		15.663	60.951
Investment Properties (net)	2,8	236.579.500	183.986.000
Tangible Assets (net)	2,9	68.309	54.861
Intangible Assets (net)	2,10	22.521	231
Goodwill		–	–
Other Intangible Assets		22.521	231
<b>TOTAL ASSETS</b>		<b>463.942.210</b>	<b>388.760.710</b>

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



<b>LIABILITIES</b>	<b>Notes</b>	<b>Current Period 31 December 2014</b>	<b>Previous Period 31 December 2013</b>
<b>SHORT - TERM LIABILITIES</b>		<b>2.994.025</b>	<b>1.671.142</b>
Trade Payables	2,5	1.514.263	1.157.290
Trade Payables to Related Parties		32.354	52.936
Trade Payables to Non-Related Parties		1.481.909	1.104.354
Liabilities Related to Employee Benefits	2,12	68.906	58.305
Other Liabilities	2,6	55.535	7.574
Other Payables to Related Parties		–	–
Other Payables to Non-Related Parties		55.535	7.574
Deferred Income		20.306	16.413
Other Short Term Liabilities	13	1.335.015	431.560
<b>LONG TERM LIABILITIES</b>		<b>622.265</b>	<b>532.419</b>
Other Payables	2,6	382.828	316.748
Other Payables to Related Parties		–	–
Other Payables to Non-Related Parties		382.828	316.748
Long Term Provisions		239.437	215.671
Provisions for Employee Benefits	2,12	184.313	152.677
Other Short Term Provisions	12	55.124	62.994
<b>EQUITY</b>		<b>460.325.920</b>	<b>386.557.149</b>
Equity Attributable to the Parent Company			
Paid-In Capital	1,14	10.650.794	10.650.794
Capital Adjustment Differences	14	54.712.578	54.712.578
Accumulated Other Comprehensive Income / Losses			
Not to be Reclassified in Profit / Loss		(10.412)	(15.498)
Revaluation And Remeasurement Gains / Losses	14	(10.412)	(15.498)
Accumulated Other Comprehensive Income and Expenses to be Reclassified in Profit / Loss		1.445.132	1.572.856
Revaluation and Reclassification Gains / Losses	14	1.445.132	1.572.856
Restricted Profit Reserves	14	3.137.812	2.765.034
Retained Earnings / Accumulated Losses	14	312.238.288	232.486.346
Net Profit / (Loss) for the Period	20	78.151.728	84.385.039
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>463.942.210</b>	<b>388.760.710</b>



**ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**  
**AUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED 31 DECEMBER 2014 AND 31 DECEMBER 2013 (TL)**

	Notes	Current Period 1 January 2014 31 December 2014	Previous Period 1 January 2013 31 December 2013
<b>CONTINUING OPERATIONS</b>			
Revenue	15	14.919.333	32.208.298
Cost of Sales (-)	15	–	(2.062.567)
<b>GROSS PROFIT / (LOSS)</b>		<b>14.919.333</b>	<b>30.145.731</b>
General Administration Expenses (-)	16,17	(4.365.359)	(5.278.313)
Other Operating Income	18	79.458.506	63.949.909
Other Operating Expenses (-)	18	(11.902.157)	(4.481.741)
<b>OPERATING PROFIT / (LOSS)</b>		<b>78.110.323</b>	<b>84.335.586</b>
Income From Investing Activities	19	41.405	49.453
Expenses Related to Investing Activities (-)		–	–
<b>OPERATING PROFIT / (LOSS) BEFORE FINANCIAL EXPENSES</b>		<b>78.151.728</b>	<b>84.385.039</b>
Financial Expenses (-)		–	–
<b>PROFIT / (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>78.151.728</b>	<b>84.385.039</b>
Tax Income / (Expense) from Continuing Operations		–	–
Tax Income / (Expense) for the Period	2,20	–	–
Deferred Tax Income / (Expense)	2,20	–	–
<b>PROFIT / (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>78.151.728</b>	<b>84.385.039</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Other Comprehensive Income / Losses not to be Reclassified in Profit / Loss			
Actuarial (loss) / Gain Fund	12	5.086	1.995
Other Comprehensive Income / Losses to be Reclassified in Profit / Loss			
Change in Financial Assets Revaluation Fund	14	(127.724)	(279.783)
<b>OTHER COMPREHENSIVE INCOME</b>		<b>(122.638)</b>	<b>(277.788)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>78.029.090</b>	<b>84.107.251</b>
<b>EARNINGS / (LOSS) PER SHARE FROM CONTINUING OPERATIONS</b>			
	2,21	7,3376	7,9229

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

**ALARCO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**  
**AUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED 31 DECEMBER 2014 AND 31 DECEMBER 2013 (TL)**

	Notes	Paid-in Capital	Equity Adjustment Differences	Revaluation and Measurement Gains / Losses Related to Accumulated Other Comprehensive Income and Expenses Not To Be Reclassified in Profit or Loss	Revaluation and Reclassification Gains / Losses From Accumulated Other Comprehensive Income and Expenses To Be Reclassified in Profit or Loss	Restricted Profit Reserves	Retained Earnings / (Accumulated Losses)	Net Profit (Loss) for the Period	Total
Balance as at 1 January 2013 (Opening of Period)		10.650.794	54.712.578	-	1.852.639	2.587.834	220.699.909	14.268.178	304.771.932
Adjustments Related to Changes in Accounting Policies		-	-	(17.493)	-	-	-	-	(17.493)
Adjusted Balance as at 1 January 2013		10.650.794	54.712.578	(17.493)	1.852.639	2.587.834	220.699.909	14.268.178	304.754.439
Transfers	14	-	-	-	-	177.200	11.786.437	(11.963.637)	-
Total Comprehensive Income		-	-	1.995	(279.783)	-	-	84.385.039	84.107.251
Dividends		-	-	-	-	-	-	(2.304.541)	(2.304.541)
<b>Balance as at 31 December 2013 (Closing of Period)</b>		<b>10.650.794</b>	<b>54.712.578</b>	<b>(15.498)</b>	<b>1.572.856</b>	<b>2.765.034</b>	<b>232.486.346</b>	<b>84.385.039</b>	<b>386.557.149</b>
Balance as at 1 January 2014 (Opening of Period)		10.650.794	54.712.578	(15.498)	1.572.856	2.765.034	232.486.346	84.385.039	386.557.149
Transfers	14	-	-	-	-	372.778	79.751.942	(80.124.720)	-
Total Comprehensive Income		-	-	5.086	(127.724)	-	-	78.151.728	78.029.090
Dividends	14	-	-	-	-	-	-	(4.260.319)	(4.260.319)
<b>Balance as at 31 December 2014 (Closing of Period)</b>		<b>10.650.794</b>	<b>54.712.578</b>	<b>(10.412)</b>	<b>1.445.132</b>	<b>3.137.812</b>	<b>312.238.288</b>	<b>78.151.728</b>	<b>460.325.920</b>

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





**ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**  
**AUDITED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED**  
**31 DECEMBER 2014 AND 31 DECEMBER 2013 (TL)**

	Notes	Current Period 31 December 2014	Previous Period 31 December 2013
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>1.519.644</b>	<b>24.948.955</b>
Profit / Loss for the Period		78.151.728	84.385.039
<b>Adjustments Related to Reconciliation of Net Profit / Loss for the Period</b>		<b>(77.218.037)</b>	<b>(51.650.913)</b>
Depreciation and Amortization adjustments	9,10	11.015	15.833
Adjustments Related to Impairment and Reversal of Impairment	8	(52.550.906)	(29.391.020)
Adjustments Related to Provisions		28.852	39.338
Adjustments Related to Other Items Providing Cash Flows From Investing or Financing Activities	4	(24.706.905)	(22.315.064)
Other Adjustments Related to Profit / Loss Reconciliation	11,12	(93)	–
<b>Working Capital Changes</b>		<b>585.953</b>	<b>(7.785.171)</b>
Adjustments Related to Increase / Decrease in Inventories	7	–	(2.667.671)
Adjustments Related to Increase / Decrease in Trade Receivables	5	337.117	(3.073.931)
Adjustments Related to Increase / Decrease in Other Receivables Related to Operations	6	45.288	(48.746)
Adjustments Related to Increase / Decrease in Trade Payables	5	356.085	(1.021.256)
Adjustments Related to Increase / Decrease in Other Payables Related to Operations	6	114.041	61.421
Adjustments Related to Other Increases / Decreases in Working Capital		(266.578)	(1.034.988)
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(89.346)</b>	<b>(5.937.771)</b>
Acquisition of Tangible and Intangible Assets, Net (-)	9,10	(46.752)	(51.791)
Acquisition of Investment Properties (-)	8	(42.594)	(5.885.980)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(4.260.319)</b>	<b>(2.304.541)</b>
Dividends Paid		(4.260.319)	(2.304.541)
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>		<b>(2.830.021)</b>	<b>16.706.643</b>
<b>Cash and Cash Equivalents at the Beginning of the Period</b>	<b>3</b>	<b>39.137.063</b>	<b>22.430.420</b>
<b>Cash and Cash Equivalents at the End of the Period</b>	<b>3</b>	<b>36.307.042</b>	<b>39.137.063</b>

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



## **ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.** **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED** **31 DECEMBER 2014 AND 31 DECEMBER 2013**

### **1- ORGANIZATION AND PRINCIPAL ACTIVITIES**

The company name of Aletim Alarko Elektrik Tesisat ve İnşaat Malzemeleri Anonim Şirketi founded on 6 June 1978 was changed to Alarko Gayrimenkul Yatırım Ortaklığı Anonim Şirketi (the Company) upon being published in the Turkish Trade Register Gazette dated 6 August 1996 nr 4096. The Company applied to the Capital Markets Board on 31 October 1996 for the registration of a document related to share certificates to be issued for the capital increase in its shareholders; and the document was registered by the CMB certificate Nr GYO 1/1552 dated 13 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 2014 and 31 December 2013, the shareholders and the shareholding structure of the Company at historic values is as follows:

	31 December 2014		31 December 2013	
	Shareholding (%)	Book Value (TL)	Shareholding (%)	Book Value (TL)
<b>Shareholders</b>				
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
Others (*)	0,03	3.453	0,03	3.453
<b>Total</b>	<b>100,00</b>	<b>10.650.794</b>	<b>100,00</b>	<b>10.650.794</b>

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

As of 31 December 2014 and 31 December 2013, the difference arising from restatement of the nominal value of the share capital amounts to TL 54.712.578 (Note 14 (b)).

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

The majority of the Company shares belong to Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. and 49,00 % of the Company shares is traded at the Istanbul Stock Exchange since 1996.

As of 31 December 2014 and 31 December 2013, the average number of the Company personnel is 7 and 7, respectively.



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

## **2- PRESENTATION OF THE FINANCIAL STATEMENTS**

### **i) Basis of Presentation :**

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

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

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

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

The Company's financial statements dated 31 December 2014 have been submitted on 23 February 2015 by the Management to the approval of the Board of Directors.

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 / TFRS with the below mentioned adjustments which are not stated in the statutory records:



- Provision for doubtful receivables
- Calculation of rediscount on customers
- Depreciation adjustment in relation to the useful lives of tangible assets
- Termination indemnity adjustment as per TAS 19
- Valuation of financial assets quoted at the stock exchange by market value
- Provisions for unused leaves
- Valuation of investment properties at fair value

**iv) Offsetting :**

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

**v) Accounting Policies, Changes and Errors in Accounting Estimates :**

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

As required by TAS 19 “Employee Benefits”, starting from 1 January 2013, the actuarial gains / losses related to provisions for termination indemnity are included in the other comprehensive income.

As the related standard is revised, the change in the accounting policy was applied retroactively as stated in the standard and the actuarial gains / losses stated in the prior period statements of income are reclassified under other comprehensive income; and the financial statements and notes are revised accordingly.

**vi) Comparative Information and Adjustment of Prior Period Financial Statements :**

The statements of financial position as of 31 December 2014 and 31 December 2013 and the related notes as well as the statements of comprehensive income, the statements of changes in equity, and cash flows, and the notes to these financial statements for the years then ended are presented comparatively. In order to comply with the presentation of the current period financial statements, comparative information is reclassified when deemed necessary.

Pursuant to TAS 19 “Employee Benefits”, starting from 1 January 2013, the actuarial gains / losses related to provisions for termination indemnity are included in the other comprehensive income.

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

The accounting policies adopted in preparation of the financial statements for the period ended 31 December 2014 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2014. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.



**The new standards, amendments and interpretations which are effective as at 1 January 2014 are as follows:**

**TAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)**

The amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the TAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2014. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

**TAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial assets (Amendment)**

The IASB, as a consequential amendment to IFRS 13 Fair Value Measurement, modified some of the disclosure requirements in IAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets. The amendments required additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014. Earlier application is permitted for periods when the entity has already applied IFRS 13. The Company does not expect that this amendment will have any impact on the financial position or performance of the Company.

**IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendment)**

Amendments to IAS 39 Financial Instruments: Recognition and Measurement provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations. Annual periods beginnings on after 1 January 2014 shall be applied retrospectively. The amendments had no significant impact on the financial position or performance of the Company.

**TFRIC Interpretation 21 Levies**

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The interpretation is effective for annual periods beginning on or after 1 January 2014, with early application permitted. Retrospective application of this interpretation is required. This interpretation does not apply for the Company and has no effect on its financial position or performance.

**Transition Guidance (Amendments to TFRS 10, TFRS 11 and TFRS 12)**

The amendments only change the transition guidance to provide further relief from full retrospective application. The date of initial application is defined as ‘the beginning of the annual reporting period in which TFRS 10 is applied for the first time’. The assessment of whether control exists is made at ‘the date of initial application’ rather than at the beginning



of the period presented comparatively. In the event that the control assessment made in accordance with TFRS 10 is different than that made in accordance with TAS 27/SIC-12, the effects of retrospective adjustments need to be determined. However, if the control assessments are the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons, TFRS 11 Joint Arrangements and TFRS 12 Disclosure of Interests in Other Entities have also been amended by POA to provide transition relief. This amendment has no impact on the financial position and performance of the Company.

Standards issued but not yet effective and not available for early adoption;

Standards, interpretations and amendments to existing standards that are issued as of the reporting date but not yet effective and not early adopted by the Company for the current reporting period are as follows. If not indicated otherwise, the Company will make the necessary changes which will have an impact on the financial statements and disclosures after the new standards and interpretations come into effect.

#### **TFRS 9 Financial Instruments – Classification and measurement**

As amended in December 2011, the new standard is effective for annual periods beginning as of or subsequent to 1 January 2015. Phase 1 of the new TFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted.

#### **IFRS 9 Financial Instruments – Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 –IFRS 9 (2013)**

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging transactions. The standard does not have a mandatory effective date, but it is available for application now; a new mandatory effective date will be set when the IASB completes the impairment phase of its project on the accounting for financial instruments. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

### **viii) Summary of Significant Accounting Policies and Valuation Methods :**

#### **(a) Financial Instruments :**

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

##### **i. Cash and Cash Equivalentents**

Cash and cash equivalentents 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.

#### **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 of 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 party is related to an entity if the party is a legal body or a real person which directly or indirectly controls, is controlled by, or is under common control with the entity, has an interest in the entity that gives it significant influence over the entity, and if the party is a subsidiary, an affiliate or a joint venture in which the entity is a venturer. Furthermore, members of the key management personnel of the entity, close members of the family of any individual referred to above, and parties representing post-employment benefit plan for the benefit of employees of the entity are also defined as related parties.

Within the scope of this report, the Company shareholders, Alarko Holding A.Ş. and Alarko Holding Group Companies, their executive staff, and other companies under control of 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 or for capital appreciation or both, recognized at fair value. Income or losses arising from change fair value change in investment properties are recognized as profit of loss for the period of change.

### **(e) Tangible Assets :**

Tangible assets are stated at cost less their accumulated depreciation and impairment loss, if any. Tangible assets have been restated using the measuring unit current at 31 December 2004 from the dates of acquisition. Additions made subsequent to 1 January 2005 are stated at their nominal values. Tangible assets are depreciated



over their inflation-adjusted values by straight-line method and the nominal values of additions subsequent to 1 January 2005 as per their useful lives stated below :

Buildings	2% – 2,5%
Land improvements	10%
Machinery, plant, and equipment	20% – 25%
Furnitures 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 their accumulated amortisation and impairment loss, if any. The acquisition values of intangible assets are considered in the restatement of intangible assets as at 31 December 2004. Additions made subsequent to 1 January 2005 are stated at their nominal values. Intangible assets are amortized over their inflation-adjusted values and the nominal values of additions subsequent to 1 January 2005 over the rates stated below :

Leasehold improvements	3% – 50%
Rights	3,125% – 33,33%

**(g) Assets and Liabilities in Foreign Currency :**

Foreign currency assets and liabilities recognized in the statement of financial position are translated into Turkish Lira at the foreign exchange rates announced by the Turkish Central Bank at the reporting dates. Transactions in foreign currencies during the period are translated into Turkish Lira at the actual rates applicable on the transaction date. Exchange gains and losses resulting from such translations are included in the statements of comprehensive income.

**(h) Impairment of Assets :**

In case the book value of an asset exceeds its recoverable value, a provision for impairment loss is made so as to bring the book value of the asset down to the level of its fair value and the provision is recorded in the statement of comprehensive income as expense.

On the other hand, the recoverable value of cash generating assets is the higher of the value computed by subtracting the sales value of the asset from its fair value compared to the value in use of the asset. The value in use of the said assets is the present value of the cash flows expected to be obtained from the assets. For the calculation of the value in use, the future cash flow estimates are discounted to their present value by using the time value of money and the discount rate before tax which reflects risks attributable to the asset.



**(i) Deferred Taxes :**

Deferred taxes are calculated on the temporary differences that arise between the deductible tax base and the book values of assets and liabilities, by using the liability method. The main temporary differences arise from the income and expense items recognised in different periods with respect to the TAS/TFRS and the tax legislation. While deferred tax liabilities are calculated for all taxable temporary differences, deferred tax assets consisting of deductible temporary differences are calculated with the assumption that the Company will have taxable income during the future periods.

An enterprise should offset current tax assets and current tax liabilities if the enterprise has a legally enforceable right to set off the recognised amounts, provided that the tax assets and tax liabilities are subject to the tax legislation of the same jurisdiction.

**(j) Income Taxes :**

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

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

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

Further, provisional corporation tax is paid at a rate of 20% on the profits declared for interim periods to be deducted from the corporation tax.

With respect to the article 298 (bis) of the Tax Law amended by Law 5024, the financial statements of the tax payers whose earnings are determined on balance sheet basis are not subject to inflation adjustment because the inflation adjustment application which started in 2004 has ended as the increase in the Producers Price Index for the last 36 months and the last 12 months are below 100% and 10%, respectively at March 2005. In the 2013 and 2012 accounting periods, the criteria of 100% and 10% have not been realized simultaneously in the Producers Price Index and for that reason no inflation adjustment has been applied.

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



has been made in relation to the 31 December 2014 and 31 December 2013 accounting periods (Note 19).

**(k) Provision for Termination Indemnity :**

Under Turkish Labour Law Article 25/II, the Company is required to pay termination indemnities to each employee who completes one year of service and whose employment is terminated upon causes that qualify the employee to receive termination indemnity, is called up for military service, leaves within one year after marriage (women only), and to those employees who retire or die. The amount payable consists of one month's salary for each year of service. This entitlement is limited to TL 3.438,22 in respect of each year of service as of 31 December 2014 (31 December 2013- TL 3.254,44).

The Company has determined the termination indemnity liability stated in the accompanying financial statements as per the recognition and valuation principles stated in "Employee Benefits" TAS 19. As the characteristics of the termination indemnity liabilities are similar to the "Post Employment Benefit Plans" stated in this standard, these liabilities are calculated and stated in the financial statements on the basis of below mentioned "Proposed Unit Loan Method" and other various assumptions.

- The dates that the employees will gain their pension rights are determined with respect to the current social security laws with consideration to their past employment durations.
- In calculating the current value of future liabilities that may arise due to the retirement or contract termination of an employee, it is assumed that the current salaries and wages or, if higher than the value of the termination indemnity upper limit determined by the Labour Law for 31 December 2014, the termination indemnity upper limit, to remain constant for restatement purposes, and this value is reduced by the actual discount rate of 3,30 % (31 December 2013- 3,29 %) calculated based upon the assumption that the expected annual inflation rate will be 6,00 % (31 December 2013 – 6,50 %) and the expected discount rate will be 9,50 % (31 December 2013 – 10,00 %) which represents the proposed average interest rate per annum of the government bonds, in order to determine the current net value of the termination indemnity liability at the balance sheet date.

**(l) Revenues and Expenses :**

The accrual basis of accounting is applied for the recognition of revenues and expenses. The accrual concept requires that revenue, income and profits should be matched with costs, expenses and losses belonging to the same period.

Sales are mainly constituted of sales revenue generated from real estate sold and the rents from property held for investment purposes. Sales are accounted for by the accrual principle, calculated over fair value of the prospect or realized income upon services provided, reliable determination of the income amount, and possible economical benefits to be acquired by the Company over the transaction. Sales revenue obtained from real estate sales are recognized at the date of delivery and the rent income is accounted for by the accrual principle. If there is a significant amount of financial cost involved with the sales, the fair value of the sale is determined by discounting the receivables. The interest rate used in determining the current value of receivables is the rate which discounts the nominal value of the sales total to the



cash price of the service. The difference between the nominal value of the sales consideration and the fair value calculated accordingly is accounted for as interest income in the related periods.

If the balances recorded as income become doubtful balances, the provision for these accounts are not deducted from income accounts, these are accounted for as expense in financial statements.

Net sales are constituted of the invoiced sales balances after discounts and returns are deducted.

Cost of sales is mainly made up of the cost of real estate sold and the expenses related to these properties.

**(m) Earnings / (Loss) per Share :**

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

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

**(n) Accounting Estimates :**

During the preparation of financial statements in accordance with the TAS / TFRS, the Management may make assumptions and estimates that might affect the book value of the assets and liabilities stated in the financial statements as of the reporting period, explanations regarding unrecognized liabilities, and income and expense totals related to the period. However, actual results may vary from these results.

**(o) Borrowing Costs :**

Borrowing costs are recognized as expense. Borrowing costs related to the qualifying assets are included directly in the cost of the related qualifying asset. Capitalization of borrowing costs shall cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

**(p) Events After the Reporting Period :**

The Company updates disclosures that relate to conditions that existed at the end of the reporting period to reflect any relevant information received after the reporting period. Non-adjusting events shall be disclosed if they are of such importance that non-disclosure would affect the ability of users to make proper evaluations and decisions.

**(r) Conditional Assets and Liabilities :**

Assets and liabilities that originate from past incidents and whose presence is not fully under the company management control as it can only be confirmed through the



realization of one or more indefinite incidents to take place in the future are not included in the financial statements and are classified as conditional liabilities and assets.

**(s) Statement of Cash Flows :**

In the statement of cash flows, current period cash flows are classified as principal activities, investing activities, and financing activities, and reported accordingly. Cash flows arising from principal activities are those that are related to the Company operations.

Cash flows from investing activities are those used by/provided from the Company's investments (i.e. fixed asset investments and financial investments). Cash flows from financing activities represent the financial sources used in the Company's finance operations and their repayments. The cash and cash equivalents in the statement of cash flows comprise cash, banks and short term investments of short maturity (up to 3 months) and high liquidity which are convertible to known amounts of cash with defined amounts maturing maximum in 3 months, having high liquidity which are easily convertible into cash.

**(t) Supplementary note: Control of Compliance to Portfolio Limitations**

The information provided in the said note (Note 27) is summarized information derived from financial statements as per the article 16 of the Capital Markets Board Communiqué II-14.1 "Principles Regarding Financial Reporting on Capital Markets" and prepared within the frame of provisions related to compliance to portfolio limitations stated in the CMB Communiqué Serial III No 48.1 "Principles Regarding Real Estate Investment Trusts".

**3- CASH AND CASH EQUIVALENTS**

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

	31 December 2014	31 December 2013
Banks	35.799.394	36.933.182
- TL demand deposit	27.089	111.092
- Foreign currency demand deposit	-	8
- TL time deposit	-	2.080.729
- Foreign currency time deposit *	35.772.305	34.741.353
Type B Liquid Fund	507.648	2.203.881
<b>Total (Note 23 (i))</b>	<b>36.307.042</b>	<b>39.137.063</b>

\* As of 31 December 2014, the interest rate on USD time deposits at banks varies between 2,05 % - 2,20 % and the accrued interest amounts to TL 17.754; the interest rate on Euro time deposits at banks varies between 1,80 % - 1,95 % and the accrued interest amounts to TL 31.387; and the interest rate on TL time deposits at banks is 8,95 % and the accrued interest amounts to TL 17.204 (31 December 2013 – USD deposits: 3,00 % - 3,15 %, TL 8.453, Euro deposits: 2,80 % - 2,90 %, TL 32.263, TL deposits : 8,95 %, TL 17.204).

The Company has no blocked deposits at banks as of 31 December 2014 and 31 December 2013.



#### 4-FINANCIAL ASSETS

As of 31 December 2014 and 31 December 2013, the breakdown of the Company's financial assets is as follows:

Financial assets held to maturity;

Currency	31 December 2014			31 December 2013		
	Book Value (TL)	Interest Rate	Maturity	Book Value (TL)	Interest Rate	Maturity
USD	132.835.423	3,63 %	15.03.2015	129.292.842	4,75 %	15.01.2014
	10.989.268	3,63 %	15.03.2015			
	4.935.054	3,63 %	15.03.2015			
	5.240.002	3,63 %	15.03.2015			
<b>Total</b>	<b>153.999.747</b>			<b>129.292.842</b>		

Financial assets held to maturity as of 31 December 2014; on 9.15.2013 55.600.000 USD, 4.600.000 USD, 2.060.000 USD and 2.183.000 USD have been issued with a nominal value coupons consist of paid government bonds.(31 December 2013: 55.332.000 USD, 2.520.000 USD)

Financial assets available for sale;

	31 December 2014		31 December 2013	
	Participation Rate (%)	Amount (TL)	Participation Rate (%)	Amount (TL)
Alsim Alarko Sanayi Tesisleri ve Tic. A.Ş.*	0,00	1.196	0,00	1.196
Alarko Konut Projeleri Geliştirme A.Ş. (*) (**)	0,00	143	0,00	143
Alarko Holding A.Ş.*	0,00	2.706.587	0,00	2.834.313
<b>Total</b>	<b>0,00</b>	<b>2.707.926</b>	<b>0,00</b>	<b>2.835.652</b>

\* Participation rate is lower than 1%.

\*\* Alarko Deyaar Real Estate Development Inc. company name Alarko Housing Projects Development Inc. was changed in 03.14.2014.

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 2014 and 31 December 2013. The Company monitors the increases and decreases related to fair value recognition in the Shareholder's Equity account under "Financial Assets Value Increase Fund" account in the financial statements. Accordingly, a total of TL 1.445.132 is recorded as Value Increase under the "Accumulated other comprehensive income or expenses to be reclassified in profit and loss" account as a result of the value increase of TL 1.572.856 arising from valuation at fair value as of 31 December 2013, the value decrease of TL 127.724 as of 31 December 2014 (Note 14 (c) and 23(vi)).



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

## 5- TRADE RECEIVABLES AND PAYABLES

Trade receivables consist of the following (TL) :

	31 December 2014	31 December 2013
Trade receivables, net	77.968	82.783
Notes receivable	–	5.480
Doubtful trade receivables	167.523	166.359
Provision for doubtful trade receivables (-)	(167.523)	(166.359)
<b>Total (Note 23 (i))</b>	<b>77.968</b>	<b>88.263</b>
Due from related parties, net (Notes 22 (a) and 23 (i))	12.828.282	13.154.122
<b>Grand Total</b>	<b>12.906.250</b>	<b>13.242.385</b>

As of 31 December 2014 and 31 December 2013, the changes in provision for doubtful trade receivables for the period consist of the following (TL) :

	31 December 2014	31 December 2013
Provision for doubtful trade receivables at the beginning of the period	166.359	189.553
Provisions made during the period (Note 18)	35.693	(32.314)
Provisions no longer required (Note 18)	(34.529)	(55.508)
<b>Provision for doubtful trade receivables at the end of the period (Note 23 (i))</b>	<b>167.523</b>	<b>166.359</b>

Trade payables consist of the following (TL) :

	31 December 2014	31 December 2013
Suppliers, net	1.481.909	1.104.354
Due to related parties (Notes 22 (b) and Note 23 (ii))	32.354	52.936
<b>Total</b>	<b>1.514.263</b>	<b>1.157.290</b>



## 6- OTHER RECEIVABLES AND PAYABLES

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

	31 December 2014	31 December 2013
Other miscellaneous receivables	–	30.261
Deposits and guarantees given	15.663	30.690
<b>Total (Note 23 (i))</b>	<b>15.663</b>	<b>60.951</b>

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

	31 December 2014	31 December 2013
Balances due to Alarko Central Administration	1.459	3.874
Other miscellaneous debts	54.076	3.700
<b>Total (Note 23(ii))</b>	<b>55.535</b>	<b>7.574</b>

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

	31 December 2014	31 December 2013
Deposits and guarantees received	382.828	316.748



## 7- INVENTORIES

Inventories consist of real estate held for trading. As of 31 December 2014 and 31 December 2013, the breakdown of inventories is as follows :

	31 December 2014				31 December 2013			
	Restated Book Value (TL)	Sales Value (TL)	Expertise Value (TL)	Expertise Date	Restated Book Value (TL)	Sales Value (TL)	Expertise Value (TL)	Expertise Date
<b>Real Estate Project</b>								
Land share (1 Parcel Lot) and project cost								
Projects unsold	16.526.529	-	19.530.000	29.12.2014	16.526.529	-	18.550.000	31.12.2013
<b>Total</b>	<b>16.526.529</b>	<b>-</b>	<b>19.530.000</b>	<b>-</b>	<b>16.526.529</b>	<b>-</b>	<b>18.550.000</b>	<b>-</b>
<b>Land in Büyükcckmece</b>								
Land Cost (3 Parcel Lots)	3.271.735	-	47.543.000	29.12.2014	3.271.735	-	43.753.000	31.12.2013
<b>Total</b>	<b>19.798.264</b>	<b>-</b>	<b>67.073.000</b>	<b>-</b>	<b>19.798.264</b>	<b>-</b>	<b>62.303.000</b>	<b>-</b>



**Real Estate Project:** The construction license of 63 villas and 1 social facility constructed on an area of 239.466 m<sup>2</sup> on section 106, parcel 18 in Büyükçekmece Eskice District included in the investment properties portfolio is received on 21 October 2005 and the sales transactions have started. As of 31 December 2013, sales contracts have been made for 50 villas.

**Land in Büyükçekmece:** There are 3 parcels of land with a total area of 622.651 m<sup>2</sup>.

As of 31 December 2014 and 31 December 2013, the All Risk on Construction and Employer's Liability Insurance totals for the Real Estate Project amount to TL 37.388.142 and TL 34.159.472, respectively (Note 26).

The Company's real estate held for trading have been valued by Reel Gayrimenkul Değerleme ve Danışmanlık A.Ş.

## 8- INVESTMENT PROPERTIES

Investment properties consist of the following (TL) :

Fair Value	Investment Properties
As of 1 January 2013	148.709.000
Additions	5.885.980
Increase arising from fair value changes (Note 18)	29.391.020
Disposals	–
As of 31 December 2013	183.986.000
Additions	42.594
Increase arising from fair value changes (Note 18)	52.550.906
Disposals	–
As of 31 December 2014	236.579.500

As of 31 December 2014 and 31 December 2013, the total insurance on investment properties are TL 86.683.954 and TL 80.813.397, respectively (Note 26).

As of 31 December 2014 and 31 December 2013, the investment properties of the Company are valued by Reel Gayrimenkul Değerleme ve Danışmanlık A.Ş.



31 December 2014 and 31 December 2013, the market values of investment properties are as follows:

31 December 2014		
Name of Real Estate	Date of Expertise Report	Market Value (TL)
Hillside Beach Club Holiday Village	29.12.2014	127.500.000
Etiler Alkent Sitesi – Shops	29.12.2014	11.500.000
Büyükçekmece Alkent 2000 – Shops	29.12.2014	6.007.500
Eyüp Topçular – Factory	29.12.2014	33.000.000
Ankara Çankaya Business Center	29.12.2014	3.886.000
İstanbul Karaköy Business Center	29.12.2014	4.325.000
İstanbul Şişhane Business Center	29.12.2014	2.955.000
Land in Maslak (*)	29.12.2014	47.406.000
<b>Total</b>		<b>236.579.500</b>

31 December 2013		
Name of Real Estate	Date of Expertise Report	Market Value (TL)
Hillside Beach Club Holiday Village	31.12.2013	90.306.000
Etiler Alkent Sitesi – Shops	31.12.2013	9.557.000
Büyükçekmece Alkent 2000 – Shops	26.12.2013	5.650.000
Eyüp Topçular – Factory	31.12.2013	30.446.000
Ankara Çankaya Business Center	31.12.2013	3.206.000
İstanbul Karaköy Business Center	31.12.2013	2.600.000
İstanbul Şişhane Business Center	31.12.2013	2.400.000
Land in Maslak (*)	31.12.2013	39.821.000
<b>Total</b>		<b>183.986.000</b>

As of 31 December 2014 and 31 December 2013, the investment properties of the Company are valued by Reel Gayrimenkul Değerleme ve Danışmanlık A.Ş..

\* Article 24/c of the Capital Markets Board Communiqué Serial III-48.1 “Communiqué regarding the change in the communiqué on principles regarding Real Estate Investment Trusts” published in the Official Gazette dated 28 May 2013 and 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.



## 9- TANGIBLE ASSETS

As of 31 December 2014, tangible assets consist of the following (TL) :

Cost ;

	Opening 1 January 2014	Additions	Disposals	Closing 31 December 2014
Land improvements	123.365	–	–	123.365
Buildings	311	–	–	311
Plant, machinery and equipment	4.216	–	–	4.216
Furniture and fixtures	92.937	22.023	–	114.960
Other tangible assets	27.373	–	–	27.373
<b>Sub Total</b>	<b>248.202</b>	<b>22.023</b>	<b>–</b>	<b>270.225</b>

Accumulated depreciation;

Land improvements	123.365	–	–	123.365
Buildings	311	–	–	311
Plant, machinery and equipment	4.216	–	–	4.216
Furniture and fixtures	38.076	8.575	–	46.651
Other tangible assets	27.373	–	–	27.373
<b>Sub Total (Note 17)</b>	<b>193.341</b>	<b>8.575</b>	<b>–</b>	<b>201.916</b>
<b>Net Value</b>	<b>54.861</b>	<b>13.448</b>	<b>–</b>	<b>68.309</b>

As of 31 December 2013, tangible assets consist of the following (TL) :

Cost ;

	Opening 1 January 2013	Additions	Disposals	Closing 31 December 2013
Land improvements	123.365	–	–	123.365
Buildings	311	–	–	311
Plant, machinery and equipment	4.216	–	–	4.216
Furniture and fixtures	151.829	52.348	(111.240)	92.937
Other tangible assets	27.373	–	–	27.373
<b>Sub Total</b>	<b>307.094</b>	<b>52.348</b>	<b>(111.240)</b>	<b>248.202</b>

Accumulated depreciation;

Land improvements	123.365	–	–	123.365
Buildings	311	–	–	311
Plant, machinery and equipment	4.216	–	–	4.216
Furniture and fixtures	147.176	1.583	(110.683)	38.076
Other tangible assets	27.373	–	–	27.373
<b>Sub Total (Note 17)</b>	<b>302.441</b>	<b>1.583</b>	<b>(110.683)</b>	<b>193.341</b>
<b>Net Value</b>	<b>4.653</b>	<b>50.765</b>	<b>(557)</b>	<b>54.861</b>



As of 31 December 2014 and 31 December 2013, the total insurance on tangible assets amounts to TL 63.770 and TL 60.294, respectively (Note 26).

## 10- INTANGIBLE ASSETS

As of 31 December 2014, intangible assets consist of the following (TL) :

Cost ;

	Opening 1 January 2014	Additions	Disposals	Closing 31 December 2014
Rights	11.094	22.240	–	33.334
Other intangible assets	124.355	2.490	–	126.845
<b>Sub Total</b>	<b>135.449</b>	<b>24.730</b>	<b>–</b>	<b>160.179</b>
Accumulated amortisation ;				
Rights	10.864	2.064	–	12.928
Intangible assets	124.354	376	–	124.730
<b>Sub Total (Note 17)</b>	<b>135.218</b>	<b>2.440</b>	<b>–</b>	<b>137.658</b>
<b>Net Value</b>	<b>231</b>	<b>22.290</b>	<b>–</b>	<b>22.521</b>

As of 31 December 2013, intangible assets consist of the following (TL) :

Cost ;

	Opening 1 January 2013	Additions	Disposals	Closing 31 December 2013
Rights	11.094	–	–	11.094
Other intangible assets	124.355	–	–	124.355
<b>Sub Total</b>	<b>135.449</b>	<b>–</b>	<b>–</b>	<b>135.449</b>
Accumulated amortisation ;				
Rights	10.836	28	–	10.864
Intangible assets	110.132	14.222	–	124.354
<b>Sub Total (Note 17)</b>	<b>120.968</b>	<b>14.250</b>	<b>–</b>	<b>135.218</b>
<b>Net Value</b>	<b>14.481</b>	<b>(14.250)</b>	<b>–</b>	<b>231</b>



## 11- PROVISIONS, CONDITIONAL ASSETS AND LIABILITIES

- a) As stated among the Company's inventories, investment properties and fixed asset accounts as of 31 December 2014 and 31 December 2013;

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

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

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

Guarantees, sureties, and mortgages given by the Company	31 December 2014	31 December 2013
A. Total amount of guarantees, sureties, and mortgages given by the Company in the name of its own corporate body	1.970.750	1.972.628
B. Total amount of guarantees given in favor of entities included in full consolidation	–	–
C. Total amount of guarantees, sureties, and mortgages given as collateral for third parties' liabilities to ensure continuity of ordinary trade operations	–	–
D. Total amount of other guarantees, sureties, and mortgages given		
i. Total amount of guarantees, sureties, and mortgages given in the name of the Parent Company	–	–
ii. Total amount of guarantees, sureties, and mortgages given in the name of other group companies not covered by articles B and C above	–	–
iii. The total amount of the guarantees, sureties and mortgages given in the name of third parties not covered by article C above	–	–
<b>Total</b>	<b>1.970.750</b>	<b>1.972.628</b>

As of 31 December 2014 and 31 December 2013, there are no other guarantees, sureties or mortgages given by the Company.



c) Guarantee letters and notes received by the Company in each period are set out in the table below (TL) :

	31 December 2014	31 December 2013
Guarantee notes received	815.312	697.805
Guarantee letters received	301.312	269.770
<b>Total</b>	<b>1.116.624</b>	<b>967.575</b>

d) The Company's overdue receivables which are deemed not collectible and the related provisions made consist of the following (TL) :

	Uncollectible Receivables	Provisions Made
31 December 2014	167.523	167.523
31 December 2013	166.359	166.359

## 12-EMPLOYEE BENEFITS

Short term provisions consist of the following (TL) :

	31 December 2014	31 December 2013
Employee benefit obligations	68.906	58.305

Long term provisions consist of the following (TL) :

Employee benefit obligations:

	31 December 2014	31 December 2013
Provision for termination indemnity at the beginning of the period	152.677	120.456
Interest expense	14.504	12.046
Service expense	22.218	22.170
Payments made during the period	-	-
Actuarial loss / (gain)	(5.086)	(1.995)
<b>Provision for termination indemnity at the end of the period</b>	<b>184.313</b>	<b>152.677</b>

Provision for unused leaves:

	31 December 2014	31 December 2013
Provision for unused leaves at the beginning of the period	62.994	57.872
Increase / (decrease) during the period	(7.870)	5.122
<b>Provision for unused leaves at the end of the period</b>	<b>55.124</b>	<b>62.994</b>



### 13- OTHER ASSETS AND LIABILITIES

Other current assets consist of the following (TL) :

	31 December 2014	31 December 2013
Contractual accrued income	1.267.004	-
Prepaid taxes and funds	165.163	163.537
<b>Total</b>	<b>1.432.167</b>	<b>163.537</b>

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

	31 December 2014	31 December 2013
VAT payable	1.335.015	431.560
<b>Total (Note 23 (ii))</b>	<b>1.335.015</b>	<b>431.560</b>

### 14- EQUITY

#### a) Paid-in Capital

As of 31 December 2014 and 31 December 2013, 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 2014 and 31 December 2013, 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 2014 and 31 December 2013. The Company monitors the increases and decreases which arise from fair value recognition under "Accumulated Other Comprehensive Income and Expenses to be Reclassified in Profit or Loss" in the Shareholder's Equity account in the financial statements. Accordingly, there is a value decrease of TL 127.724 as of 31 December 2014 and a value decrease of TL 279.783 as of 31 December 2013 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 2014, the restricted profit reserves consist of legal reserves amounting to TL 3.137.812 (31 December 2013 – TL 2.765.034).

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



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

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

**e) Retained Earnings / (Accumulated Losses)**

The distribution of retained earnings / (accumulated losses) is as follows (TL) :

	31 December 2014	31 December 2013
Extraordinary reserves	232.486.346	220.699.909
Retained earnings	79.751.942	11.786.437
<b>Total</b>	<b>312.238.288</b>	<b>232.486.346</b>

**15- SALES AND COST OF SALES**

Sales revenues consist of the following (TL) :

	1 January 2014 31 December 2014	1 January 2013 31 December 2013
Income on sale of real estate	-	1.151.185
Rent income	14.919.333	13.320.811
Income on land sales	-	17.736.302
<b>Total</b>	<b>14.919.333</b>	<b>32.208.298</b>

Cost of sales consist of the following (TL) :

	1 January 2014 31 December 2014	1 January 2013 31 December 2013
Cost of real estate sold	-	958.394
Cost of land sold	-	1.104.173
<b>Total</b>	<b>-</b>	<b>2.062.567</b>



## 16- GENERAL ADMINISTRATION EXPENSES

General administration expenses consist of the following (TL) :

	1 January 2014 31 December 2014	1 January 2013 31 December 2013
General administration expenses	4.365.359	5.278.313
<b>Total</b>	<b>4.365.359</b>	<b>5.278.313</b>

## 17- EXPENSES BY NATURE

General administration expenses consist of the following (TL) :

	1 January 2014 31 December 2014	1 January 2013 31 December 2013
Outsourced repair work and services	1.113.348	1.422.223
Personnel expenses	1.392.201	1.262.924
Lawsuits, execution and notary expenses	19.764	768.644
Taxes, duties, and fees	957.796	708.155
Rental expenses	365.917	578.792
Provision for unused leaves	-	5.122
Bank expenses	42.721	55.495
Other consultancy expenses	37.800	53.150
Legal consultancy expenses	38.535	33.550
Financial consultancy and audit expenses	43.148	33.100
Publishing expenses	15.794	16.461
Depreciation and amortisation	11.015	15.833
Communication expenses	11.720	11.707
Project preparation and translation expenses	-	2.411
Other	315.600	310.746
<b>Total</b>	<b>4.365.359</b>	<b>5.278.313</b>

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

	1 January 2014 31 December 2014	1 January 2013 31 December 2013
General administration expenses	11.015	15.833
<b>Total</b>	<b>11.015</b>	<b>15.833</b>



	1 January 2014 31 December 2014	1 January 2013 31 December 2013
Tangible assets (Note 9)	8.575	1.583
Intangible assets (Note10)	2.440	14.250
<b>Total</b>	<b>11.015</b>	<b>15.833</b>

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

	1 January 2014 31 December 2014	1 January 2013 31 December 2013
General administration expenses	1.392.201	1.268.046
<b>Total</b>	<b>1.392.201</b>	<b>1.268.046</b>

	1 January 2014 31 December 2014	1 January 2013 31 December 2013
Wages and salaries	1.210.735	1.102.607
Personnel transportation expenses	31.636	24.079
Personnel catering expenses	13.738	19.103
Personnel health expenses	5.290	4.661
Provision for unused leaves	–	5.122
Other personnel expenses	130.802	112.474
<b>Total</b>	<b>1.392.201</b>	<b>1.268.046</b>

## 18-OTHER OPERATING INCOME / (EXPENSES)

Other operating income consists of the following (TL) :

	1 January 2014 31 December 2014	1 January 2013 31 December 2013
Increase arising from change in fair value (note 8)	52.550.906	29.391.020
Turkish ministry of environment and forestry – Rental income	1.167.004	1.091.586
Turkish ministry of environment and forestry – Land appropriation	249.323	233.077
Income from real estate other than rental income	52.292	129.333
Provisions no longer required (note 5)	34.529	55.508
Electricity, water, transmission line	9.119	8.277
Foreign exchange gains	16.318.533	29.870.927
Interest income	8.762.974	2.396.394
Gain on sale of other marketable securities	172.445	431.381
Income from maturity differences	14.589	169.287
Rediscount interest income	828	828
Other	125.964	172.291
<b>Total</b>	<b>79.458.506</b>	<b>63.949.909</b>



Other operating expenses consist of the following (TL) :

	1 January 2014 31 December 2014	1 January 2013 31 December 2013
Foreign exchange losses	3.999.347	2.615.229
Rediscount interest expenses	982	828
Loss on sale of marketable securities	5.834.451	149.654
Provision for doubtful receivables (note 5)	35.693	32.314
Turkish ministry of environment and forestry – Rental provision	1.722.332	1.288.168
Turkish ministry of environment and forestry – Land appropriation	249.323	233.077
Electricity, water, transmission line	9.119	8.277
Other	50.910	154.194
<b>Total</b>	<b>11.902.157</b>	<b>4.481.741</b>

## 19- INCOME / (EXPENSES) FROM INVESTING OPERATIONS

Income from investing operations consist of the following (TL) :

	1 January 2014 31 December 2014	1 January 2013 31 December 2013
Dividend income	41.405	32.933
Disposal of fixed assets	–	16.520
<b>Total</b>	<b>41.405</b>	<b>49.453</b>

## 20- TAX ASSETS AND LIABILITIES

In Turkey, the corporation tax rate for 2014 is 20% (31 December 2013 – 20%). This rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation through addition of disallowable expenses to the commercial revenues of the companies with respect to the tax legislation.

Calculation of current period corporation tax is as follows (TL) :

	31 December 2014	31 December 2013
As per statutory books	78.151.728	84.385.039
Other deductions	(78.151.728)*	(84.385.039)*
Sub total	–	–
Tax rate (%)	20	20
Tax provision	–	–

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



## Deferred Tax Assets and Liabilities

Due to the Company's REIT status, no deferred tax calculation has been made as of 31 December 2014 and 31 December 2013 (Note 2 (viii) (j)).

## 21- EARNINGS PER SHARE

Calculation of earnings per share is made as follows :

	31 December 2014	31 December 2013
Profit for the period	78.151.728	84.385.039
Weighted average number of ordinary shares for the reporting period (per share of TL 1 nominal value)	10.650.794	10.650.794
Earnings per share (TL)	7,3376	7,9229

## 22- RELATED PARTY DISCLOSURES

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

	31 December 2014		31 December 2013	
	Trade	Non Trade	Trade	Non Trade
Attaş Alarko Turistik Tesisler A.Ş.	12.829.264	–	13.154.950	–
Less: Deferred Income	(932)	–	(828)	–
<b>Total (Note 5)</b>	<b>12.828.282</b>	<b>–</b>	<b>13.154.122</b>	<b>–</b>

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

	31 December 2014		31 December 2013	
	Trade	Non Trade	Trade	Non Trade
Alarko Holding A.Ş.	31.767	–	5.196	–
Alarko Carrier San. ve Tic. A.Ş.	587	–	47.740	–
<b>Total (Note 5)</b>	<b>32.354</b>	<b>–</b>	<b>52.936</b>	<b>–</b>



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

The Company has generated income and incurred various expenses as a result of the transactions realized with the related parties as stated in the following (TL) :

	31 December 2014	31 December 2013
<b>Expenses</b>		
Foreign exchange losses	2.164	106.356
Rental expenses	365.917	577.907
Services received	658.928	736.799
Rediscount expenses	982	828
Other expenses	21.353	24.643
<b>Total</b>	<b>1.049.344</b>	<b>1.446.533</b>

	31 December 2014	31 December 2013
<b>Income</b>		
Rental income	11.980.656	11.061.263
Turkish ministry of environment and forestry – Land appropriation	250.415	233.077
Turkish Ministry of environment and forestry – Rent (2%)	283.150	1.092.549
Interest income	–	13.589
Other	10.207	41.210
<b>Total</b>	<b>12.524.428</b>	<b>12.441.688</b>

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

	31 December 2014			31 December 2013		
<b>Purchases</b>	Goods	Services	Other	Goods	Services	Other
Attaş Alarko Turistik Tesisler A.Ş.	42.594	–	530.173	187.352	642.370	107.184
Alarko Carrier San. ve Tic. A.Ş.	–	–	1.117	50.970	–	3.328
Altek Alarko Elek.Sant. Tesis İşl. ve Tic. A.Ş.	–	–	296	–	774	–
Alarko Holding A.Ş.	14.237	117.614	325.420	–	81.204	611.674
Alsim Alarko San. Tes. ve Tic. A.Ş.	–	–	–	5.500.000	–	–
<b>Total</b>	<b>56.831</b>	<b>117.614</b>	<b>857.006</b>	<b>5.738.322</b>	<b>724.348</b>	<b>722.186</b>



Sales	31 December 2014			31 December 2013		
	Goods	Services	Other	Goods	Services	Other
Attaş Alarko Turistik Tesisler A.Ş.	–	–	12.111.536	–	–	11.977.054
Alarko Holding A.Ş.	–	–	–	–	–	32.933
Alarko Carrier San. ve Tic. A.Ş.	–	–	397.352	–	–	340.765
Altek Alarko Elektrik Sant. Tes. İşl. ve Tic. A.Ş.	–	–	15.540	–	–	90.936
<b>Total</b>	<b>–</b>	<b>–</b>	<b>12.524.428</b>	<b>–</b>	<b>–</b>	<b>12.441.688</b>

As of 31 December 2014 and 31 December 2013, there are no doubtful receivables arising from related parties.

As of 31 December 2014 and 31 December 2013, the salaries and similar remuneration provided to top management amounts to TL 933.952 and TL 854.343, 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.

Maturity and guarantee structure of receivables and cash and cash equivalents as of 31 December 2014 (TL) :

	Receivables						
	Trade Receivables			Other Receivables			Bank Cash and Cash Equivalents
	Related Party	Other Party	Related Party	Other Party	Deposits		
31 December 2014							
Maximum credit risk incurred as of the reporting date							
(A+B+C+D+E) (1) (Notes 3,5 and 6)	<b>12.828.282</b>	<b>77.968</b>	-	<b>15.663</b>	<b>35.799.394</b>	<b>507.648</b>	
- Maximum risk secured by guarantee	-	77.968	-	-	-	-	
A- Net book value of financial assets							
neither overdue nor impaired (2) (Notes 3,5 and 6)	12.828.282	77.968	-	15.663	35.799.394	507.648	
B- Net book value of financial assets of which conditions are negotiated otherwise considered as impaired or overdue.	-	-	-	-	-	-	
C- Net book value of assets overdue but not impaired (3)	-	-	-	-	-	-	
Portion secured by guarantee	-	-	-	-	-	-	
D- Net book value of impaired assets	-	-	-	-	-	-	
- Overdue (gross book value) (Note 5)	-	167.523	-	-	-	-	
- Impairment (-) (Note 5)	-	(167.523)	-	-	-	-	
- Net value under guarantee	-	-	-	-	-	-	
E- Off-balance sheet items having 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.





Maturity and guarantee structure of receivables and cash and cash equivalents as of 31 December 2013 (TL) :

	Receivables						
	Trade Receivables			Other Receivables			Bank Cash and Cash Equivalents
	Related Party	Other Party	Related Party	Other Party	Related Party	Other Party	
31 December 2013							
Maximum credit risk incurred as of the reporting date							
(A+B+C+D+E) (1) (Notes 3,5 and 6)	<b>13.154.122</b>	<b>88.263</b>	-	<b>60.951</b>	<b>36.933.182</b>	<b>2.203.881</b>	
- Maximum risk secured by guarantee	-	88.263	-	-	-	-	
A- Net book value of financial assets							
neither overdue nor impaired (2) (Notes 3,5 and 6)	13.154.122	88.263	-	60.951	36.933.182	2.203.881	
B- Net book value of financial assets of which conditions are negotiated otherwise considered as impaired or overdue.	-	-	-	-	-	-	
C- Net book value of assets overdue but not impaired (3)	-	-	-	-	-	-	
Portion secured by guarantee	-	-	-	-	-	-	
D- Net book value of impaired assets	-	-	-	-	-	-	
- Overdue (gross book value) (Note 5)	-	166.359	-	-	-	-	
- Impairment (-) (Note 5)	-	(166.359)	-	-	-	-	
- Net value under guarantee	-	-	-	-	-	-	
E- Off-balance sheet items having credit risk	-	-	-	-	-	-	

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

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

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



As of 31 December 2014 and 31 December 2013, the aging of assets past due but not impaired is as follows (TL) :

31 December 2014	Related Parties	Trade Receivables
1-30 days past due	–	–
1-3 months past due	–	–
3-12 months past due	–	–
1-5 years past due	–	–
- Portion secured with quarantine	–	–

31 December 2013	Related Parties	Trade Receivables
1-30 days past due	–	–
1-3 months past due	–	–
3-12 months past due	–	–
1-5 years past due	–	–
- Portion secured with quarantine	–	–

## ii. Liquidity Risk

The liquidity risk arises during the funding of the operations of the Company and the management of the open position. The risk of not funding the operations with an appropriate maturity and rate and also the risk of not liquidating an asset in an appropriate time frame with a fair value are within the scope of liquidity risk.

The following table shows the maturity distribution of the Company's non-derivative short term financial liabilities as of 31 December 2014 and 31 December 2013 (TL) :

31 December 2014	Book Value	Total Cash Outflows	Less than 3 months
Trade payables to related parties (Note 5)	32.354	32.354	32.354
Other trade payables (Note 5)	1.481.909	1.481.909	1.481.909
Other payables (Notes 6 and 13)	1.390.550	1.390.550	1.390.550

31 December 2013	Book Value	Total Cash Outflows	Less than 3 months
Trade payables to related parties (Note 5)	52.936	52.936	52.936
Other trade payables (Note 5)	1.104.354	1.104.354	1.104.354
Other payables (Notes 6 and 13)	439.134	439.134	439.134



The maturity table of the assets and liabilities prepared according to their remaining maturities as of 31 December 2014 is as follows (TL):

31 December 2014

<b>Monetary Assets</b>	<b>0-1 months</b>	<b>1-3 months</b>	<b>3-6 months</b>	<b>6-12 months</b>	<b>Longer than 1 year</b>	<b>Total</b>
Cash and cash equivalents	534.737	—	—	—	—	534.737
Inventories	—	—	4.730.000	—	15.068.264	19.798.264
Other assets	30.707	54.544	1.280.076	171.661	—	1.536.988
Trade and other receivables, net	77.968	—	—	—	15.663	93.631
Due from related parties, net	—	—	—	—	—	—
<b>Total Assets in TL</b>	<b>643.412</b>	<b>54.544</b>	<b>6.010.076</b>	<b>171.661</b>	<b>15.083.927</b>	<b>21.963.620</b>
Cash and cash equivalents	18.963.567	16.808.738	—	—	—	35.772.305
Financial assets	—	—	—	153.999.747	—	153.999.747
Trade receivables, net	—	—	—	—	—	—
Due from related parties, net	12.828.282	—	—	—	—	12.828.282
<b>Total Assets in Foreign Currency</b>	<b>31.791.849</b>	<b>16.808.738</b>	<b>—</b>	<b>153.999.747</b>	<b>—</b>	<b>202.600.334</b>
<b>Total Monetary Assets</b>	<b>32.435.261</b>	<b>16.863.282</b>	<b>6.010.076</b>	<b>154.171.408</b>	<b>15.083.927</b>	<b>224.563.954</b>
<b>Monetary Liabilities</b>						
Trade payables	1.481.909	—	—	—	—	1.481.909
Due to related parties	32.354	—	—	—	—	32.354
Provision for termination indemnity	—	—	—	—	184.313	184.313
Deposits and guarantees received	—	—	—	—	20.648	20.648
Advances received	6.769	13.537	—	—	—	20.306
Provisions for other short term debts and expenses	68.906	—	—	—	—	68.906
Employee benefits	1.390.550	—	—	—	55.124	1.445.674
<b>Total Liabilities in TL</b>	<b>2.980.488</b>	<b>13.537</b>	<b>—</b>	<b>—</b>	<b>260.085</b>	<b>3.254.110</b>
<b>Total Liabilities in Foreign Currency</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>362.180</b>	<b>362.180</b>
<b>Total Monetary Liabilities</b>	<b>2.980.488</b>	<b>13.537</b>	<b>—</b>	<b>—</b>	<b>622.265</b>	<b>3.616.290</b>



The maturity table of the assets and liabilities prepared according to their remaining maturities as of 31 December 2013 is as follows (TL) :

31 December 2013

<b>Monetary Assets</b>	<b>0-1 months</b>	<b>1-3 months</b>	<b>3-6 months</b>	<b>6-12 months</b>	<b>Longer than 1 year</b>	<b>Total</b>
Cash and cash equivalents	4.395.702	—	—	—	—	4.395.702
Inventories	—	—	4.730.000	—	15.068.264	19.798.264
Other assets	61.458	112.747	11.904	166.352	—	352.461
Trade and other receivables, net	88.263	—	—	—	60.951	149.214
Due from related parties, net	—	—	—	—	—	—
<b>Total Assets in TL</b>	<b>4.545.423</b>	<b>112.747</b>	<b>4.741.904</b>	<b>166.352</b>	<b>15.129.215</b>	<b>24.695.641</b>
Cash and cash equivalents	18.494.284	16.247.077	—	—	—	34.741.361
Financial assets	—	—	—	129.292.842	—	129.292.842
Trade receivables, net	—	—	—	—	—	—
Due from related parties, net	13.154.122	—	—	—	—	13.154.122
<b>Total Assets in Foreign Currency</b>	<b>31.648.406</b>	<b>16.247.077</b>	<b>—</b>	<b>129.292.842</b>	<b>—</b>	<b>177.188.325</b>
<b>Total Monetary Assets</b>	<b>36.193.829</b>	<b>16.359.824</b>	<b>4.741.904</b>	<b>129.459.194</b>	<b>15.129.215</b>	<b>201.883.966</b>
<b>Monetary Liabilities</b>						
Trade payables	1.104.354	—	—	—	—	1.104.354
Due to related parties	52.936	—	—	—	—	52.936
Provision for termination indemnity	—	—	—	—	152.677	152.677
Deposits and guarantees received	—	—	—	—	47.974	47.974
Advances received	5.471	10.942	—	—	—	16.413
Provisions for other short term debts and expenses	439.134	—	—	—	62.994	502.128
Employee benefits	58.305	—	—	—	—	58.305
<b>Total Liabilities in TL</b>	<b>1.660.200</b>	<b>10.942</b>	<b>—</b>	<b>—</b>	<b>263.645</b>	<b>1.934.787</b>
<b>Total Liabilities in Foreign Currency</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>268.774</b>	<b>268.774</b>
<b>Total Monetary Liabilities</b>	<b>1.660.200</b>	<b>10.942</b>	<b>—</b>	<b>—</b>	<b>532.419</b>	<b>2.203.561</b>

### iii. Market Risk

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

### iv. Foreign Currency Risk

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

As of 31 December 2014, the Company's net foreign currency position is TL 202.238.153 (31 December 2013 – TL 176.919.551). An increase/decrease of 10% in the foreign exchange rates will increase/decrease the Company's profit by a total of TL 20.223.815, respectively.



## Foreign Currency Position

On totals basis;

	31 December 2014	31 December 2013
A. Foreign currency assets	202.600.334	177.188.325
B. Foreign currency liabilities	362.180	268.774
<b>Net foreign currency position (A-B)</b>	<b>202.238.154</b>	<b>176.919.551</b>

## Foreign Currency Position

Breakdown on foreign currency basis;

	31 December 2014			31 December 2013		
	TL Equivalent (Functional Currency)	Foreign Currency Amount	Foreign Exchange Rate (Full)	TL Equivalent (Functional Currency)	Foreign Currency Amount	Foreign Exchange Rate (Full)
<b>1.Banks</b>						
USD	14.360.767	6.192.922	2,3189	12.875.446	6.032.631	2,1343
Euro	21.411.538	7.590.860	2,8207	21.865.915	7.446.251	2,9365
<b>2.Financial Assets</b>						
USD	153.999.747	66.410.689	2,3189	129.292.842	60.578.570	2,1343
<b>3.Due From Related Parties</b>						
USD	12.828.282	5.532.055	2,3189	13.154.122	6.163.202	2,1343
<b>TOTAL ASSETS DENOMINATED IN FOREIGN CURRENCY</b>						
	<b>202.600.334</b>			<b>177.188.325</b>		
<b>Deposits and guarantees received (Long term)</b>						
USD	362.180	156.186	2,3189	268.774	125.931	2,1343
<b>TOTAL LIABILITIES DENOMINATED IN FOREIGN CURRENCY</b>						
	<b>362.180</b>			<b>268.774</b>		
<b>NET FOREIGN CURRENCY POSITION</b>						
	<b>202.238.154</b>			<b>176.919.551</b>		



Foreign currency position sensitivity analysis as of 31 December 2014 is as follows (TL) :

Table of Foreign Currency Position Sensitivity Analysis

31 December 2014

	Profit / Loss		Equity	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
	When USD changes by 10% against TL		When USD changes by 10% against TL	
1- USD net assets / liabilities	18.082.661	(18.082.661)	–	–
2- Amount hedged from USD risk (-)	–	–	–	–
<b>3- USD Net Effect (1+2)</b>	<b>18.082.661</b>	<b>(18.082.661)</b>	–	–
	When Euro changes by 10% against TL		When Euro changes by 10% against TL	
4- Euro net assets / liabilities	2.141.154	(2.141.154)	–	–
5- Amount hedged from Euro risk (-)	–	–	–	–
<b>6- Euro Net Effect (4+5)</b>	<b>2.141.154</b>	<b>(2.141.154)</b>	–	–
<b>Total (3+6)</b>	<b>20.223.815</b>	<b>(20.223.815)</b>	–	–



Foreign currency position sensitivity analysis as of 31 December 2013 is as follows (TL) :

Table of Foreign Currency Position Sensitivity Analysis

31 December 2013

	Profit / Loss		Equity	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
	When USD changes by 10% against TL		When USD changes by 10% against TL	
1- USD net assets / liabilities	15.505.364	(15.505.364)	–	–
2- Amount hedged from USD risk (-)	–	–	–	–
<b>3- USD Net Effect (1+2)</b>	<b>15.505.364</b>	<b>(15.505.364)</b>	–	–
	When Euro changes by 10% against TL		When Euro changes by 10% against TL	
4- Euro net assets / liabilities	2.186.592	(2.186.592)	–	–
5- Amount hedged from Euro risk (-)	–	–	–	–
<b>6- Euro Net Effect (4+5)</b>	<b>2.186.592</b>	<b>(2.186.592)</b>	–	–
<b>Total (3+6)</b>	<b>17.691.956</b>	<b>(17.691.956)</b>	–	–

#### v. Interest Rate 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 2014 and 31 December 2013, 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 2014, 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 270.659, net, without any effect in profit / loss (31 December 2013 – TL 283.431) (Note 4).



## vii. Capital Risk Management

For proper management of capital risk, the Company aims ;

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

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

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

The general strategy of the Company has not changed with respect to that of the prior year. As of 31 December 2014 and 31 December 2013, the ratio of the total capital to total debts, net, is as follows (TL) :

	31 December 2014	31 December 2013
Total debt	3.616.290	2.203.561
Less: cash and cash equivalents	(36.307.042)	(39.137.063)
Net debt	(32.690.752)	(36.933.502)
Total equity	460.325.920	386.557.149
Debt / Equity Ratio	(7 %)	(10 %)

## 24-FINANCIAL INSTRUMENTS (Disclosures Related to Fair Value and Hedge Activities)

### Financial Instruments

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

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

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



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

#### Financial Assets

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

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

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

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

#### Financial Liabilities

Trade payables have been presented at their fair values.

### **25- EVENTS AFTER THE REPORTING PERIOD**

The termination indemnity upper limit which stood at TL 3.438,22 as of 31 December 2014 has been increased to TL 3.541,37 with effect from 1 January 2015 (31 December 2013 – TL 3.254,44).

### **26-OTHER ISSUES MATERIALLY AFFECTING THE FINANCIAL STATEMENTS OR REQUIRING DISCLOSURE FOR A PROPER INTERPRETATION AND UNDERSTANDING OF THE FINANCIAL STATEMENTS**

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

31 December 2014	TL 124.135.866
31 December 2013	TL 115.033.163

### **27- SUPPLEMENTARY NOTES**

As of 31 December 2014 and 31 December 2013, compliance with portfolio restrictions is monitored as follows:



	<b>Main Account Items of Unconsolidated (Separate) Financial Statements</b>	<b>Related Regulation</b>	<b>Current Period (TL) 31 December 2014</b>	<b>Prior Period (TL) 31 December 2013</b>
<b>A</b>	Money Market and Capital Market Instruments	Art. 24/(b)	193.013.376	171.264.218
<b>B</b>	Real estates, real estate projects and rights supported by real estates	Art. 24/(a)	256.377.764	203.784.264
<b>C</b>	Affiliates	Art. 24/(b)	1.339	1.339
	Due from Related Parties (Non-Trade)	Art. 23/(f)	-	-
	<b>Other Assets</b>		<b>14.549.731</b>	<b>13.710.889</b>
<b>D</b>	<b>Total Assets</b>	<b>Art. 3/(p)</b>	<b>463.942.210</b>	<b>388.760.710</b>
<b>E</b>	Financial Liabilities	Art. 31	-	-
<b>F</b>	Other Financial Liabilities	Art. 31	-	-
<b>G</b>	Lease Obligations	Art. 31	-	-
<b>H</b>	Due to Related Parties (Non-Trade)	Art. 23/(f)	-	-
<b>I</b>	Equity	Art. 31	460.325.920	386.557.149
	<b>Other Liabilities</b>		<b>3.616.290</b>	<b>2.203.561</b>
<b>D</b>	<b>Total Liabilities and Equity</b>	<b>Art. 3/(p)</b>	<b>463.942.210</b>	<b>388.760.710</b>
	<b>Other Unconsolidated (Separate) Financial Data</b>	<b>Related Regulation</b>	<b>Current Period (TL) 31 December 2014</b>	<b>Prior Period (TL) 31 December 2013</b>
<b>A1</b>	Part of Money Market Instruments and Capital Market Instruments Held for Real Estates (3 Years)	Art. 24/(b)	-	-
<b>A2</b>	Time and Demand Deposits in TL/ Foreign Currency	Art. 24/(b)	35.799.394	36.933.182
<b>A3</b>	Foreign Capital Market Instruments	Art. 24/(d)	-	-
<b>B1</b>	Real estates, real estate projects and rights supported by real estates	Art. 24/(d)	-	-
<b>B2</b>	Lands Held Idle	Art. 24/(c)	50.677.735	43.092.735
<b>C1</b>	Foreign Investments	Art. 24/(d)	-	-
<b>C2</b>	Participation in the Operating Company	Art. 28/1(a)	1.339	1.339
<b>J</b>	Non-cash Loans	Art. 31	1.970.750	1.972.628
<b>K</b>	Mortgage lien on lands to be administrated for projects and the property of which does not belong to the company	Art. 22/(e)	-	-
<b>L</b>	All of the money and capital markets in a single investment company Tools	Art. 22/(l)	2.706.587	2.834.313

	<b>Portfolio Limitations</b>	<b>Related Regulation</b>	<b>Current Period (TL) 31 December 2014</b>	<b>Prior Period (TL) 31 December 2013</b>	<b>Ratio of Minimum/ Maximum</b>
<b>1</b>	Mortgage lien on lands to be administrated for projects and the property of which does not belong to the company	Art. 22/(e)	0,00 %	0,00 %	≤ 10 %
<b>2</b>	Real estates, real estate projects and rights supported by real estates	Art. 24/(a),(b)	55,26 %	52,42 %	≥ 51 %
<b>3</b>	Money Market and Capital Market Instruments and Subsidiaries	Art. 24/(b)	41,60 %	44,05 %	≤ 49 %
<b>4</b>	Real estates, real estate projects and rights supported by real estates, Subsidiaries, Capital Market Instruments	Art. 24/(d)	0,00 %	0,00 %	≤ 49 %
<b>5</b>	Lands Held Idle	Art. 24/(c)	10,92 %	11,08 %	≤ 20 %
<b>6</b>	Participation in the Operating Company	Art. 28/1 (a)	0,00 %	0,00 %	≤ 10 %
<b>7</b>	Borrowing Limit	Art. 31	0,43 %	0,51 %	≤ 500 %
<b>8</b>	Time and Demand Deposits in TL/ Foreign Currency	Art. 24/(b)	7,72 %	9,50 %	≤ 10 %
<b>9</b>	All of the money and capital markets in a single investment company Tools	Art. 22/(l)	0,58 %	0,73 %	≤ 10 %



As promulgated by the Communiqué Serial: III, No: 48.1 issued in the Official Gazette dated 28.05.2013, the Article 27(c) of the “Communiqué on Principles Regarding Real Estate Investment Trusts” states that “The rate of lands and registered lands which are in the portfolio but which, in spite of a period of five years having elapsed from their acquisition, have not been administrated for any project development cannot exceed 20 % of the total assets.” As per the financial statements as of 31 December 2014, the ratio of the Company’s plots of land to the total assets is 10,92 % 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 2014, this rate is 55,26 % 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 2014, this rate is 41,60 % 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 2014 financial statements, this rate is 7,72 % 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.

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