

# **İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**

**Condensed Financial Statements As of and  
For the Interim Period Ended June 30, 2018  
With Review Report**

*(Convenience Translation of Financial Statements And Related  
Disclosures and Footnotes Originally Issued in Turkish)*

July 27, 2018

*This report includes 1 pages of Independent Auditors' Review Report and  
49 pages pages of Interim Condensed Financial Statements and notes to  
the interim condensed financial statements.*

**İş Gayrimenkul Yatırım Ortaklığı**  
**Anonim Şirketi**

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(Convenience translation of a report and condensed financial statements originally issued in Turkish)

## Report on Review of Interim Condensed Financial Statements

To the Board of Directors of İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

### Introduction

We have reviewed the accompanying interim condensed statement of financial position of İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi ("the Company") as of June 30, 2018 and the interim condensed statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and explanatory notes. The Company management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with Turkish Accounting Standard 34, Interim Financial Reporting Standard (TAS 34). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

### Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an audit conducted in accordance with Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with TAS 34.

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



July 27, 2018  
İstanbul, Turkey

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**İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**  
Condensed Statement of Financial Position (Balance Sheet)  
For the Interim Period Ended June 30, 2018  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

		<i>Reviewed</i>	<i>Audited</i>
	<i>Notes</i>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
<b>ASSETS</b>			
<b>Current assets</b>		<b>992.512.162</b>	<b>967.988.419</b>
Cash and cash equivalents	5	165.531.664	83.117.592
Trade receivables	8	125.205.602	47.442.849
<i>Trade receivables from related parties</i>	23	1.281	1.600.761
<i>Trade receivables from third parties</i>		125.204.321	45.842.088
Other receivables	9	2.754.610	1.078.243
<i>Other receivables from related parties</i>	23	750.000	--
<i>Other receivables from third parties</i>		2.004.610	1.078.243
Derivatives	6	43.808.110	3.865.901
Inventories	11	574.903.663	757.111.894
Prepaid expenses	16	80.270.492	75.331.788
<i>Prepaid expenses to related parties</i>	23	1.811.190	2.472.998
<i>Prepaid expenses to third parties</i>		78.459.302	72.858.790
Other current assets	16	38.021	40.152
<b>Non-current assets</b>		<b>4.211.410.483</b>	<b>4.343.958.837</b>
Trade receivables	8	26.231.399	16.225.269
<i>Other trade receivables from third parties</i>		26.231.399	16.225.269
Inventories	11	213.382.315	344.153.094
Equity accounted investees	3	2.554.795	2.527.108
Investment properties	10	3.841.916.265	3.834.870.889
Tangible assets	12	30.427.882	31.005.753
Intangible assets	13	988.070	847.706
Prepaid expenses	16	3.099.297	4.240.543
<i>Prepaid expenses to third parties</i>		3.099.297	4.240.543
Other tangible assets	16	92.810.460	110.088.475
<b>TOTAL ASSETS</b>		<b>5.203.922.645</b>	<b>5.311.947.256</b>

The accompanying notes form an integral part of these financial statements

**İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**  
Condensed Statement of Financial Position (Balance Sheet)  
For the Interim Period Ended June 30, 2018  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

		<i>Reviewed</i>	<i>Audited</i>
		<b>June 30, 2018</b>	<b>December 31, 2017</b>
<b>LIABILITIES</b>			
<b>Short-term liabilities</b>		<b>1.146.178.313</b>	<b>873.322.937</b>
Current portion of long term borrowings	7	598.866.138	169.179.394
<i>Loans and borrowings to related parties</i>	23	195.536.237	154.258.179
<i>Loans and borrowings to third parties</i>		403.329.901	14.921.215
Current portion of long term financial leases	7	--	696.316
<i>Financial leasing to related parties</i>	23	--	696.316
Trade payables	8	31.050.466	53.537.218
<i>Trade payables to related parties</i>	23	3.466.817	9.365.703
<i>Trade payables to third parties</i>	8	27.583.649	44.171.515
Other payables	9	79.658.484	44.979.614
Deferred income	16	394.047.642	597.513.536
<i>Deferred income from related parties</i>	23	304.763	493.827
<i>Deferred income from third parties</i>		393.742.879	597.019.709
Short-term provisions		40.407.497	3.921.968
<i>Provisions for employee benefits</i>	15	377.379	317.880
<i>Other short-term provisions</i>	14	40.030.118	3.604.088
Other short-term liabilities	16	2.148.086	3.494.891
<b>Long-term liabilities</b>		<b>750.593.339</b>	<b>1.158.047.332</b>
Loans and borrowings	7	748.949.472	1.015.606.839
<i>Loans and borrowings to related parties</i>	23	447.802.470	518.177.339
<i>Loans and borrowings to third parties</i>		301.147.002	497.429.500
Deferred revenue	16	--	140.667.466
Long term provisions		1.643.867	1.773.027
<i>Provisions for employee benefits</i>	15	1.643.867	1.773.027
<b>EQUITY</b>		<b>3.307.150.993</b>	<b>3.280.576.987</b>
Share capital	17	958.750.000	913.750.000
Inflation restatement difference on share capital	17	240.146.090	240.146.090
Share premium	17	423.981	423.981
Other comprehensive income that will never be reclassified to profit or loss		27.386.467	27.386.467
<i>Revaluation and classification of gains / losses</i>		27.610.009	27.610.009
<i>Other earnings/ losses</i>		(223.542)	(223.542)
Restricted reserves	17	59.561.684	46.188.875
Prior years' profits	17	1.925.777.515	1.872.724.737
Net profit for the period		95.105.256	179.956.837
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5.203.922.645</b>	<b>5.311.947.256</b>

The accompanying notes form an integral part of these financial statements

**İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**

## Condensed Statement of Profit or Loss

For the Interim Period Ended June 30, 2018

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

		<i>Reviewed</i>	<i>Reviewed</i>	<i>Reviewed</i>	<i>Not Reviewed</i>
		<b>January 1- June 30, 2018</b>	<b>April 1- June 30, 2018</b>	<b>January 1- June 30, 2017</b>	<b>April 1- June 30, 2017</b>
	<b>Notes</b>				
Revenue	18	749.665.222	689.059.200	124.848.525	63.322.470
Cost of revenue (-)	18	(600.616.987)	(579.464.179)	(30.823.407)	(16.347.607)
<b>Gross profit</b>		<b>149.048.235</b>	<b>109.595.021</b>	<b>94.025.118</b>	<b>46.974.863</b>
General administrative expense (-)	19	(13.031.923)	(5.954.116)	(11.883.560)	(5.129.323)
Marketing expenses (-)	19	(13.567.066)	(8.840.310)	(5.933.932)	(1.966.893)
Other operating income	20	2.636.160	1.019.680	41.542.543	41.009.652
Other operating expense (-)	20	(1.050.000)	(1.050.000)	(48.809.171)	(48.809.171)
<b>Operating profit</b>		<b>124.035.406</b>	<b>94.770.275</b>	<b>68.940.998</b>	<b>32.079.128</b>
Share of profit of equity-accounted investees	3	777.687	474.322	528.548	275.777
<b>Operating Profit Before Finance Expense</b>		<b>124.813.093</b>	<b>95.244.597</b>	<b>69.469.546</b>	<b>32.354.905</b>
Financial income	21	39.929.614	32.188.686	--	--
Financial expenses (-)	21	(69.637.451)	(48.233.298)	(17.329.463)	(840.245)
<b>Operating Profit before Tax From Continuing Operations</b>		<b>95.105.256</b>	<b>79.199.985</b>	<b>52.140.083</b>	<b>31.514.660</b>
<b>Tax Expense From Continuing Operations</b>					
- Corporate tax charge		--	--	--	--
- Deferred tax benefit		--	--	--	--
<b>Net profit for the period</b>		<b>95.105.256</b>	<b>79.199.985</b>	<b>52.140.083</b>	<b>31.514.660</b>
Earnings per share	22	0,0010	0,0008	0,0006	0,0003

The accompanying notes form an integral part of these financial statements

**İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**  
Condensed Statement of Other Comprehensive Income  
For the Interim Period Ended June 30, 2018

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

		<i>Reviewed</i>	<i>Reviewed</i>	<i>Reviewed</i>	<i>Not Reviewed</i>
		<b>January 1- June 30, 2018</b>	<b>April 1- June 30, 2018</b>	<b>January 1- June 30, 2017</b>	<b>April 1- June 30, 2017</b>
<b>Net profit for the period</b>	Notes	<b>95.105.256</b>	<b>79.199.985</b>	<b>52.140.083</b>	<b>31.514.660</b>
<b>Other comprehensive income</b>					
<b>Other comprehensive income that will never be reclassified to profit or loss</b>					
Revaluation and classification of gains / losses		--	--	--	--
Actuarial gain/(loss) arising from defined benefit plans		--	--	--	--
<b>Other comprehensive income</b>		--	--	--	--
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>95.105.256</b>	<b>79.199.985</b>	<b>52.140.083</b>	<b>31.514.660</b>

The accompanying notes form an integral part of these financial statements



# İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

## Consensed Statement of Changes in Equity

For the Interim Period Ended June 30, 2018

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

				Other comprehensive income that will never be reclassified to profit or loss						
	Notes	Share capital	Inflation restatement difference on share capital	Share premium	Net change in remeasurements of defined benefit liability	Net change in revaluation of tangible assets	Legal reserves	Prior years' profits	Net profit for the period	Total
<b>Balances at January 1, 2017</b>		<b>850.000.000</b>	<b>240.146.090</b>	<b>423.981</b>	<b>135.339</b>	<b>24.226.634</b>	<b>36.305.282</b>	<b>1.589.596.928</b>	<b>420.511.402</b>	<b>3.161.345.656</b>
Transfers		--	--	--	--	--	9.883.593	410.627.809	(420.511.402)	--
Total comprehensive income		--	--	--	--	--	--	--	52.140.083	52.140.083
Capital increase		63.750.000	--	--	--	--	--	(63.750.000)	--	--
Dividends		--	--	--	--	--	--	(63.750.000)	--	(63.750.000)
<b>Balances at June 30, 2017</b>	<b>17</b>	<b>913.750.000</b>	<b>240.146.090</b>	<b>423.981</b>	<b>135.339</b>	<b>24.226.634</b>	<b>46.188.875</b>	<b>1.872.724.737</b>	<b>52.140.083</b>	<b>3.149.735.749</b>
<b>Balances at January 1, 2018</b>		<b>913.750.000</b>	<b>240.146.090</b>	<b>423.981</b>	<b>(223.542)</b>	<b>27.610.009</b>	<b>46.188.875</b>	<b>1.872.724.737</b>	<b>179.956.837</b>	<b>3.280.576.987</b>
Transfers		--	--	--	--	--	13.372.809	166.584.028	(179.956.837)	--
Total comprehensive income		--	--	--	--	--	--	--	95.105.256	95.105.256
Capital increase		45.000.000	--	--	--	--	--	(45.000.000)	--	--
Dividends		--	--	--	--	--	--	(68.531.250)	--	(68.531.250)
<b>Balances at June 30, 2018</b>	<b>17</b>	<b>958.750.000</b>	<b>240.146.090</b>	<b>423.981</b>	<b>(223.542)</b>	<b>27.610.009</b>	<b>59.561.684</b>	<b>1.925.777.515</b>	<b>95.105.256</b>	<b>3.307.150.993</b>

The accompanying notes form an integral part of these financial statements

**İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**  
**Consensed Statement of Cash Flow**  
**For the Interim Period Ended June 30, 2018**  
*(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)*

		<i>Reviewed</i>	<i>Reviewed</i>
		January 1- June 30, 2018	January 1- June 30, 2017
<b>A. Cash flows from operating activities</b>			
<b>Net profit for the period</b>		<b>95.105.256</b>	<b>52.140.083</b>
<b>Profit adjustments for:</b>			
Adjustments to depreciation and amortization	12,13	896.852	781.333
Adjustments to impairment or cancellation		(391.546)	(1.165.240)
- <i>Adjustments to impairment of receivables</i>	8	(391.546)	(1.165.240)
Adjustments for provisions	15	353.043	619.910
- <i>Adjustments to provision for employee severance indemnity</i>		353.043	619.910
Change in fair value of investment properties		(955.000)	7.751.643
Adjustments for retained earnings of investments valued by equity method	3	(777.687)	(528.548)
Gain/(losses) on derivatives	21	(39.929.603)	(498)
Adjustments for loss or gain on sales of non-current assets		2.225.000	--
- <i>Adjustments for loss or gain on sales of investment property</i>	18	2.225.000	--
Adjustments to interest income and expense		19.976.844	8.585.441
- <i>Interest income</i>	18	(4.521.736)	(6.026.703)
- <i>Interest expense</i>	21	24.498.580	14.612.144
Adjustments to foreign exchange differences		(428.521)	(207.296)
<b>Operating profit from before the changes in working capital</b>		<b>76.074.638</b>	<b>67.976.828</b>
<b>Changes in working capital</b>			
Adjustment related to increase/decrease in trade receivables		(87.377.337)	(13.798.030)
- <i>Increase/decrease in trade receivables due from related parties</i>		1.599.480	(2.146.094)
- <i>Increase/decrease in trade receivables due from third parties</i>		(88.976.817)	(11.651.936)
Adjustment related to increase/decrease in other receivables related with operations		(926.367)	(4.096.451)
- <i>Increase/decrease in other receivables related with operations due from third parties</i>		(926.367)	(4.096.451)
Adjustment related to increase/decrease in inventories		312.979.010	(136.318.861)
Increase/decrease in derivative instruments		(12.606)	498
Increase/decrease in prepaid expenses		(3.797.458)	542.710
Adjustment related to increase/decrease in trade payables		(22.486.752)	406.875
- <i>Increase/decrease in trade payables due to related parties</i>		(5.898.886)	(1.986.074)
- <i>Increase/decrease in trade payables due to third parties</i>		(16.587.866)	2.392.949
Adjustment related to increase/decrease in other payables related with operations		34.678.870	--
- <i>Increase/decrease in other payables related with operations due from third parties</i>		34.678.870	--
Increase/decrease in deferred revenues		(344.133.360)	78.860.385
Adjustment related to other increase/decrease in working capital		52.359.371	(14.796.471)
- <i>Increase/decrease in other assets related with operations</i>		17.280.146	(19.234.745)
- <i>Increase/decrease in other liabilities related with operations</i>		35.079.225	4.438.274
		<b>17.358.009</b>	<b>(21.222.517)</b>
<b>Cash generated from operating activities</b>			
Employee termination benefits paid	15	(422.704)	(46.805)
Interest received	5, 18	3.621.403	5.991.355
<b>Net cash provided by / (used in) operating activities</b>		<b>20.556.708</b>	<b>(15.277.967)</b>
<b>B. Cash Flows From Investing Activities</b>			
Purchases of investment property	10	(60.450.377)	(133.615.604)
Proceeds from sale of investment property		52.135.000	--
Purchases of tangible assets and intangible assets	12,13	(459.344)	(199.172)
Proceeds from sale of tangible assets and intangible assets		--	860
<b>Net cash used in investing activities</b>		<b>(8.774.721)</b>	<b>(133.813.916)</b>
<b>C. Cash Flows From Financing Activities</b>			
Dividends paid	17	(68.531.250)	(63.750.000)
Borrowings received		218.201.994	220.000.000
Borrowings paid		(40.763.175)	(5.429.775)
Interest paid		(39.604.338)	(67.804.733)
<b>Net cash provided by financing activities</b>		<b>69.303.231</b>	<b>83.015.492</b>
<b>Increase / (decrease) in cash and cash equivalents before effect of changes in foreign currency rates</b>			
		<b>81.085.218</b>	<b>(66.076.391)</b>
Effect of changes in foreign currency rates over cash and cash equivalents		428.521	207.296
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>81.513.739</b>	<b>(65.869.095)</b>
Cash and cash equivalents at the beginning of the period	5	82.425.118	126.768.027
<b>Cash and cash equivalents at the end of the period</b>	5	<b>163.938.857</b>	<b>60.898.932</b>

The accompanying notes form an integral part of these financial statements

# İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2018

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

## 1. Organization and operations of the Company

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi (“the Company”) was established on August 6, 1999 by İş Gayrimenkul Yatırım ve Proje Değerlendirme Anonim Şirketi taking over all assets and liabilities of İş Gayrimenkul Yatırım ve Proje Değerlendirme Anonim Şirketi and Merkez Gayrimenkul Yatırım ve Proje Değerlendirme Anonim Şirketi, both of which operated separately and were established in 1998. The Company is a subsidiary of Türkiye İş Bankası Anonim Şirketi (“İş Bankası”). The Company’s registered address is at İş Kuleleri Kule 2 Kat 10, 11 Levent İstanbul/Turkey.

The main objective and operations of the Company are to engage in activities regulated by the Capital Markets Board of Turkey (“CMB”) related with the Real Estate Investment Corporations such as; properties, property oriented capital market instruments, real estate projects and investing in capital market instruments. Compliance to the CMB’s regulations and related legislation are taken as a basis for the Company’s operations, portfolio investment policies and management limitations.

The Company’s shares have been traded on the Borsa İstanbul Anonim Şirketi (the former legal title “İstanbul Stock Exchange”) (“BİST”) since 1999.

The Company has 82 employees as of June 30, 2018 (December 31, 2017: 78).

Kanyon Yönetim İşletim ve Pazarlama Limited Şirketi (“Kanyon”) was established on October 6, 2004 by both 50% equal participations of the Company and Eczacıbaşı Holding Anonim Şirketi (“Eczacıbaşı Holding”) The main objective and operations of the jointly controlled entity are the management of the residences, offices and shops; providing cleaning, maintenance, security, basic environmental set up and similar activities as well as acting as an agent in the introduction and marketing of the projects of the complexes, including property letting and sale. However, Kanyon is converted to Joint Stock Company status as at June 5, 2015.

## 2. Basis of presentation of financial statements

### 2.1 Basis of presentation

#### Statement of compliance

The accompanying financial statements and explanatory notes have been prepared in accordance with Turkish Accounting Standards (“TAS”) promulgated by the Public Oversight Accounting and Auditing Standards Authority (“POA”) as set out in the communiqué numbered II-14.1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) of the Capital Markets Board of Turkey (“CMB”), which is published on June 13, 2013 at the Official Gazette numbered 28676. TAS include Turkish Accounting Standards, Turkish Financial Reporting Standards and related appendices and interpretations.

The financial statements as at June 30, 2018 have been approved for issue by the Board of Directors on July 27, 2018. The General Assembly and the legal authorities have the authority to amend the statutory financial statements and these financial statements.

#### **Additional paragraph for convenience translation into English**

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed may have significant influence on the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries.

#### Preparation of financial statements

The accompanying financial statements have been prepared in accordance with the “Announcement on Financial Statements and Disclosure Formats” of CMB dated June 7, 2013. Additionally the accompanying financial statements have been presented in accordance with the TAS taxonomy of POA dated June 2, 2017 numbered 30.

## **İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2018

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

### **2. Basis of presentation of financial statements (continued)**

#### **2.1 Basis of presentation (continued)**

##### Functional and presentation currency

The financial position and the results of the Company’s operations have been expressed in Turkish Lira (“TL”) which is the functional currency of the Company and which is the presentation currency of the financial statements.

##### Basis of measurement

The financial statements are prepared on a historical cost basis except for the financial assets measured at fair value.

##### Preparation of financial statements in Hyperinflationary Periods

The CMB, with its resolution dated March 17, 2005, declared that companies operating in Turkey which prepare their financial statements in accordance with the CMB Financial Reporting Standards (including those adopted IAS/IFRS), would not be subject to the application of inflation accounting effective from January 1, 2005. Accordingly, IAS 29 “Financial Reporting in Hyperinflationary Economies” was not applied since January 1, 2005.

##### Interest in Joint Arrangements

Jointly controlled entities are those entities over whose activities one or more entities has joint control, established by contractual agreement and requiring unanimous consent for economic benefits.

Jointly controlled entity which is constituted as Kanyon is accounted for using the equity method in the accompanying financial statements. Under the equity method, investments in the jointly controlled entities are carried in the statement of financial position at cost plus post acquisition changes in the Company’s share of net assets of the jointly controlled entity and the comprehensive income reflects the share of the results of operations of the jointly controlled entities. Where there has been a change recognised directly in the equity of the jointly controlled entities, the Company recognises its share of any changes and discloses this based on IAS 28 “Investment in Associate and Joint Ventures”, when applicable, in the statement of changes in equity.

The financial statements of jointly controlled entity was prepared by using same accounting policies and periods to confirm with the Company’s financial statements.

##### Foreign currency transactions

Transactions in foreign currencies are translated to TL at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to TL at the exchange rate at that date. Foreign currency differences arising on retranslation and gains and losses from foreign currency transactions are recognized in profit or loss.

The valuation principles applied and the presentation of accounting policies have been consistently applied in all period information. Significant changes in accounting policies and significant accounting errors identified are applied retrospectively and the prior period financial statements are restated.

## **İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2018

*(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)*

### **2. Basis of presentation of financial statements (continued)**

#### **2.2 Changes in accounting policies and estimates**

The changes in estimates of accounting are about only one period, when the change is made, are about future, prospectively applied by including future periods. There is no change in accounting estimates in the current period. Determined significant accounting estimates errors are applied restrospectively and restated prior financial statements. There is no significant accounting error that was discovered in the current period.

#### **2.3 Summary of significant accounting policies**

Condensed consolidated financial statements for the period ended June 30, 2018, have been prepared in accordance with IAS 34, the IFRS standard on interim financial reporting. Furthermore, accounting policies applied in the preparation of condensed financial statements as of June 30, 2018 are consistent with the accounting policies used for the preparation of financial statements for the year ended December 31, 2017. Thus, these condensed consolidated financial statements should be read together with the consolidated financial statements for the year ended December 31, 2017.

#### **2.4 The new standards, amendments and interpretations**

The accounting policies adopted in preparation of the interim condensed financial statements as at June 30, 2018 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2018. The effects of these standards and interpretations on the Company’s financial position and performance have been disclosed in the related paragraphs.

**i) The new standards, amendments and interpretations which are effective as at January 1, 2018 are as follows:**

##### **TFRS 15 Revenue from Contracts with Customers**

In September 2016, POA issued TFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity’s ordinary activities (e.g., the sale of property, plant and equipment or intangibles). TFRS 15 effective date is January 1, 2018. The amendments will not have a significant impact on the financial position or performance of the Company.

## **İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2018

*(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)*

### **2. Basis of presentation of financial statements (continued)**

#### **2.4 The new standards, amendments and interpretations (continued)**

##### **TFRS 9 Financial Instruments**

In January 2017, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, TFRS 9 addresses the so-called ‘own credit’ issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. TFRS 9 is effective for annual periods beginning on or after 1 January 2018. The standard did not have a significant impact on the financial position or performance of the Company.

##### **TFRS 4 Insurance Contracts (Amendments)**

In December 2017, POA issued amendments to TFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

##### **TFRIC 22 Foreign Currency Transactions and Advance Consideration**

The interpretation issued by POA on December 2017 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. The interpretation is not applicable for the Company and did not have an impact on the financial position or performance of the Company.

## **İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2018

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

### **2. Basis of presentation of financial statements (continued)**

#### **2.4 The new standards, amendments and interpretations (continued)**

##### **TFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)**

In December 2017, POA issued amendments to TFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:

- a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- b. share-based payment transactions with a net settlement feature for withholding tax obligations; and
- c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

##### **TAS 40 Investment Property: Transfers of Investment Property (Amendments)**

In December 2017, POA issued amendments to TAS 40 'Investment Property '. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments did not have a significant impact on the financial position or performance of the Company.

##### **Annual Improvements to TFRSs - 2014-2016 Cycle**

In December 2017, POA issued Annual Improvements to TFRS Standards 2014–2016 Cycle, amending the following standards:

- TFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some TFRS 7 disclosures, IAS 19 transition provisions and IFRS 10 Investment Entities. These amendments are applied for annual periods beginning on or after 1 January 2018.
- TAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying TFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are applied for annual periods beginning on or after 1 January 2018.

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

## **İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2018

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

### **2. Basis of presentation of financial statements (continued)**

#### **2.4 The new standards, amendments and interpretations (continued)**

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

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

##### **TFRS 16 Leases**

In April 2018, POA has published a new standard, TFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. TFRS 16 supersedes TAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

##### **Amendments to TAS 28 Investments in Associates and Joint Ventures (Amendments)**

In December 2017, POA issued amendments to TAS 28 *Investments in Associates and Joint Ventures*. The amendments clarify that a company applies TFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

TFRS 9 Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with TAS 28 Investments in Associates and Joint Ventures. In this amendment, POA clarified that the exclusion in TFRS 9 applies only to interests a company accounts for using the equity method. A company applies TFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

The amendments are effective for annual periods beginning on or after 1 January 2019, with early application permitted.

The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

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

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



## **İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2018

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

### **2. Basis of presentation of financial statements (continued)**

#### **2.4 The new standards, amendments and interpretations (continued)**

##### **TFRIC 23 Uncertainty over Income Tax Treatments**

The interpretation clarifies how to apply the recognition and measurement requirements in “TAS 12 Income Taxes” when there is uncertainty over income tax treatments.

When there is uncertainty over income tax treatments, the interpretation addresses:

- (a) whether an entity considers uncertain tax treatments separately;
- (b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;
- (c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- (d) how an entity considers changes in facts and circumstances.

An entity shall apply this Interpretation for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies this Interpretation for an earlier period, it shall disclose that fact. On initial application, an entity shall apply the interpretation either retrospectively applying IAS 8, or retrospectively with the cumulative effect of initially applying the Interpretation recognised at the date of initial application.

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

##### **iii) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)**

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Company will make the necessary changes to its financial statements after the new standards and interpretations are issued and become effective under TFRS.

##### **Annual Improvements – 2010–2012 Cycle**

###### *IFRS 13 Fair Value Measurement*

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

## İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2018

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

## 2. Basis of presentation of financial statements (continued)

### 2.4 The new standards, amendments and interpretations (continued)

#### IFRS 17 - The new Standard for insurance contracts

[The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The standard is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

#### Prepayment Features with Negative Compensation (Amendments to IFRS 9)

In October 2017, the IASB issued minor amendments to IFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying IFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation.

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted.

The amendment are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

#### Annual Improvements – 2015–2017 Cycle

In December 2017, the IASB announced *Annual Improvements to IFRS Standards 2015–2017 Cycle*, containing the following amendments to IFRSs:

- IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements* — The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 *Income Taxes* — The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- IAS 23 *Borrowing Costs* — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows *generally* when calculating the capitalisation rate on general borrowings.

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted.

Overall, the Company expects no significant impact on its balance sheet and equity.

## **İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2018

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

### **2. Basis of presentation of financial statements (continued)**

#### **2.4 The new standards, amendments and interpretations (continued)**

##### **Plan Amendment, Curtailment or Settlement” (Amendments to IAS 19)**

On 7 February 2018, the IASB published Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement” to harmonise accounting practices and to provide more relevant information for decision-making. The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. An entity shall apply these amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact. The Company is in the process of assessing the impact of the interpretation on financial position or performance of the Company.

#### **2.5 Restrictions on the investment portfolio of real estate investment trusts**

The information that is given in the note "Control of Compliance with Restrictions on the Investment Oortfolio" derived from the financial statements in accordance with the Capital Market Board's II-14.1 "Principles Regarding Financial Reporting in the Capital Markets Communiqué" and as of January 23, 2014 it is created within the scope of control of compliance with restrictions on the investment portfolio of III-48.1.a; "Communiqué on Principles Regarding Real Estate Investment Trusts" which was published in the official gazette number 28891 of Capital Market Board.

#### **2.6 Accounting estimates**

Preparation of financial statements requires the use of assumptions and estimates that might affect the amounts of assets and liabilities reported as of balance sheet date, explanation of the conditional assets and liabilities and amounts of the income and expenses reported throughout the accounting period. Accounting evaluations, estimates and assumptions are evaluated taking into consideration past experience, other factors, current conditions and reasonable expectations for future events. Such evaluations and estimates might differ from actual consequences, even though they are based on the best knowledge of the management about current events and transactions. The main notes on which estimates are used are as follows:

- *Note 10 Investment property*
- *Note 15 Provision for employee benefits*

## İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2018

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

### 3. Equity accounted investees

The investments that are valued using equity method are shown in the financial statements of the Company by using equity method. Company’s business partnerships that valued according to equity method are listed below:

	Ownership (%)	June 30, 2018	Ownership (%)	December 31, 2017
Kanyon	50	2.554.795	50	2.527.108
		<b>2.554.795</b>		<b>2.527.108</b>

The summarized financial statements information of the jointly control entities under the equity method are listed below:

<b>Kanyon</b>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
Current assets	22.990.555	24.835.674
Non-current assets	1.919.691	1.865.027
Short-term liabilities	(19.123.390)	(20.582.289)
Long-term liabilities	(677.266)	(1.064.197)
<b>Net assets</b>	<b>5.109.590</b>	<b>5.054.215</b>

<b>Kanyon</b>	<b>January 1 – June 30, 2018</b>	<b>January 1 – June 30, 2017</b>
Income for the period	61.880.377	22.698.399
Expense for the period (-)	(60.325.003)	(21.641.303)

The Company recognized profit amounting to TL 777.687 TL resulting from consolidation of Kanyon with equity method for the year ended June 30, 2018 (June 30, 2017: TL 528.548) in the accompanying statement of profit and loss.

### 4. Operating segments

Each segment of the Company is managed by the Company’s management on project basis. Allocation of the resources to the segments is also managed on project basis.

# İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

## Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2018

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

### 4. Operating segments (continued)

	Ankara İş Kuleleri Building	Istanbul İş Kuleleri Complex	Maslak Building	Mallmarine Shopping Mall	İş Bankası Ankara Merkez Building	Kanyon Shopping Mall	Marmarapark	Kapadokya Lodge Hotel	Ofis Lamartine	Tuzla Çınarlıbahçe Residence	Tuzla Operation and Trade Center	Tuzla Combined Project	İzmir Ege Perla Shpping Mall	İzmir Ege Perla Residence/ Office	Other Real Estate	Total
<b>June 30, 2018</b>																
<b>Sales Revenue</b>																
Rent income	414.317	18.815.478	2.898.624	405.937	1.843.090	18.558.786	--	120.000	908.648	50.095	38.189.881	9.240.514	3.626.484	136.850	6.000	95.214.704
Income from right of construction	--	--	--	--	--	--	9.913.145	--	--	--	--	--	--	--	--	9.913.145
Income from sales of real estate	--	--	--	--	--	--	--	--	--	--	--	--	--	14.682.264	569.671.792	584.354.056
Sales income from investment property	--	--	--	--	49.885.000	--	--	--	--	--	--	--	--	--	4.500.000	54.385.000
Income fees and service	--	67.473	--	--	--	56.883	--	--	224.583	--	--	104.620	274.717	--	--	728.276
Other income	--	82.220	--	--	--	47.213	--	--	--	--	--	--	--	23.890	--	153.323
<b>Total Revenue</b>	<b>414.317</b>	<b>18.965.171</b>	<b>2.898.624</b>	<b>405.937</b>	<b>51.728.090</b>	<b>18.662.882</b>	<b>9.913.145</b>	<b>120.000</b>	<b>1.133.231</b>	<b>50.095</b>	<b>38.189.881</b>	<b>9.345.134</b>	<b>3.901.201</b>	<b>14.843.004</b>	<b>574.177.792</b>	<b>744.748.504</b>
<b>Cost of Sales</b>																
Insurance expense	11.910	363.478	9.837	11.016	4.229	153.684	--	10.560	6.034	1.145	469.901	250.113	230.130	2.261	--	1.524.298
Administrative expense	494.161	4.083.658	--	--	--	5.127.217	--	--	101.436	14.091	100	443.588	6.443.244	640.174	--	17.347.669
Cost of sales of real estate	--	--	--	--	--	--	--	--	--	--	--	--	--	11.672.221	507.151.432	518.823.653
Cost of sales of investment property	--	--	--	--	49.860.000	--	--	--	--	--	--	--	--	--	6.750.000	56.610.000
Tax and duty and other charges	151.593	1.092.959	109.882	12.493	3.709	935.073	1.995.029	18.231	56.537	2.809	554.715	291.370	802.819	117.667	--	6.144.886
Other	4.008	90.533	--	--	--	33.560	--	2.850	--	5.320	1.026	4.984	24.200	--	--	166.481
<b>Cost of Sales</b>	<b>661.672</b>	<b>5.630.628</b>	<b>119.719</b>	<b>23.509</b>	<b>49.867.938</b>	<b>6.249.534</b>	<b>1.995.029</b>	<b>31.641</b>	<b>164.007</b>	<b>23.365</b>	<b>1.025.742</b>	<b>990.055</b>	<b>7.500.393</b>	<b>12.432.323</b>	<b>513.901.432</b>	<b>600.616.987</b>
<b>Gross Profit</b>	<b>(247.355)</b>	<b>13.334.543</b>	<b>2.778.905</b>	<b>382.428</b>	<b>1.860.152</b>	<b>12.413.348</b>	<b>7.918.116</b>	<b>88.359</b>	<b>969.224</b>	<b>26.730</b>	<b>37.164.139</b>	<b>8.355.079</b>	<b>(3.599.192)</b>	<b>2.410.681</b>	<b>60.276.360</b>	<b>144.131.517</b>
Prepared based on IFRS 8 “Operating Segments”																
<b>Capital investments</b>	<b>6.512.078</b>	<b>136.462</b>	<b>--</b>	<b>--</b>	<b>100.000</b>	<b>559.404</b>	<b>--</b>	<b>42.362</b>	<b>6.820</b>	<b>--</b>	<b>73.755</b>	<b>10.370</b>	<b>7.793.804</b>	<b>--</b>	<b>246.183.223</b>	<b>261.418.279</b>

# İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

## Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2018

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

### 4. Operating segments (continued)

	Ankara İş Kule Building	Istanbul İş Kuleleri Complex	Maslak Building	Mallmarine Shopping Mall	İş Bankası Ankara Merkez Building	İş Bankası Ankara Kızılay Building	İş Bankası Antalya Merkez Building	Kanyon Shopping Mall	Real Hipermarket Building	Marmarapark	Kapadokya Lodge Hotel	Ofis Lamartine	Tuzla Çınarlıbağçe Residence	Tuzla Operation and Trade Center	Tuzla Combined Project	İzmir Ege Perla	Other Real Estate	Total
<b>June 30, 2017</b>																		
<b>Sales Revenue</b>																		
Rent income	366.411	14.324.477	2.566.693	346.159	2.133.925	1.692.953	900.991	18.195.294	3.971.846	-	280.000	914.604	52.662	33.589.763	8.190.683	82.733	-	87.609.194
Income from right of construction	-	-	-	-	-	-	-	-	-	9.223.331	-	-	-	-	-	-	-	9.223.331
Income from sales of real estate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21.186.276	-	21.186.276
Income fees and service	-	171.719	-	-	-	-	-	106.156	-	-	-	48.143	-	-	156.750	-	-	482.768
Other income	-	29.227	3.557	-	-	-	-	11.022	77.766	-	-	-	3.826	-	-	-	-	125.398
<b>Total Revenue</b>	<b>366.411</b>	<b>14.525.423</b>	<b>2.570.250</b>	<b>346.159</b>	<b>2.133.925</b>	<b>1.692.953</b>	<b>900.991</b>	<b>18.312.472</b>	<b>4.049.612</b>	<b>9.223.331</b>	<b>280.000</b>	<b>962.747</b>	<b>56.488</b>	<b>33.589.763</b>	<b>8.347.433</b>	<b>21.269.009</b>	<b>-</b>	<b>118.626.967</b>
<b>Insurance expense</b>	<b>38.273</b>	<b>459.305</b>	<b>15.816</b>	<b>12.660</b>	<b>11.631</b>	<b>5.314</b>	<b>4.431</b>	<b>208.690</b>	<b>73.593</b>	<b>-</b>	<b>36.467</b>	<b>7.204</b>	<b>535</b>	<b>71.423</b>	<b>79.820</b>	<b>6.115</b>	<b>-</b>	<b>1.031.277</b>
Administrative expense	409.758	3.880.011	-	2.806	-	-	-	5.803.677	-	-	-	146.657	42.476	-	961.577	29.569	-	11.276.531
Tax and duty and other charges	141.728	811.077	85.034	11.736	5.742	25.285	14.907	859.865	198.354	-	16.249	40.809	2.328	479.083	253.386	836	-	2.946.419
Cost of sales of real estate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15.431.120	-	15.431.120
Other	6.000	66.865	-	-	-	-	-	-	-	-	-	-	-	13.655	51.540	-	-	138.060
<b>Cost of Sales</b>	<b>595.759</b>	<b>5.217.258</b>	<b>100.850</b>	<b>27.202</b>	<b>17.373</b>	<b>30.599</b>	<b>19.338</b>	<b>6.872.232</b>	<b>271.947</b>	<b>-</b>	<b>52.716</b>	<b>194.670</b>	<b>45.339</b>	<b>564.161</b>	<b>1.346.323</b>	<b>15.467.640</b>	<b>-</b>	<b>30.823.407</b>
<b>Gross Profit</b>	<b>(229.348)</b>	<b>9.308.165</b>	<b>2.469.400</b>	<b>318.957</b>	<b>2.116.552</b>	<b>1.662.354</b>	<b>881.653</b>	<b>11.440.240</b>	<b>3.777.665</b>	<b>9.223.331</b>	<b>227.284</b>	<b>768.077</b>	<b>11.149</b>	<b>33.025.602</b>	<b>7.001.110</b>	<b>5.801.369</b>	<b>-</b>	<b>87.803.560</b>
Prepared based on IFRS 8 “Operating Segments”																		
<b>Capital investments</b>	<b>-</b>	<b>10.232.744</b>	<b>-</b>	<b>-</b>	<b>4.849</b>	<b>-</b>	<b>-</b>	<b>855.346</b>	<b>-</b>	<b>-</b>	<b>8.216</b>	<b>-</b>	<b>-</b>	<b>24.566.991</b>	<b>2.777.126</b>	<b>57.362.506</b>	<b>190.038.244</b>	<b>285.846.022</b>

## İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2018

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

### 4. Operating segments (continued)

#### Reconciliation of income, assets and liabilities

<b>Sales Revenue</b>	<b>January 1 – June 30, 2018</b>	<b>January 1 – June 30, 2017</b>
Segment revenue	744.748.504	118.626.967
Undistributed revenue	4.916.718	6.221.558
<b>Total Revenue</b>	<b>749.665.222</b>	<b>124.848.525</b>

  

<b>Cost of Sales</b>	<b>January 1 – June 30, 2018</b>	<b>January 1 – June 30, 2017</b>
Segment Costs	600.616.987	30.823.407
<b>Total cost of sales</b>	<b>600.616.987</b>	<b>30.823.407</b>

  

<b>Assets</b>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
Segment assets	4.630.202.243	4.936.135.877
Other assets	151.437.001	63.668.118
Non-segment related assets	422.283.401	312.143.261
<b>Total assets</b>	<b>5.203.922.645</b>	<b>5.311.947.256</b>

  

<b>Liabilities</b>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
Segment liabilities	1.775.061.804	1.980.687.674
Other liabilities	121.709.848	50.682.595
<b>Total liabilities</b>	<b>1.896.771.652</b>	<b>2.031.370.269</b>

## İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2018

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

### 5. Cash and cash equivalents

	June 30, 2018	December 31, 2017
Demand deposits	5.500.468	9.647.133
Time deposits	152.208.856	59.381.733
Mutual funds	7.703.070	13.793.590
Receivables from reverse repos	771	85.786
Other cash equivalents	118.499	209.350
	<b>165.531.664</b>	<b>83.117.592</b>
Interest accrued on cash and cash equivalents	(1.592.807)	(692.474)
<b>Total cash and cash equivalents in the statement of cash flows</b>	<b>163.938.857</b>	<b>82.425.118</b>

<u>Time deposits::</u>			June 30, 2018
<u>Currency</u>	<u>Interest rate</u>	<u>Maturity</u>	
US Dollar	2,85%-3,50	July-August 2018	30.548.793
EURO	1,05%	August-September 2018	3.471.393
TL	14,93%-17,45%	July 2018	118.188.670
			<b>152.208.856</b>

	June 30, 2018	
	Cost	Fair Value
Mutual Funds	7.577.034	7.703.070
<b>Total</b>	<b>7.577.034</b>	<b>7.703.070</b>

<u>Receivables from reverse repos</u>			June 30, 2018
<u>Currency</u>	<u>Interest rate</u>	<u>Maturity</u>	
TL	14,67	July 2018	771

<u>Time deposits:</u>			December 31, 2017
<u>Currency</u>	<u>Interest rate</u>	<u>Maturity</u>	
US Dollar	%2,65	April 2018	22.848.285
EURO	%1,10	June 2018	1.813.383
TL	%11,20	January 2018	34.720.065
<b>Total</b>			<b>59.381.733</b>

	December 31, 2017	
	Cost	Fair Value
Mutual funds	13.370.079	13.793.590
	<b>13.370.079</b>	<b>13.793.590</b>

<u>Receivables from reverse repos</u>			December 31, 2017
<u>Currency</u>	<u>Interest rate</u>	<u>Maturity</u>	
TL	11,68%	January 2018	85.786



## İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2018

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

### 6. Financial investments / Derivatives

	June 30, 2018	December 31, 2017
<b>Derivative instruments</b>		
Derivative assets held for trading	43.808.110	3.865.901
<b>Total</b>	<b>43.808.110</b>	<b>3.865.901</b>

### 7. Loans and borrowings

The details of financial borrowings and financial leasing as of June 30, 2018 and December 31, 2017 are as follows:

	June 30, 2018	December 31, 2017
<b>Short-term borrowings</b>		
Current portion of long term borrowings	187.620.062	169.179.394
Bonds issued	312.956.684	--
Commercial papers issued	98.289.392	--
<b>Total</b>	<b>598.866.138</b>	<b>169.179.394</b>

	June 30, 2018	December 31, 2017
<b>Long-term borrowings:</b>		
Long-term bank borrowings	558.716.803	612.773.620
Bonds issued	190.232.669	402.833.219
<b>Total</b>	<b>748.949.472</b>	<b>1.015.606.839</b>

	June 30, 2018	December 31, 2017
<b>Leasings</b>		
Current portion of long term financial leases	--	696.316
<b>Total</b>	<b>--</b>	<b>696.316</b>

The details of loans and borrowings as of June 30, 2018 and December 31, 2017 are as follows:

			June 30, 2018	
Currency	Interest rate (%)	Original amount	Short-term (TL)	Long-term (TL)
Euro	Euribor+3,50	7.276.415	12.882.320	25.749.620
US Dollar	Libor + 4,25	49.324.500	43.867.633	181.086.619
TL	11,75-15,10	482.750.673	130.870.109	351.880.564
<b>Total</b>			<b>187.620.062</b>	<b>558.716.803</b>

## İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2018

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

### 7. Loans and borrowings (continued)

<b>December 31, 2017</b>				
<b>Currency</b>	<b>Interest rate (%)</b>	<b>Original amount</b>	<b>Short-term (TL)</b>	<b>Long-term (TL)</b>
Euro	Euribor+3,50	7.277.122	10.959.669	21.900.175
US Dollar	Libor + 4,25	53.694.971	36.124.709	166.407.353
TL	11,75-15,10	546.561.108	122.095.016	424.466.092
<b>Total</b>			<b>169.179.394</b>	<b>612.773.620</b>

As of reporting period, the investment properties are pledged in favour of İş Bankası amounting to USD 136.000.000 and TL 685.000.000 within the scope of the allocation of the loan.

The company has used a loan amounting to TL 150.000.000 from İş Bank on January 29, 2016 for to purchase of Tuzla Arsa. The loan which has no principal payment for first two year is a five year maturity with an interest rate of 14.50% + BSMV. A mortgage which is 1st degree has been given on the land amounting to TL 250.000.000 in favor of İş Bank for the loan used. TL 21.428.571 of the TL 150.000.000 loan used for the land has been repaid and the principal amount remaining as of June 30, 2018 is TL 128.571.429.

As of June 30, 2018 and December 31, 2017 details of issued bonds are as follows:

<b>June 30, 2018</b>				
<b>ISIN CODE</b>	<b>Issued Nominal Amount (TL)</b>	<b>Issue Date</b>	<b>Amortization Date</b>	<b>Net Book Value</b>
TRSISGYE1915	87.000.000	October 11, 2016	October 10, 2019	90.078.004
TRSISGY61912	100.000.000	June 29, 2016	June 28, 2019	99.986.161
TRSISGY31915	213.000.000	April 5, 2016	March 29, 2019	212.970.523
TRSISGY32111	100.000.000	March 23, 2018	March 23, 2021	100.154.665
<b>Total</b>				<b>503.189.353</b>

<b>December 31, 2017</b>				
<b>ISIN CODE</b>	<b>Issued Nominal Amount (TL)</b>	<b>Issue Date</b>	<b>Amortization Date</b>	<b>Net Book Value</b>
TRSISGYE1915	87.000.000	October 11, 2016	October 10, 2019	89.734.143
TRSISGY61912	100.000.000	June 29, 2016	June 28, 2019	100.031.654
TRSISGY31915	213.000.000	April 5, 2016	March 29, 2019	213.067.422
<b>Total</b>				<b>402.833.219</b>

The Company has issued 3-year maturity, variable-rate, 3-month coupon payment bonds amounting to TL 213.000.000, TL 100.000.000, TL 87.000.000 and TL 100.000.000 to the qualified investors through İş Yatırım Menkul Değerler Anonim Şirketi on April 5, 2016, June 29, 2016, October 11, 2016 and March 23, 2018.

As of June 30, 2018 details of issued commercial papers are as follows:

<b>June 30, 2018</b>				
<b>ISIN CODE</b>	<b>Issued Nominal Amount (TL)</b>	<b>Issue Date</b>	<b>Amortization Date</b>	<b>Net Book Value</b>
TRFISGY71819	50.000.000	January 24, 2018	July 24, 2018	49.529.403
TRFISGY91817	50.000.000	March 6, 2018	September 3, 2018	48.759.989
<b>Total</b>				<b>98.289.392</b>

## İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2018

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

### 7. Loans and borrowings (continued)

The Company's request related to the new debt instruments issuance which is denominated TL to qualified investors in the form of sales method without public offering in the country has been approved within scope of issue ceiling is amounting to TL 400.000.000 with the Capital Market Board's decision dated June 22, 2017 and numbered 27/839.

The Company has issued 3-year maturity, variable-rate, 3-month coupon payment bonds amounting to TL 100.000.000 to the qualified investors through İş Yatırım Menkul Değerler Anonim Şirketi on March 23, 2018 within the scope of the issue ceiling amount. Additionally, the Company has issued 6-month maturity, discounted commercial papers amounting to TL 50.000.000 and TL 50.000.000 to the qualified investors through İş Yatırım Menkul Değerler Anonim Şirketi on January 24, 2018 and March 6, 2018. Together with issue activities mentioned above, the Company has issued financial instruments amounting to a total of TL 200.000.000 within scope of issue ceiling is amounting to TL 400.000.000.

### 8. Trade receivables and payables

#### *Short-term trade receivables and payables*

	June 30, 2018	December 31, 2017
<u>Trade receivables</u>		
Notes receivable	2.172.625	487.653
Rediscount of notes receivables (-)	(84.545)	(5.615)
Income accruals	33.559.421	29.505.146
Receivables from customers	89.556.820	15.854.904
Doubtful receivables	2.175.722	2.567.268
Provision for doubtful receivables (-)	(2.175.722)	(2.567.268)
Due from related parties (Note 23)	1.281	1.600.761
<b>Total</b>	<b>125.205.602</b>	<b>47.442.849</b>
<u>Trade payables</u>		
Payables to suppliers	27.583.649	44.171.515
Due to related parties (Note 23)	3.466.817	9.365.703
<b>Total</b>	<b>31.050.466</b>	<b>53.537.218</b>

As of June 30, 2018, provision for doubtful trade receivables is TL 2.175.722 (December 31, 2017: TL 2.567.268). Provision for doubtful receivables is determined based on the historical collection performance.

Movement of provision for doubtful receivables for the year is as follows:

	June 30, 2018	June 30, 2017
<b>Opening balance, 1 January</b>	<b>(2.567.268)</b>	<b>(1.315.908)</b>
Charge for the period	(842.728)	(1.497.137)
Provisions released	1.234.274	331.897
<b>Closing balance</b>	<b>(2.175.722)</b>	<b>(2.481.148)</b>

#### *Long Term Trade Receivables*

	June 30, 2018	December 31, 2017
<u>Trade receivables</u>		
Income accruals	5.755.019	1.811.662
Receivables from customers	20.476.380	14.413.607
<b>Closing balance</b>	<b>26.231.399</b>	<b>16.225.269</b>

## İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2018

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

### 9. Other receivables and payables

	June 30, 2018	December 31, 2017
Other short-term receivables (*)	2.754.610	1.078.243
<b>Total</b>	<b>2.754.610</b>	<b>1.078.243</b>

  

	June 30, 2018	December 31, 2017
<u>Other payables – short-term</u>		
Deposits and guarantees given	13.115.528	8.989.614
Other short-term payables (**)	66.542.956	35.990.000
<b>Total</b>	<b>79.658.484</b>	<b>44.979.614</b>

(\*) As of June 30, 2018, other short term receivables comprised of receivables which in from Nida İnşaat A Yapı Ortak Girişimi amounting to 1.393.728 TL, from Alt Yapı Temel Müh. Taah. ve Tic. Ltd. Şti. amounting to TL 170.070 (As of December 31, 2017, other short-term receivables comprised of receivables which in from Timur Gayrimenkul Geliştirme Yapı ve Yatırım A.Ş. amounting to TL 644.882, from Gediz Elek. Perakende Satış A.Ş. amounting to TL 174.707.).

(\*\*)The amount is to be paid to Tecim Yapı Elemanları İnşaat Servis ve Yönetim Hizmetleri San. ve Tic. Ltd. Şti. in relation to the purchase of the -77.327 square meter land registered in Kartal District Section 53, block 2274, lots 395, 397, 398, 399 and 408 and block 2846, lot 1 and block 2847 lot 1 and its ownership that is to be taken over and recorded to the assets to develop a project based on revenue sharing model which depends on the land's reconstruction condition that should be finalized. The consideration will be paid to Tecim Yapı Elemanları İnşaat Servis ve Yönetim Hizmetleri San. ve Tic. Limited Şirketi via the proceeds on the sale of houses as part of a revenue sharing agreement based on the project development to be performed on the acquired land.

### 10. Investment property

As of June 30, 2018 and December 31, 2017, the details of investment properties are as follows:

	June 30, 2018	December 31, 2017
Investment property under operating lease	3.348.543.055	3.381.163.000
Investment property under construction and other	493.373.210	453.707.889
<b>Total</b>	<b>3.841.916.265</b>	<b>3.834.870.889</b>

As of June 30, 2018, total insurance amount on investment properties is TL 2.474.283.072 (December 31, 2017: TL 1.889.917.765).

As of June 30, 2018 there are TL 347.614.402 capitalized financing expenses on the Company's investment properties (December 31, 2017: TL 291.993.361).

# İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

## Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2018

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

### 10. Investment property (continued)

	January 1, 2018 opening balance	Purchases	Disposals	Fair value difference	June 30, 2018 closing balance
<b>Investment property under operating lease</b>					
Ankara İş Kule Building	135.420.000	6.512.078	--	--	141.932.078
Marmarapark	162.020.000	--	--	--	162.020.000
İstanbul İş Kuleleri Complex	869.905.000	136.462	--	--	870.041.462
İş Bankası Ankara Merkez Building (*)	47.755.000	100.000	(49.860.000)	2.005.000	--
Ege Perla Sopping Mall	245.050.000	7.793.804	--	--	252.843.804
Kapadokya Lodge Hotel	25.388.000	42.362	--	--	25.430.362
Mallmarine Shopping Mall	13.030.000	--	--	--	13.030.000
Maslak Building	107.635.000	--	--	--	107.635.000
Office Lamartine	50.543.000	6.820	--	--	50.549.820
Tuzla Çınarlı Bahçe Project	2.600.000	--	--	--	2.600.000
Kanyon Shopping Mall	510.090.000	559.404	--	--	510.649.404
Tuzla Combined Project	270.382.000	10.370	--	--	270.392.370
Tuzla Technology and Operation Center Project	941.345.000	73.755	--	--	941.418.755
	<b>3.381.163.000</b>	<b>15.235.055</b>	<b>(49.860.000)</b>	<b>2.005.000</b>	<b>3.348.543.055</b>
<b>Investment property under construction</b>					
İstanbul Finance Center Land	191.917.000	5.981.480	--	--	197.898.480
Kartal Project	214.212.972	38.803.217	(4.500.000)	(1.050.000)	247.466.189
Levent Land	4.267.916	18.588	--	--	4.286.504
Üsküdar Land	43.310.000	412.037	--	--	43.722.037
	<b>453.707.888</b>	<b>45.215.322</b>	<b>(4.500.000)</b>	<b>(1.050.000)</b>	<b>493.373.210</b>
<b>Total</b>	<b>3.834.870.888</b>	<b>60.450.377</b>	<b>(54.360.000)</b>	<b>955.000</b>	<b>3.841.916.265</b>

(\*)Among the buildings included in the portfolio of the Company, İş Bankası Ankara Merkez Bulding is sold VAT included amounting to TL 49.885.999 and transfer procedures for the sale is completed on May 17, 2018.

The fair values of the Company’s investment properties at June 30, 2018 have been arrived at on the basis of valuations carried out in November and December 2017 by three independent appraiser firms which are not related party of the Company. Appraisal firms are accredited independent firms licensed by the Capital Markets Board of Turkey, and have appropriate qualifications and recent experience in appraising properties in the relevant locations. According to the appraisal reports, the valuations made in accordance with the International Valuation Standards have been performed according to the methods specified in the table below.

	2018	2017
<b>Investment property under operating lease</b>		
Ankara İş Tower Building	-	Sales comparison approach
Marmarapark	-	Sales comparison approach
İstanbul İş Kuleleri Complex	-	Sales comparison approach
İş Bankası Ankara Kızılay Building	-	-
İş Bankası Ankara Merkez Building	Sales comparison approach	Sales comparison approach
İş Bankası Antalya Merkez Building	-	-
Kapadokya Lodge Hotel	-	Sales comparison and cost approach
Mallmarine Shopping Mall	-	Sales comparison approach
Maslak Building	-	Sales comparison approach
Real Hipermarket Building	-	-
Office Lamartine	-	Sales comparison approach
Tuzla Çınarlı Bahçe Project	-	Sales comparison approach
Kanyon Shopping Mall	-	Sales comparison approach
İş Bankası Sirkeci Building (*)	-	-
Tuzla Combined Project	-	Sales comparison approach
Tuzla Technology and Operation Center Project	-	-
Ege Perla Shopping Mall	-	Sales comparison approach
<b>Investment property under construction</b>		
İstanbul Finance Center Land	-	Cost capitilazition approach
Kartal Project	Sales comparison approach	Sales comparison approach
Levent Land	-	Fair value based on estate tax
Üsküdar Land	-	Sales comparison approach

# İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

## Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2018

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

### 10. Investment property (continued)

	January 1, 2017 opening balance	Purchases	Disposals	Fair value difference	December 31, 2017 closing balance
<b>Investment property under operating lease</b>					
Ankara İş Tower Building	128.025.000	--	--	7.395.000	135.420.000
Marmarapark	146.620.000	--	--	15.400.000	162.020.000
İstanbul İş Kuleleri Complex	797.895.000	12.888.829	--	59.121.171	869.905.000
İş Bankası Ankara Kızılay Building (*)	38.295.000	--	(44.660.000)	6.365.000	-
İş Bankası Ankara Merkez Building	44.320.000	44.819	--	3.390.181	47.755.000
İş Bankası Antalya Merkez Building (*)	22.015.000	--	(23.985.000)	1.970.000	-
Ege Perla Sopping Mall (**)	279.441.000	80.206.834	--	(114.597.834)	245.050.000
Kapadokya Lodge Hotel	24.250.000	527.591	--	610.409	25.388.000
Mallmarine Shopping Mall	12.312.000	--	--	718.000	13.030.000
Maslak Building	101.115.000	--	--	6.520.000	107.635.000
Real Hipermarket Building (*)	110.000.000	--	(115.000.000)	5.000.000	-
Office Lamartine	48.890.000	--	--	1.653.000	50.543.000
Tuzla Çınarlı Bahçe Project	2.600.000	--	--	--	2.600.000
Kanyon Shopping Mall	479.965.000	1.664.843	--	28.460.157	510.090.000
Tuzla Combined Project	274.812.000	2.924.504	--	(7.354.504)	270.382.000
Tuzla Technology and Operation Center Project	862.565.000	24.709.675	--	54.070.325	941.345.000
	<b>3.373.120.000</b>	<b>122.967.095</b>	<b>(183.645.000)</b>	<b>68.720.905</b>	<b>3.381.163.000</b>
<b>Investment property under construction</b>					
İstanbul Finance Center Land	169.600.000	24.283.921	--	(1.966.921)	191.917.000
Kartal Project	128.298.507	76.011.693	--	9.902.772	214.212.972
Levent Land	4.110.487	24.775	--	132.655	4.267.917
Üsküdar Land	39.540.000	740.308	--	3.029.692	43.310.000
	<b>341.548.994</b>	<b>101.060.697</b>	<b>--</b>	<b>11.098.198</b>	<b>453.707.889</b>
<b>Total</b>	<b>3.714.668.994</b>	<b>224.027.792</b>	<b>(183.645.000)</b>	<b>79.819.103</b>	<b>3.834.870.889</b>

(\*) Among the buildings included in the portfolio of the Company are İş Bankası Ankara Kızılay Building and İş Bankası Antalya Merkez Building was sold to İş Portföy Yönetimi A.Ş. First Real Estate Investment Fund. The transfer procedures were completed on August 22, 2017 and the entire sales price including VAT of TL 81.420.000 was collected. Furthermore, transfer procedures for the sale of the Real Hypermarket Building were completed on August 23, 2017 and the entire sales price including VAT amounting to TL 140.000.000 was collected.

(\*\*) İzmir Ege Perla Shopping Mall project was completed and the shopping center opened on September 6, 2017. Ege Perla Shopping Mall has been transferred to investment properties from investment property under operating lease.

As of June 30, 2018, the Company has 1st and 2nd degree mortgage on the investment properties amounting to USD 136.000.000 and TL 685.000.000, which are established in favor of İş Bank. In the current period, the Company obtained rent income amounting to TL 95.214.704 (June 30, 2017: TL 87.609.194) of its investment property. Total direct operating expenses related to these properties amounting to TL 25.183.334 (June 30, 2017: TL 15.392.288).

## İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2018

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

### 11. Inventories

<i>Short-term inventories</i>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
<i>Completed residential units</i>		
Kartal Project (*)	276.406.142	396.606.760
Topkapı Project (**)	94.641.735	--
İzmir Ege Perla (***)	55.595.432	66.331.863
<i>Non-completed residential units</i>		
Topkapı Project (**)	148.260.354	294.173.271
<b>Total</b>	<b>574.903.663</b>	<b>757.111.894</b>

<i>Long-term inventories</i>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
<i>Non-completed residential units</i>		
Topkapı Project (**)	--	142.566.368
Tuzla Land (****)	213.382.315	201.586.726
<b>Total</b>	<b>213.382.315</b>	<b>344.153.094</b>

(\*) The Company has started the Manzara Adalar project in Istanbul, Kartal, in December 2014. Sales agreements for 597 residences have been signed and advances have been received amounting to TL 85.479.953 as of June 30, 2018 (December 31, 2017: TL 227.783.222) (Note 16).

(\*\*) The Company has started the In Istanbul Project in İstanbul, Topkapı, in May 2016. As of June 30, 2018 preliminary sales contracts have been signed for total 2.520 residence and the Company received advances amounting to TL 296.731.155 (December 31, 2017: TL 499.460.375) (Note 16). The Company explains the given guarantees for loans that uses Zeytinburnu land in Note 14. As of June 30, 2018, the total financing cost amount of TL 105.634.713 was capitalized in the project cost (December 31, 2017: TL 86.973.967).

(\*\*\*) The Company has started the Ege Perla İzmir project registered in İzmir, Konak District on a plot total 18.392 m2 area in the third quarter of 2012. Initial sales has started at October 2012. As of June 30, 2018 preliminary sales contracts have been signed for total 159 residences and the Company has received advances amounting to TL 755.818.

(\*\*\*\*) The Company has started the Tuzla Land project registered in Istanbul, Tuzla District in January 2016. The Company has bought a land to in order to develop a project , which cost to 143.500.000 TL.

## İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

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For the Interim Period Ended June 30, 2018

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

### 12. Tangible assets

	Buildings (*)	Machinery and equipment	Vehicles	Fixtures	Total
<b>Cost</b>					
Opening balance as of January 1, 2018	32.189.207	85.950	--	3.203.697	35.478.854
Purchases	--	--	--	59.145	59.145
Disposals	--	--	--	--	--
Fair value difference	--	--	--	--	--
<b>Closing balance as of June 30, 2018</b>	<b>32.189.207</b>	<b>85.950</b>	<b>--</b>	<b>3.262.842</b>	<b>35.537.999</b>
<b>Accumulated Depreciation</b>					
Opening balance as of January 1, 2018	1.892.431	85.950	--	2.494.721	4.473.102
Current year charge	502.956	--	--	134.059	637.015
Disposal	--	--	--	--	--
<b>Closing balance as of June 30, 2018</b>	<b>2.395.387</b>	<b>85.950</b>	<b>--</b>	<b>2.628.780</b>	<b>5.110.117</b>
<b>Net book value as of January 1, 2018</b>	<b>30.296.776</b>	<b>--</b>	<b>--</b>	<b>708.976</b>	<b>31.005.752</b>
<b>Net book value as of June 30, 2018</b>	<b>29.793.820</b>	<b>--</b>	<b>--</b>	<b>634.062</b>	<b>30.427.882</b>
<b>Cost</b>					
Opening balance as of January 1, 2017	28.793.832	85.950	32.447	2.823.388	31.735.617
Purchases	12.000	--	--	426.622	438.622
Disposals	--	--	(32.447)	(46.312)	(78.759)
Fair value difference	3.383.375	--	--	--	3.383.375
<b>Closing balance as of December 31, 2017</b>	<b>32.189.207</b>	<b>85.950</b>	<b>--</b>	<b>3.203.698</b>	<b>35.478.855</b>
<b>Accumulated Depreciation</b>					
Opening balance as of January 1, 2017	913.832	85.950	32.447	2.144.057	3.176.286
Current year charge	978.599	--	--	398.010	1.376.609
Disposal	--	--	(32.447)	(47.346)	(79.793)
<b>Closing balance as of December 31, 2017</b>	<b>1.892.431</b>	<b>85.950</b>	<b>--</b>	<b>2.494.721</b>	<b>4.473.102</b>
<b>Net book value as of January 1, 2017</b>	<b>27.880.000</b>	<b>--</b>	<b>--</b>	<b>679.331</b>	<b>28.559.331</b>
<b>Net book value as of December 31, 2017</b>	<b>30.296.776</b>	<b>--</b>	<b>--</b>	<b>708.977</b>	<b>31.005.753</b>

(\*) As of June 30, 2018, İş Kuleleri Kule:2 10th and 11th floor offices are the most important tangible assets item of the Company which are currently used for registered address with amounting to TL 29.793.819. These areas get share from the mortgages amounting to USD 136 million and TL 185 million established in İş Kuleleri and Kule Çarşısı (December 31, 2017: USD 136 million and TL 185 million).

As of June 30, 2018, the Company has tangible assets which is fully depreciated amounting to TL 2.319.046.



## İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2018

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

### 13. Intangible assets

	Computer Programs	Total
<b>Cost</b>		
Opening balance as of January 1, 2018	3.397.414	3.397.414
Purchases	400.199	400.199
<b>Closing balance as of June 30, 2018</b>	<b>3.797.613</b>	<b>3.797.613</b>
<b>Accumulated Depreciation</b>		
Opening balance as of January 1, 2018	2.549.706	2.549.706
Current year charge	259.837	259.837
<b>Closing balance as of June 30, 2018</b>	<b>2.809.543</b>	<b>2.809.543</b>
<b>Net book value as of January 1, 2018</b>	<b>847.708</b>	<b>847.708</b>
<b>Net book value as of June 30, 2018</b>	<b>988.070</b>	<b>988.070</b>
	Computer Programs	Total
<b>Cost</b>		
Opening balance as of January 1, 2017	2.668.527	2.668.527
Purchases	728.887	728.887
<b>Closing balance as of December 31, 2017</b>	<b>3.397.414</b>	<b>3.397.414</b>
<b>Accumulated Depreciation</b>		
Opening balance as of January 1, 2017	2.195.277	2.195.277
Current year charge	354.431	354.431
<b>Closing balance as of December 31, 2017</b>	<b>2.549.708</b>	<b>2.549.708</b>
<b>Net book value as of January 1, 2017</b>	<b>473.250</b>	<b>473.250</b>
<b>Net book value as of December 31, 2017</b>	<b>847.706</b>	<b>847.706</b>

As at June 30, 2018 and December 31, 2017, Company has no intangible assets which is capitalized in the business area.

As at June 30, 2018, the Company has intangible assets which is fully depreciated amounting to TL 2.171.458.

## İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2018

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

### 14. Provisions, contingent assets and liabilities

	June 30, 2018	December 31, 2017
Debt provisions (*)	40.030.118	3.604.088
<b>Total</b>	<b>40.030.118</b>	<b>3.604.088</b>

  

	June 30, 2018	December 31, 2017
Letters of guarantee received (**)	165.216.220	190.095.828
Mortgage received	14.893.924	--
<b>Total</b>	<b>180.110.144</b>	<b>190.095.828</b>

(\*) As of June 30, 2018, debt provisions of the Company consists of title deed fee accruals of delivered houses, construction investment costs to be paid to the firm related with Kartal Manzara Adalar project and profit sharing and accrued real estate taxes to be paid to T. İş Bankası A.Ş. related with Ege Perla project home and office sales.

(\*\*) Letters of guarantee consist of the letters received from tenants and suppliers of the Company.

Details of collaterals, pledges and mortgages (“CPM”) given by the Company as of June 30, 2018 and December 31, 2017 are as follows:

	June 30, 2018	December 31, 2017
A. CPM given for companies own legal personality (*)	1.323.706.489	1.216.433.473
B. CPM given in behalf of fully consolidated companies	--	--
C. CPM given for continuation of its economic activities on behalf of third parties (**)	226.919.158	213.454.488
D. Total amount of other CPM's	--	--
- Total amount of CPM's given on behalf of majority shareholder	--	--
- Total amount of CPM's given on behalf of other Group companies which are not in scope of B and C	--	--
- Total amount of CPM's given on behalf of third parties which are not in scope of C	--	--
<b>Total</b>	<b>1.550.625.647</b>	<b>1.429.887.961</b>

(\*) CPM given for the Company's own legal personality consists of letters of guarantee amounting to TL 18.451.289 and pledge amounting to USD 136.000.000 and TL 685.000.000. As of June 30, 2018, the investment properties are pledged in favour of İş Bankası amounting to 1st degree USD 136.000.000 and TL 500.000.000 and 2nd degree TL 185.000.000. (The Company has 1st degree mortgage on its investment properties held amounting to USD 136.000.000 in favour of Türkiye İş Bankası. The Company received a counter guarantee amounting to USD 160 million from Türkiye İş Bankası to constitute financing guaranty provided. In this context, 1st degree mortgage was constituted in favour of İş Bankası from investment properties portfolio of the Company, Kule-2 and Kule Çarşı amounting to USD 136.000.000 as 1st degree mortgage, Kule-2 and Kule Çarşı amounting to TL 185.000.000 as 2nd degree mortgage.)

1st degree mortgage is constituted in favour of İş Bankası in order to finance Tuzla Land of the Company, amounting to TL 250.000.000.

In order to provide guarantee on financing the Company, 1st degree mortgage is constituted on 60 detached floors at Tuzla Combined Project in favour of İş Bankası amounting to TL 250.000.000.

(\*\*) Represents the cost of guarantors given to the related banks in return for the loan amount in case the buyers of the Company's ongoing residential and office projects use mortgage/business loan from contracted banks. In this respect, as of June 30, 2018, the ratio of CPM given by the Company to the Company's shareholders' equity is 6,9% (December 31, 2017: 6,5 %).

As of June 30, 2018, there is no significant legal case required provisions on the financial statements and there are 37 legal cases and 26 enforcement proceedings of the Company is a party.

## İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2018

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

### 14. Provisions, contingent assets and liabilities (continued)

#### Operating leases

The Company, as the lessor in the operating lease transactions

The Company signed operating lease agreements as lessor for the investment properties in its portfolio with tenants which are shopping mall tenants, hotel operators and other third parties. The future minimum lease receivables as of June 30, 2018 and December 31, 2017 are as follows:

	June 30, 2018	December 31, 2017
Less than 1 year	208.061.580	210.620.406
Between 1-5 years	634.583.155	630.875.291
More than 5 years	2.439.398.588	2.316.229.253
<b>Total</b>	<b>3.282.043.323</b>	<b>3.157.724.950</b>

### 15. Provision for employee benefits

	June 30, 2018	December 31, 2017
Unused vacation provisions	377.379	317.880
<b>Total</b>	<b>377.379</b>	<b>317.880</b>

	June 30, 2018	December 31, 2017
Severance pay indemnity	1.643.867	1.773.027
<b>Total</b>	<b>1.643.867</b>	<b>1.773.027</b>

Under Turkish Labor Law, the Company is required to pay employment termination benefits to each employee who has qualified. Also, employees are required to be paid their retirement pay who retired by gaining right to receive according to current 506 numbered Social Insurance Law’s March 6, 1981 dated, 2422 numbered and August 25, 1999 dated, 4447 numbered with 60th article that has been changed. Some transitional provisions related to the pre-retirement service term were excluded from the law since the related law was changed as of May 23, 2002.

The amount payable consists of one month’s salary limited to a maximum of TL 5.002 for each period of service as of June 30, 2018 (December 31, 2017: TL 4.732).

TAS 19- Employee Benefits requires the development of actuarial methods for the determination of the retirement pay liability.

## İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2018

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

### 15. Provision for employee benefits (continued)

Actuarial assumptions used to calculate the total liability is given below:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as of June 30, 2018, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective reporting dates have been calculated assuming an annual inflation rate of 7% (estimated salary increase rate) and a discount rate of 11,50%, resulting in a real discount rate of approximately 4,21% (December 31, 2017: the provisions have been calculated assuming an annual inflation rate of 7% (estimated salary increase rate) and discount rate of 11,50%, resulting in a real discount rate of approximately 4,21% discount rate). The anticipated rate of for features is considered. As the maximum liability is revised semi-annually, the maximum amount of TL 5.002 effective from June 30, 2018 has been taken into consideration in calculation of provision from employment termination benefits.

	January 1 – June 30, 2018	January 1 – June 30, 2017
<b>Opening balance at January 1</b>	<b>1.773.027</b>	<b>1.224.737</b>
Service cost	151.076	239.140
Interest cost	142.468	221.209
Retirement pay provisions (-)	(422.704)	(46.805)
<b>Closing balance at June 30</b>	<b>1.643.867</b>	<b>1.638.281</b>

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Notes to the Condensed Financial Statements

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### 16. Prepaid expenses, other assets, deferred revenue and other liabilities

<i>Prepaid expenses – short term</i>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
Job advances (*)	76.133.854	72.337.849
Prepaid expenses	2.325.448	520.941
Related party prepaid expenses (Note 23) (**)	1.811.190	2.472.998
<b>Total</b>	<b>80.270.492</b>	<b>75.331.788</b>

(\*) As of June 30, 2018, job advances paid to Sera Yapı Endüstri ve Tic. A.Ş. under the agreement terms are TL 10.461.299 for Topkapı İstanbul Project (31 December 2017: TL 4.567.157).

The Company paid job advances to Tecim Yapı Elemanları A.Ş. which is old owner of the land under the revenue sharing agreement terms are TL 58.082.532 (December 31, 2017: TL 62.881.313).

(\*\*) As of June 30, 2018, prepaid expenses mainly consist of prepaid insurance expenses with related parties amounting to TL 1.811.190 (December 31, 2017: TL 2.472.998).

<i>Prepaid expenses – long term</i>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
Job advances (**)	3.099.297	2.358.403
Prepaid taxes and dues payable	--	1.882.140
<b>Total</b>	<b>3.099.297</b>	<b>4.240.543</b>

<i>Other current assets</i>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
Deposits and guarantees given	30.576	36.727
Prepaid taxes and dues payable	7.445	3.425
<b>Total</b>	<b>38.021</b>	<b>40.152</b>

<i>Other non-current assets</i>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
VAT transferred (*)	92.810.460	110.088.475
<b>Toplam</b>	<b>92.810.460</b>	<b>110.088.475</b>

(\*)As of June 30, 2018, the amount of VAT transferred has been classified as long-term liabilities due to the projection that the Company will not be able to use in the short-term.

(\*\*)A contract for the sale of real estate has been signed by the Company within the scope of to purchase of a 45% share of land with 9.043 m2 registered at Kadıköy, İstanbul which belongs to Tecim Yapı. In this context, according to condition of contract, expenses made until reaching Company's share on the land will be accounted under the job advances.

<i>Other short-term liabilities</i>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
Taxes and funds payable	1.618.805	3.094.233
Payable social security cuts	529.281	400.658
<b>Total</b>	<b>2.148.086</b>	<b>3.494.891</b>

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(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

### 16. Prepaid expenses, other assets, deferred revenue and other liabilities (continued)

<b>Deferred revenue - short-term</b>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
Advances received (*)	382.966.927	586.576.131
Deferred revenue	10.775.952	10.443.578
Short-term deferred revenue from related party (Note23)	304.763	493.827
<b>Total</b>	<b>394.047.642</b>	<b>597.513.536</b>

<b>Deferred revenue - long-term</b>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
Advances received (**)	--	140.667.466
<b>Total</b>	<b>--</b>	<b>140.667.466</b>

(\*) The current year's advances received consist of advances for sales related with Kartal Manzara Adalar Project and 1<sup>st</sup> and 2<sup>nd</sup> stage of Topkapı Project (Note 11).

(\*\*) The balance is comprises of the advances received from the sales of 3<sup>th</sup> and 4<sup>th</sup> stage of Topkapı Project (Note 11).

### 17. Shareholder's equity

#### Share capital

The composition of the paid-in share capital as of June 30, 2018 and December 31, 2017 are as follows:

		<b>June 30, 2018</b>		<b>December 31, 2017</b>
<b>İş Gayrimenkul Yat. Ort. A.Ş.</b>	<b>(%)</b>		<b>(%)</b>	
Türkiye İş Bankası A.Ş.	44,11	422.932.627	44,11	403.081.752
Anadolu Hayat Emeklilik A.Ş.	7,11	68.151.714	7,11	64.952.938
Other	48,78	467.665.659	48,78	445.715.310
<b>Total</b>	<b>100</b>	<b>958.750.000</b>	<b>100</b>	<b>913.750.000</b>

The total number of ordinary shares consists of TL 958.750.000 (December 31, 2017: TL 913.750.000) shares with a par value of TL 1 per share. All of the shares are issued to name and TL 1.369.642,817 (December 31, 2017: TL 1.305.357) of the total amount is Group A and TL 957.380.357 (December 31, 2017: TL 912.444.643) of the total amount is Group B shares. Group A shareholders have the privilege to nominate candidates during the Board of Directors member elections. One member of Board of Directors is selected among the candidates nominated by Group B shareholders while the rest is selected among the candidates nominated by Group A shareholders. There is no other privilege given to the Group A shares.

According to decision which was taken of Ordinary General Meeting of shareholders dated March 21, 2018, of distribute the 2017 year's profit as share, the Company's paid in capital was amounted to TL 958.750.000 from TL 913.750.000 by increasing TL 45.000.000 and the increase has been meet from profit of the year 2017 on condition that no exceed the upper limit of registered capital which is amounting to TL 2.000.000.000.

The registration of capital increase was completed on May 8, 2018 and the new capital has been announced on Turkish Trade Registry Gazette on May 22, 2018.

## İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2018

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### 17. Shareholders' equity (continued)

#### Adjustment to share capital

Adjustment to share capital amount is TL 240.146.090 as of June 30, 2018 and December 31, 2017. Adjustment to share capital represents the restatement effect of the cash contributions to share capital equivalent to purchasing power of TL.

#### Share premium

As of June 30, 2018 and December 31, 2017, share premiums amounting TL 423.981 represent excess amount of selling price and nominal value for each share during initial public offering of the Company's shares.

#### Restricted reserves

	<b>June 30, 2018</b>	<b>December 31, 2017</b>
Legal reserves	59.561.684	46.188.875
<b>Total</b>	<b>59.561.684</b>	<b>46.188.875</b>

Legal reserves consist of first and second legal reserves. The first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the paid-in share capital. The second legal reserve is calculated as the 10% of dividend distributions, in excess of %5 of paid-in capital. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed %50 of paid-in capital.

#### Prior years' profits

	<b>June 30, 2018</b>	<b>December 31, 2017</b>
Prior years' profits	1.925.777.515	1.872.724.737
<b>Total</b>	<b>1.925.777.515</b>	<b>1.872.724.737</b>

#### Dividend distribution

According to decision of Ordinary General Assembly Meeting dated March 21, 2018, primary reserve and secondary reserve has been reserved amounting to TL 11.088.434 and TL 2.284.375 respectively by the Company on the basis of net period profit which is amounting to TL 221.768.689 in tax declaration dated December 31, 2017 which was prepared in accordance with II-14.1 "Communiqué on Principles of Financial Reporting in Capital Markets" of the Capital Markets Board also according to the decision, TL 68.531.250 has been distributed as cash dividend and TL 45.000.000 has been distributed as bonus shares from the net profit of the year 2017.

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### 17. Shareholders’ equity (continued)

#### Dividend distribution (continued)

In the Ordinary General Shareholders’ Meeting held on March 21, 2018, the distribution of 2017 net profit was determined as follows:

	<b>Amount</b>
Primary reserve (TTK 466/1) %5	11.088.434
Dividend	68.531.250
Secondary reserve (TTK 466/2)	2.284.375
Capital increase through bonus shares	45.000.000
Transferred to prior years’ profits	53.052.778
<b>Total</b>	<b>179.956.837</b>

### 18. Revenue and cost of revenue

	<b>January 1– June 30, 2018</b>	<b>April 1– June 30, 2018</b>	<b>January 1– June 30, 2017</b>	<b>April 1– June 30, 2017</b>
Sales income from investment property	54.385.000	54.385.000	--	--
Rent income	95.214.704	47.929.356	87.609.194	43.564.464
Income from sales of real estate	584.458.847	577.642.882	21.186.276	12.631.607
Income from right of construction	9.913.145	5.196.093	9.223.331	4.670.621
Income Fees and Service	728.276	384.135	482.768	266.793
Other revenue	153.323	68.230	125.398	32.846
<b>Total real estate revenues</b>	<b>744.853.295</b>	<b>685.605.696</b>	<b>118.626.967</b>	<b>61.166.331</b>
Interest income on bank deposits	4.513.563	3.396.166	6.025.300	2.061.063
Gain on buy/sell of marketable securities	394.982	158.940	194.855	95.076
Interest income from reverse repos	8.173	3.189	1.403	-
<b>Total debt instruments revenue</b>	<b>4.916.718</b>	<b>3.558.295</b>	<b>6.221.558</b>	<b>2.156.139</b>
Sales discounts (-)	(104.791)	(104.791)	--	--
<b>Total revenue</b>	<b>749.665.222</b>	<b>689.059.200</b>	<b>124.848.525</b>	<b>63.322.470</b>



**İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2018

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

**18. Revenue and cost of revenue (continued)**

	January 1– June 30, 2018	April 1– June 30, 2018	January 1– June 30, 2017	April 1– June 30, 2017
Cost of sales of investment property	(56.610.000)	(56.610.000)	--	--
Cost of administrative expenses	(17.347.669)	(6.284.270)	(11.276.531)	(5.685.340)
Cost of sales of real estate	(518.823.653)	(513.769.008)	(15.431.120)	(8.621.571)
Taxes and dues	(6.144.886)	(1.953.322)	(2.946.419)	(1.460.933)
Insurance expenses	(1.524.298)	(771.004)	(1.031.277)	(528.442)
Other	(166.481)	(76.575)	(138.060)	(51.321)
<b>Total</b>	<b>(600.616.987)</b>	<b>(579.464.179)</b>	<b>(30.823.407)</b>	<b>(16.347.607)</b>

**19. Administrative expenses / Marketing, selling and distribution expenses**

	January 1– June 30, 2018	April 1– June 30, 2018	January 1– June 30, 2017	April 1– June 30, 2017
<b>Administrative expenses</b>				
Personnel expenses	(8.384.733)	(3.048.955)	(6.501.703)	(2.433.847)
Outsourced service expenses	(3.321.821)	(1.779.463)	(2.592.625)	(1.476.515)
Depreciation and amortization	(896.852)	(425.271)	(779.433)	(388.369)
Taxes and dues	(120.912)	(83.914)	(94.915)	(53.902)
Provision for doubtful receivables	391.546	(286.245)	(1.165.240)	540.442
Other	(699.151)	(330.268)	(749.644)	(1.317.132)
<b>Total</b>	<b>(13.031.923)</b>	<b>(5.954.116)</b>	<b>(11.883.560)</b>	<b>(5.129.323)</b>

	January 1– June 30, 2018	April 1– June 30, 2018	January 1– June 30, 2017	April 1– June 30, 2017
<b>Marketing, selling and distribution expenses</b>				
Advertising expenses	(11.783.386)	(7.635.657)	(4.710.959)	(1.198.014)
Consultancy expenses	(928.191)	(462.248)	(968.929)	(781.601)
Office expenses	(150.091)	(61.493)	(250.096)	(165.762)
Other	(705.398)	(680.912)	(3.948)	178.484
<b>Total</b>	<b>(13.567.066)</b>	<b>(8.840.310)</b>	<b>(5.933.932)</b>	<b>(1.966.893)</b>

**20. Other operating income / expense**

	January 1– June 30, 2018	April 1– June 30, 2018	January 1– June 30, 2017	April 1– June 30, 2017
<b>Other Operating Income</b>				
Revaluation income of investment property (Note 10)	2.005.000	2.005.000	41.057.528	41.057.528
Foreign exchange gains	82.074	(1.123.395)	269.418	(152.075)
Other	549.086	138.075	215.597	104.199
<b>Total</b>	<b>2.636.160</b>	<b>1.019.680</b>	<b>41.542.543</b>	<b>41.009.652</b>

	January 1– June 30, 2018	April 1– June 30, 2018	January 1– June 30, 2017	April 1– June 30, 2017
<b>Other Operating Expense</b>				
Revaluation expense of investment property (Note 10)	(1.050.000)	(1.050.000)	(48.809.171)	(48.809.171)
<b>Total</b>	<b>(1.050.000)</b>	<b>(1.050.000)</b>	<b>(48.809.171)</b>	<b>(48.809.171)</b>

## İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2018

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

### 21. Finance income / expense

Finance income and expenses as of June 30, 2018 and December 31, 2017 are as follows:

	January 1– June 30, 2018	April 1– June 30, 2018	January 1– June 30, 2017	April 1– June 30, 2017
<b>Finance income</b>				
Derivative gains	39.929.614	32.188.686	--	--
<b>Total</b>	<b>39.929.614</b>	<b>32.188.686</b>	<b>--</b>	<b>--</b>

	January 1– June 30, 2018	April 1– June 30, 2018	January 1– June 30, 2017	April 1– June 30, 2017
<b>Finance expense</b>				
Foreign exchange losses	(45.054.315)	(33.124.380)	(2.707.188)	6.583.687
Interest expense on loans and borrowings	(24.498.580)	(15.049.219)	(14.612.144)	(7.418.390)
Other interest expense	(84.545)	(59.699)	(9.633)	(5.171)
Derivative losses	(11)	--	(498)	(371)
<b>Total</b>	<b>(69.637.451)</b>	<b>(48.233.298)</b>	<b>(17.329.463)</b>	<b>(840.245)</b>

### 22. Earnings per share

	January 1– June 30, 2018	January 1– June 30, 2017
Period opening of number of shares in circulation	91.375.000.000	85.000.000.000
Bonus shares due to capital increase	4.500.000.000	6.375.000.000
Number of shares in circulation as of June 30	<b>95.875.000.000</b>	<b>91.375.000.000</b>
Weighted average number of shares in circulation (*)	95.875.000.000	91.375.000.000
Net profit for the period	95.105.256	52.140.083
<b>Earnings per share</b>	<b>0,0010</b>	<b>0,0006</b>
<b>Diluted earnings per share</b>	<b>0,0010</b>	<b>0,0006</b>

(\*) Capital increase is realized from internal sources and increase in number of share is used for computation of prior period earnings per share.

As of June 30, 2018 capital of the Company consists of 95.875.000.000 shares that are valued TL 0,01 for each one.

### 23. Related party disclosures

Related parties of the Company are direct or indirect subsidiaries of İş Bankası and the executives and personnel of the Company.

Receivables from related parties are mainly due to sales transactions and the average payment term is one month. By nature no interest is calculated on these receivables and no guarantees have been received.

Payables due to related parties are mainly due to purchase transactions and the average credit payment term is one month. No interest is calculated on these payables.

## İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2018

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

### 23. Related party disclosures (continued)

Details of related party balances are as follows:

Balances at İş Bankası	June 30, 2018	December 31, 2017
Demand deposits	5.024.189	9.647.133
Time deposits	152.208.856	59.381.733
Other current asset	118.499	209.350
Income from reverse repos	771	85.786
<b>Total</b>	<b>157.352.320</b>	<b>69.324.002</b>

The Company has letters of guarantee amounting TL 18.451.289 (December 31, 2017: TL 18.455.073) from İş Bankası. In addition, 1<sup>st</sup> and 2<sup>nd</sup> degree mortgage is instituted by the Company in favour İş Bankası amounting to USD 136.000.000 and TL 685.000.000 on some investment properties.

As of June 30, 2018 and December 31, 2017, the Company has mutual funds, established by, İş Bankası and İş Portföy Yönetimi A.Ş.

	June 30, 2018				
	Short Term Trade Receivable	Short Term Prepaid Expenses	Short Term Trade Payable	Deferred Income	Short Term Trade Receivable
<b>Balances with related parties</b>					
İş Merkezleri Yönetim ve İşletim A.Ş.	--	--	--	1.359.355	--
İş Girişim Sermayesi A.Ş.	--	--	--	350	--
İş Finansal Kiralama A.Ş.	--	--	--	1.618	--
Türkiye İş Bankası A.Ş.	--	--	--	--	25.667
Kanyon Yönetim İşl. Paz. Ltd. Şti.A.Ş.	290	750.000	--	1.426.875	218.758
Anadolu Anonim Türk Sigorta A.Ş.	--	--	1.811.190	404.584	--
Anadolu Cam Sanayii A.Ş.	--	--	--	--	4.738
Camiş Madencilik A.Ş.	--	--	--	--	1.753
Şişecam Çevre Sistemleri A.Ş.	--	--	--	--	188
Çayrova Cam San. A.Ş.	641	--	--	--	--
Şişecam Otomatik A.Ş.	--	--	--	--	1.237
İş Net Elektronik Hizmetler A.Ş.	--	--	--	13.118	--
Paşabahçe Cam San. Ve Tic. A.Ş.	--	--	--	--	12.553
Paşabahçe Mağazaları A.Ş.	--	--	--	3.513	2.638
Soda Sanayii A.Ş.	--	--	--	--	3.929
Şişecam Sigorta Hizmetleri A.Ş.	--	--	--	--	379
Şişecam Dış Ticaret A.Ş.	--	--	--	--	765
Şişecam Enerji A.Ş.	--	--	--	--	595
Türkiye Şişe ve Cam Fabrikaları A.Ş.	--	--	--	--	24.082
Trakya Cam Sanayii A.Ş.	--	--	--	--	7.481
Maxis Girişim Sermayesi Portföy Yön. A.Ş.	350	--	--	--	--
Ortaklara borçlar (temettü)	--	--	--	705	--
Other	--	--	--	256.699	--
	<b>1.281</b>	<b>750.000</b>	<b>1.811.190</b>	<b>3.466.817</b>	<b>304.763</b>

## İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2018

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

### 23. Related party disclosures (continued)

June 30, 2018				
Loans and borrowings				
<i>Balances with related parties</i>	Short Term		Long Term	
T. İş Bankası A.Ş.	164.894.605		444.186.887	
<i>Transactions with related parties</i>	Interest expense on loans		Capitalized interest expense	
T. İş Bankası A.Ş.	14.227.531		17.229.929	
December 31, 2017				
<i>Balances with related parties</i>	Short Term Trade Receivable	Short Term Prepaid Expenses	Short Term Trade Payable	Deferred Income
Anadolu Anonim Türk Sigorta A.Ş.	3.931	2.472.998	1.374.868	--
Anadolu Cam Sanayii A.Ş.	--	--	--	14.213
Anadolu Cam Eskişehir Sanayi AŞ	--	--	--	--
Anadolu Hayat Emeklilik A.Ş.	--	--	30	--
Cam Elyaf Sanayii AŞ	525	--	--	--
Camiş Madencilik A.Ş.	--	--	--	5.258
Çayırova Cam Sanayii A Ş	525	--	--	--
İş Faktoring A.Ş.	195	--	--	--
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	--	--	--	--
İş Merkezleri Yönetim ve İşletim A.Ş.	498.474	--	2.650.186	--
İş Net Elektronik Hizmetler A.Ş.	--	--	15.116	--
İş Yatırım Menkul Değerler A.Ş.	--	--	--	--
İş Finansal Kiralama A.Ş.	--	--	38.818	--
İş Portföy Yönetimi A.Ş.	--	--	9.543	--
Kanyon Yönetim İşl. Paz. Ltd. Şti.	977.793	--	5.036.048	298.773
Madencilik Sanayii ve Ticaret AŞ	--	--	--	--
Mepa Merkezi Pazarlama AŞ	--	--	--	--
Paşabahçe Cam San. Ve Tic. A.Ş.	--	--	--	37.659
Paşabahçe Mağazaları A.Ş.	18.462	--	--	7.913
Soda Sanayii A.Ş.	--	--	--	11.788
Softtech Yazılım Teknolojileri A.Ş.	--	--	--	--
Şişecam Çevre Sistemleri A.Ş.	4.441	--	--	563
Şişecam Dış Ticaret A.Ş.	--	--	--	2.296
Şişecam Enerji A.Ş.	88	--	7.935	1.785
Şişecam Otomotiv A.Ş.	--	--	--	3.711
Şişecam Sigorta Hizmetleri A.Ş.	--	--	766	1.137
T İş Bankası A.Ş.	--	--	--	14.041
Trakya Cam Sanayii A.Ş.	--	--	--	22.445
Türkiye Şişe ve Cam Fabrikaları A.Ş.	96.327	--	--	72.245
Ortaklara borçlar (temettü)	--	--	597	--
Other	--	--	231.796	--
	<b>1.600.761</b>	<b>2.472.998</b>	<b>9.365.703</b>	<b>493.827</b>

## İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2018

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

### 23. Related party disclosures (continued)

December 31, 2017		
Loans and borrowings		
<i>Balances with related parties</i>	Short term	Long term
T. İş Bankası A.Ş.	154.258.179	484.995.840

  

June 30, 2017		
<i>Transactions with related parties</i>	Interest expense on loans	Capitalized interest expense
T. İş Bankası A.Ş.	14.612.144	21.664.153

  

December 31, 2017		
Financial leasing		
<i>Balances with related parties</i>	Short term	Long term
İş Finansal Kiralama A.Ş.	696.316	--

As of June 30, 2018, the Company entered into an interest option derivative transaction with İş Bankası and there is no (December 31, 2017: TL 11) accrual of this derivative transaction is recognized in the Company’s statement of financial position and also TL 11 derivative trading loss (December 31, 2017: TL 555 derivative trading gains) is recognized in the Company’s profit or loss for this transaction.

## İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2018

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

### 23. Related party disclosures (continued)

<i>Balances with related parties</i>	January 1 – June 30, 2018				
	Purchases (*)	Interest received	Rent income	Other income	Other expense
Türkiye İş Bankası A.Ş.	601.965	4.521.736	39.282.898	29.590	95.239
Anadolu Anonim Türk Sigorta A.Ş.	2.557.910	--	163.684	--	--
Anadolu Hayat Emeklilik A.Ş.	55.034	--	2.815.218	--	--
İş Finansal Kiralama A.Ş.	7.475	--	--	--	--
İş Merkezleri Yönetim ve İşletim A.Ş.	5.413.814	--	939.103	--	--
İş Yatırım Menkul Değerler A.Ş.	686.597	--	1.679.079	--	--
Türkiye Şişe ve Cam Fabrikaları A.Ş.	--	--	3.775.248	48.163	--
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	--	--	195.504	--	--
İş Net Elektronik Hizmetler A.Ş.	146.464	--	12.344	--	--
İş Portföy Yönetimi A.Ş.	1.762	--	--	--	--
Paşabahçe Mağazacılık A.Ş.	189.055	--	861.295	5.275	--
Paşabahçe Cam San. Ve Tic. A.Ş.	--	--	1.846.392	25.106	--
Trakya Cam Sanayii A.Ş.	--	--	1.100.429	14.963	--
Soda Sanayii A.Ş.	--	--	577.953	7.859	--
Anadolu Cam Sanayii A.Ş.	--	--	696.845	9.475	--
Camiş Madencilik A.Ş.	--	--	257.797	3.505	--
Camiş Elektrik A.Ş.	--	--	3.263	--	--
Şişecam Sigorta Hizmetleri A.Ş.	--	--	27.865	758	--
Softtech Yazılım Teknolojileri A.Ş.	--	--	2.573.240	--	--
Şişecam Enerji A.Ş.	--	--	87.504	1.190	--
Şişecam Dış Ticaret A.Ş.	--	--	56.274	1.530	--
Şişecam Otomotiv A.Ş.	--	--	181.927	2.474	--
Şişecam Çevre Sistemleri A.Ş.	--	--	27.618	376	--
Şişecam Elyaf Sanayii A.Ş.	--	--	3.263	--	--
Madencilik San. Ve Tic. A.Ş.	--	--	3.263	--	--
Cam Elyaf San. A.Ş.	--	--	3.263	--	--
Trakya Yenişehir Cam San. A.Ş.	--	--	3.263	--	--
Trakya Polatlı Cam San. A.Ş.	--	--	3.263	--	--
Çayrova Cam San. A.Ş.	--	--	3.263	--	--
Maxis Girişim Sermayesi Portföy Yön. A.Ş.	--	--	83.807	--	--
İş Faktoring A.Ş.	--	--	26.400	--	87.600
	<b>9.660.076</b>	<b>4.521.736</b>	<b>57.291.265</b>	<b>150.264</b>	<b>182.839</b>

(\*) The amount of purchases with Anadolu Anonim Türk Sigorta Anonim Şirketi is related to the insurance of the Company's real estates. The amount of purchases from the İş Merkezleri Yönetim ve İşletim Anonim Şirketi is related to the operation of the Company's investment properties İş Kuleleri and Mallmarine Shopping Center.

## İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2018

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

### 23. Related party disclosures (continued)

	January 1 – June 30, 2017				
<i>Balances with related parties</i>	Purchases (*)	Interest received	Rent income	Other income	Other expense
Anadolu Anonim Türk Sigorta A.Ş.	2.613.780	--	--	--	--
Anadolu Cam Sanayi A.Ş.	--	--	569.775	12.308	167.620
Anadolu Cam Eskişehir Sanayi AŞ	--	--	2.668	--	--
Anadolu Cam Yenişehir Sanayi AŞ	--	--	2.668	--	--
Anadolu Hayat Emeklilik A.Ş.	167.735	--	2.153.376	27.592	--
Cam Elyaf Sanayii AŞ	--	--	2.668	--	--
Camiş Madencilik A.Ş.	--	--	210.788	4.553	62.011
Camiş Elektrik Üretim AŞ	--	--	2.668	--	--
Çayırova Cam Sanayii A Ş	--	--	2.668	--	--
İş Finansal Kiralama A.Ş.	604.176	--	9.242	--	--
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	--	--	243.156	2.237	--
İş Merkezleri Yönetim ve İşletim A.Ş.	14.340.285	--	1.100.285	7.858	--
İş Net Elektronik Hizmetler A.Ş.	53.476	--	10.529	--	--
İş Portföy Yönetimi A.Ş.	--	--	21.826	--	--
İş Yatırım Menkul Değerler A.Ş.	--	--	2.177.314	22.599	--
Madencilik Sanayii ve Ticaret AŞ	--	--	2.668	--	--
Mepa Merkezi Pazarlama AŞ	--	--	2.668	--	--
Paşabahçe Cam San. Ve Tic. A.Ş.	--	--	1.509.703	32.612	444.135
Paşabahçe Mağazacılık A.Ş.	--	--	690.312	6.853	203.474
Soda Sanayi A.Ş.	--	--	472.563	10.208	--
Softtech Yazılım Teknolojileri A.Ş.	9.599	--	2.190.053	--	--
Şişecam Çevre Sistemleri A.Ş.	--	--	22.581	488	--
Şişecam Dış Ticaret A.Ş.	--	--	92.025	1.988	--
Şişecam Enerji A.Ş.	49.552	--	71.547	1.546	21.048
Şişecam Otomotiv A.Ş.	--	--	148.753	3.213	43.761
Şişecam Sigorta Hizmetleri A.Ş.	--	--	45.567	984	--
T.Şişe ve Cam Fabrikaları A.Ş.	--	--	3.054.095	66.077	852.020
Trakya Cam Sanayi A.Ş.	--	--	899.767	19.436	264.699
Trakya Polatlı Cam Sanayii AS	--	--	2.668	--	--
Trakya Yenişehir Cam Sanayii AŞ	--	--	2.668	--	--
Türkiye İş Bankası A.Ş.	--	6.026.703	37.315.992	1.763	23.099
	<b>17.838.603</b>	<b>6.026.703</b>	<b>53.033.261</b>	<b>222.315</b>	<b>2.081.867</b>

(\*) The amount of purchases with Anadolu Anonim Türk Sigorta Anonim Şirketi is related to the insurance of the Company's real estates. The amount of purchases from the İş Merkezleri Yönetim ve İşletim Anonim Şirketi is related to the operation of the Company's investment properties İş Kuleleri and Mallmarine Shopping Center.

## İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2018

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

### 23. Related party disclosures (continued)

As of June 30, 2018, TL 24.487.611 part of TRSISGY31915 ISIN coded bond which is issued in nominal value TL 213.000.000, TL 5.989.171 part of TRSISGY61912 ISIN coded bond which is issued in nominal value TL 100.000.000, TL 3.615.583 part of TRSISGY32111 ISIN coded bond which is issued in nominal value TL 100.000.000 and TL 164.850 part of TRFISGY91817 ISIN coded commercial paper which is issued in monial value TL 50.000.000 are in related parties and breakdowns are below:

<i>Transactions with related parties</i>	<b>June 30, 2018</b>			
	<b>TRSISGY31915</b>	<b>TRSISGY61912</b>	<b>TRSISGY32111</b>	<b>TRFISGY91817</b>
Anadolu Anonim Türk Sigorta A.Ş.	14.997.924	--	--	--
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	4.999.308	2.499.654	--	--
İş Yatırım Menkul Değerler A.Ş.	1.000	--	3.615.583	24.977
İş Yatırım Ortaklığı A.Ş.	4.489.379	3.489.517	--	--
T. İş Bankası A.Ş.	--	--	--	139.873
<b>Total</b>	<b>24.487.611</b>	<b>5.989.171</b>	<b>3.615.583</b>	<b>164.850</b>

<i>Transactions with related parties</i>	<b>June 30, 2018</b>	
	<b>TRSISGY31915</b>	<b>TRSISGY61912</b>
Anadolu Anonim Türk Sigorta A.Ş.	15.004.748	--
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	5.001.583	2.500.791
İş Yatırım Menkul Değerler A.Ş.	2.671.845	--
İş Yatırım Ortaklığı A.Ş.	4.501.424	3.501.108
<b>Total</b>	<b>27.179.600</b>	<b>6.001.899</b>

#### *Benefits provided to key management personnel:*

Benefits provided to board of directors, general manager, senior group presidents and group presidents are as follows:

	<b>January 1- June 30, 2018</b>	<b>January 1- June 30, 2017</b>
Salaries and other short term benefits	3.215.147	2.706.062
Employee termination benefits	496.873	519.381
<b>Total</b>	<b>3.712.020</b>	<b>3.225.443</b>

### 24. Nature and level of risks arising from financial instruments

#### *Foreign currency risk management*

The Company’s activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Market risk exposures of the Company are measured using sensitivity analysis and stress scenarios.

There has been no change to the Company’s exposure to market risks or the manner in which it manages and measures the risk.

Foreign currency transactions lead to currency risks.

The exchange rates applied as of June 30, 2018 and December 31, 2017 are as follows:

	<b>USD Dollar</b>	<b>Euro</b>	<b>GBP</b>
June 30, 2018	4,5607	5,3092	5,9810
December 31, 2017	3,7719	4,5155	5,0803



## İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2018

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

### 24. Nature and level of risks arising from financial instruments (continued)

#### Foreign currency risk management (continued)

The foreign currency denominated monetary and non-monetary assets and liabilities of the Company as of the reporting date are as follows:

<b>June 30, 2018</b>	<b>TL Equivalent (Functional currency)</b>	<b>US Dollar</b>	<b>Euro</b>
1. Trade Receivables	--	--	--
2a. Monetary Financial Assets	34.639.639	6.833.118	654.682
2b. Non-Monetary Financial Assets	328.325	71.990	--
3. Other	--	--	--
<b>4. CURRENT ASSETS</b>	<b>34.967.964</b>	<b>6.905.108</b>	<b>654.682</b>
5. Trade Receivables	--	--	--
6a. Monetary Financial Assets	--	--	--
6b. Non-Monetary Financial Assets	--	--	--
7. Other	--	--	--
<b>8. NON CURRENT ASSETS</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>9. TOTAL ASSET</b>	<b>34.967.964</b>	<b>6.905.108</b>	<b>654.682</b>
10. Trade Payables	359.848	78.902	--
11. Financial Liabilities	56.749.954	9.618.618	2.426.415
12a. Other Monetary Liabilities	--	--	--
12b. Other Non-Monetary Liabilities	3.017.303	535.808	108.047
<b>13. SHORT TERM LIABILITIES</b>	<b>60.127.105</b>	<b>10.233.328</b>	<b>2.534.462</b>
14. Trade Payables	--	--	--
15. Financial Liabilities	206.836.241	39.705.882	4.850.000
16a. Other Monetary Liabilities	--	--	--
16b. Other Non-Monetary Liabilities	--	--	--
<b>17. LONG TERM LIABILITIES</b>	<b>206.836.241</b>	<b>39.705.882</b>	<b>4.850.000</b>
<b>18. TOTAL LIABILITIES</b>	<b>266.963.346</b>	<b>49.939.210</b>	<b>7.384.462</b>
19. Net asset/liability position of off balance sheet derivatives (19a-19b)	221.328.088	48.529.412	--
19.a Off-balance sheet foreign currency derivative assets	221.328.088	48.529.412	--
19b. Off-balance sheet foreign currency derivative liabilities	--	--	--
20. Net foreign currency asset / liability position	(10.667.293)	5.495.309	(6.729.780)
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(229.306.404)	(42.570.285)	(6.621.733)
22. Fair Value of foreign currency hedged Financial asset	43.759.588	9.594.928	--
23. Hedged foreign currency assets	--	--	--
24. Hedged foreign currency liabilities	--	--	--

## İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2018

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

### 24. Nature and level of risks arising from financial instruments (continued)

#### Foreign currency risk management (continued)

<b>December 31, 2017</b>			
	<b>TL Equivalent (Functional currency)</b>	<b>US Dollar</b>	<b>Euro</b>
1. Trade Receivables	--	--	--
2a. Monetary Financial Assets	24.683.762	6.057.501	406.483
2b. Non-Monetary Financial Assets	132.040	35.006	--
3. Other	--	--	--
<b>4. CURRENT ASSETS</b>	<b>24.815.802</b>	<b>6.092.507</b>	<b>406.483</b>
5. Trade Receivables	--	--	--
6a. Monetary Financial Assets	--	--	--
6b. Non-Monetary Financial Assets	--	--	--
7. Other	--	--	--
<b>8. NON CURRENT ASSETS</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>9. TOTAL ASSET</b>	<b>24.815.802</b>	<b>6.092.507</b>	<b>406.483</b>
10. Trade Payables	2.448.207	25.100	521.212
11. Financial Liabilities	47.084.378	9.577.324	2.427.122
12a. Other Monetary Liabilities	--	--	--
12b. Other Non-Monetary Liabilities	2.093.642	455.055	83.539
<b>13. SHORT TERM LIABILITIES</b>	<b>51.626.228</b>	<b>10.057.479</b>	<b>3.031.873</b>
14. Trade Payables	--	--	--
15. Financial Liabilities	188.307.531	44.117.648	4.850.000
16a. Other Monetary Liabilities	--	--	--
16b. Other Non-Monetary Liabilities	--	--	--
<b>17. LONG TERM LIABILITIES</b>	<b>188.307.531</b>	<b>44.117.648</b>	<b>4.850.000</b>
<b>18. TOTAL LIABILITIES</b>	<b>239.933.759</b>	<b>54.175.127</b>	<b>7.881.873</b>
19. Net asset/liability position of off balance sheet derivatives (19a-19b)	--	--	--
19.a Off-balance sheet foreign currency derivative assets	--	--	--
19.b. Off-balance sheet foreign currency derivative liabilities	--	--	--
20. Net foreign currency asset / liability position	(215.117.957)	(48.082.620)	(7.475.390)
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(213.156.355)	(47.662.571)	(7.391.852)
22. Fair Value of foreign currency hedged Financial asset	--	--	--
23. Hedged foreign currency assets	--	--	--
24. Hedged foreign currency liabilities	--	--	--

## İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2018

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

### 24. Nature and level of risks arising from financial instruments (continued)

#### Foreign currency risk management (continued)

##### Foreign currency sensitivity

The Company is mainly exposed to foreign currency risk on Euro and US Dollar.

The following table details the Company’s sensitivity to 10% increase in the currency of Euro and US Dollar. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The positive amount indicates the increase in profit/loss and equity.

<b>June 30, 2018</b>		
	<b>Appreciation of foreign currency</b>	<b>Devaluation of foreign currency</b>
<u>If US Dollar changes against TL by 10%</u>		
US Dollar net asset / liability	(19.415.030)	19.415.030
Portion hedged against US Dollar risk (-)	22.132.809	(22.132.809)
<b>US Dollar net effect</b>	<b>2.717.779</b>	<b>(2.717.779)</b>
<u>If Euro changes against TL by 10%</u>		
Euro net asset / liability	(3.515.610)	3.515.610
Portion hedged against Euro risk (-)	--	--
<b>Euro net effect</b>	<b>(3.515.610)</b>	<b>3.515.610</b>
<b>December 31, 2017</b>		
	<b>Appreciation of foreign currency</b>	<b>Devaluation of foreign currency</b>
<u>If US Dollar changes against TL by 10%</u>		
US Dollar net asset / liability	(17.977.845)	17.977.845
Portion hedged against US Dollar risk (-)	--	--
<b>US Dollar net effect</b>	<b>(17.977.845)</b>	<b>17.977.845</b>
<u>If Euro changes against TL by 10%</u>		
Euro net asset/liability	(3.337.790)	3.337.790
Portion hedged against Euro risk (-)	--	--
<b>Euro net effect</b>	<b>(3.337.790)</b>	<b>3.337.790</b>

### 25. Events after the reporting period

None.

## İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

### Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2018

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

#### Additional Note: Control of compliance with restrictions on the investment portfolio

<b>The main accounts of separate financial statements</b>	<b>Related regulation</b>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
<b>A</b> Capital and money market instruments	III-48.1. Md. 24 / (b)	165.531.664	83.117.592
<b>B</b> Real estates, rights supported by real estates and real estate projects	III-48.1. Md. 24 / (a)	4.630.202.243	4.936.135.877
<b>C</b> Affiliates	III-48.1. Md. 24 / (b)	2.554.795	2.527.108
Due from related parties (other receivables)	III-48.1. Md. 23 / (f)	--	--
Other assets		405.633.943	290.166.679
<b>D Total assets</b>	III-48.1. Md. 3 / (k)	<b>5.203.922.645</b>	<b>5.311.947.256</b>
<b>E</b> Loans and borrowings	III-48.1. Md. 31	1.347.815.610	1.184.786.233
<b>F</b> Other financial liabilities	III-48.1. Md. 31	40.030.118	3.604.088
<b>G</b> Financial lease obligations	III-48.1. Md. 31	--	696.316
<b>H</b> Due to related parties (other payables)	III-48.1. Md. 23 / (f)	--	--
<b>I</b> Equity	III-48.1. Md. 31	3.307.150.993	3.280.576.987
Other liabilities		508.925.924	842.283.632
<b>D Total liabilities and equity</b>	III-48.1. Md. 3 / (k)	<b>5.203.922.645</b>	<b>5.311.947.256</b>
<b>Other separate financial information</b>	<b>Related regulation</b>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
<b>A1</b> Capital and money market instruments amount held for 3-year real estate payments	III-48.1. Md. 24 / (b)	--	--
<b>A2</b> Time balances / demand balances TL / foreign currency	III-48.1. Md. 24 / (b)	157.709.324	69.028.866
<b>A3</b> Foreign capital market instruments	III-48.1. Md. 24 / (d)	--	--
<b>B1</b> Foreign real estates, rights supported by real estates and real estate projects	III-48.1. Md. 24 / (d)	--	--
<b>B2</b> Inactive land	III-48.1. Md. 24 / (c)	48.008.541	47.577.917
<b>C1</b> Foreign affiliates	III-48.1. Md. 24 / (d)	--	--
<b>C2</b> Participating to operating company	III-48.1. Md. 28	2.554.795	2.527.108
<b>J</b> Non-cash loans	III-48.1. Md. 31	18.451.289	18.455.073
<b>K</b> Mortgage amounts of the mortgaged lands that the project will be developed on without ownership	III-48.1. Md. 22 / (e)	--	--
<b>L</b> The sum of investments in money and capital market instruments in a single company	III-48.1 Md. 22 / (1)	164.928.385	71.994.421

(\*) From the associates disclosed in Note 3, Kanyon is in the scope of the Company under the scope of Article 28 paragraph 1 of the "Communiqué on Principles Regarding Real Estate Investment Trusts" No: 48.1 of the CMB, III. The Company accounts for this associate according to the equity method in the accompanying financial statements. As of June 30, 2018, the Company's participation in Kanyon is TL 500.000 and does not exceed 10% of the total assets.

## İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2018

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

### Additional Note: Control of compliance with restrictions on the investment portfolio (continued)

<b>Portfolio restrictions</b>	<b>Related regulation</b>	<b>June 30, 2018</b>	<b>December 31, 2017</b>	<b>Min/Max ratio</b>
1 Mortgage amounts of the mortgaged lands that the project will be developed on without ownership	III-48.1. Md. 22 / (e)	0%	0%	Max %10
2 Real estates, rights supported by real estates and real estate projects	III-48.1. Md. 24 / (a). (b)	89%	93%	Min %51
3 Capital and money market instruments and subsidiaries	III-48.1. Md. 24 / (b)	3%	2%	Max %49
4 Foreign real estates, rights supported by real estates and real estate projects, affiliates and capital market instruments	III-48.1. Md. 24 / (d)	0%	0%	Max %49
5 Inactive land	III-48.1. Md. 24 / (c)	1%	1%	Max %20
6 Participating to operating company	III-48.1. Md. 28	0%	0%	Max %10
7 Borrowings limits	III-48.1. Md. 31	43%	37%	Max %500
8 Time balances / demand balances TL / foreign currency	III-48.1. Md. 22 / (e)	3%	1%	Max %10
9 The sum of investments in money and capital market instruments in a single company	III-48.1 Md. 22 / (1)	3%	1%	Max %10