

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

**Condensed Financial Statements As of and
For the Interim Period Ended June 30, 2019
With Review Report**

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

July 31, 2019

*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, 2019 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 31, 2019
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, 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

		<i>Reviewed</i>	<i>Audited</i>
	<i>Notes</i>	June 30, 2019	December 31, 2018
ASSETS			
Current assets		724.664.763	752.744.479
Cash and cash equivalents	5	17.271.051	54.236.749
Trade receivables	8	117.556.176	107.442.054
<i>Trade receivables from related parties</i>	24	2.986.556	4.680.762
<i>Trade receivables from third parties</i>		114.569.620	102.761.292
Other receivables	9	9.670.754	718.345
<i>Other receivables from related parties</i>	24	--	35.610
<i>Other receivables from third parties</i>		9.670.754	682.735
Derivatives	6	57.922.954	59.536.713
Inventories	11	441.322.724	307.030.105
Inventories under development	11	31.787.752	209.357.229
Prepaid expenses	16	11.209.647	14.386.026
<i>Prepaid expenses to related parties</i>	24	2.035.051	2.788.312
<i>Prepaid expenses to third parties</i>		9.174.596	11.597.714
Other current assets	16	37.923.705	37.258
Non-current assets		4.425.358.399	4.469.588.445
Trade receivables	8	36.304.987	44.389.008
<i>Other trade receivables from third parties</i>		36.304.987	44.389.008
Inventories	11	175.230.908	174.550.000
Equity accounted investees	3	2.971.960	3.088.133
Investment properties	10	3.910.892.833	3.679.192.500
Investment properties under development	10	257.771.742	474.295.599
Tangible assets	12	33.156.638	33.814.159
Intangible assets	13	1.043.085	1.015.609
Prepaid expenses	16	7.986.246	5.982.425
<i>Prepaid expenses to third parties</i>		7.986.246	5.982.425
Other tangible assets	16	--	53.261.012
TOTAL ASSETS		5.150.023.162	5.222.332.924

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, 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

		<i>Reviewed</i>	<i>Audited</i>
		June 30, 2019	December 31, 2018
LIABILITIES			
Short-term liabilities		1.019.907.538	1.091.581.932
Short term borrowings	7	314.929.432	--
<i>Loans and borrowings to related parties</i>	24	121.420.249	--
<i>Loans and borrowings to third parties</i>		193.509.183	--
Current portion of long term borrowings	7	438.970.345	742.664.172
<i>Loans and borrowings to related parties</i>	24	215.496.593	235.002.422
<i>Loans and borrowings to third parties</i>		223.473.752	507.661.750
Trade payables	8	21.031.954	34.901.072
<i>Trade payables to related parties</i>	24	11.547.672	16.360.219
<i>Trade payables to third parties</i>	8	9.484.282	18.540.853
Other payables	9	20.106.971	20.833.806
<i>Other payables to third parties</i>	9	20.106.971	20.833.806
Liabilities from contracts with customers		215.953.862	279.436.381
<i>Contractual obligations from sales of goods and services</i>	17	215.953.862	279.436.381
Deferred income (Excluding liabilities from contracts with customers)	16	2.221.578	7.283.080
<i>Deferred income from related parties</i>	24	165.187	257.870
<i>Deferred income from third parties</i>		2.056.391	7.025.210
Short-term provisions		4.719.376	5.205.156
<i>Provisions for employee benefits</i>	15	535.938	390.946
<i>Other short-term provisions</i>	14	4.183.438	4.814.210
Other short-term liabilities	16	1.634.853	1.258.265
Derivatives	6	339.167	--
Long-term liabilities		591.716.655	573.811.637
Loans and borrowings	7	589.922.975	572.183.948
<i>Loans and borrowings to related parties</i>	24	317.407.724	381.929.982
<i>Loans and borrowings to third parties</i>		272.515.251	190.253.966
Long term provisions		1.793.680	1.627.689
<i>Provisions for employee benefits</i>	15	1.793.680	1.627.689
EQUITY		3.538.398.969	3.556.939.355
Share capital	18	958.750.000	958.750.000
Inflation restatement difference on share capital	18	240.146.090	240.146.090
Share premium	18	423.981	423.981
Other comprehensive income that will never be reclassified to profit or loss		30.669.212	30.669.212
<i>Revaluation and classification of gains / losses</i>		31.053.049	31.053.049
<i>Other earnings/ losses</i>		(383.837)	(383.837)
Restricted reserves	18	65.949.792	59.561.684
Prior years’ profits	18	2.261.000.280	1.925.777.515
Net profit for the period		(18.540.386)	341.610.873
TOTAL EQUITY AND LIABILITIES		5.150.023.162	5.222.332.924

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, 2019

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

		<i>Reviewed</i>	<i>Reviewed</i>	<i>Reviewed</i>	<i>Reviewed</i>
		January 1-	April 1-	January 1-	April 1-
	Notes	June 30, 2019	June 30, 2019	June 30, 2018	June 30, 2018
Revenue	19	248.537.440	171.958.350	749.665.222	689.059.200
Cost of revenue (-)	19	(131.037.968)	(105.705.145)	(600.616.987)	(579.464.179)
Gross profit		117.499.472	66.253.205	149.048.235	109.595.021
General administrative expense (-)	20	(16.562.857)	(9.584.720)	(13.031.923)	(5.954.116)
Marketing expenses (-)	20	(8.091.432)	(3.976.842)	(13.567.066)	(8.840.310)
Other operating income	21	7.275.515	6.098.020	2.636.160	1.019.680
Other operating expense (-)	21	(1.784)	(1.784)	(1.050.000)	(1.050.000)
Operating profit		100.118.914	58.787.879	124.035.406	94.770.275
Share of profit of equity-accounted investees	3	883.827	275.161	777.687	474.322
Operating Profit Before Finance Expense		101.002.741	59.063.040	124.813.093	95.244.597
Financial income	22	6.582.227	(9.028.552)	39.929.614	32.188.686
Financial expenses (-)	22	(126.125.354)	(62.296.985)	(69.637.451)	(48.233.298)
Operating Profit before Tax From Continuing Operations		(18.540.386)	(12.262.497)	95.105.256	79.199.985
Tax Expense From Continuing Operations					
- Corporate tax charge		--	--	--	--
- Deferred tax benefit		--	--	--	--
Net profit for the period		(18.540.386)	(12.262.497)	95.105.256	79.199.985
Earnings per share	23	(0,0002)	(0,0001)	0,0010	0,0008

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, 2019

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

		<i>Reviewed</i>	<i>Reviewed</i>	<i>Reviewed</i>	<i>Reviewed</i>
		January 1- June 30, 2019	April 1- June 30, 2019	January 1- June 30, 2018	April 1- June 30, 2018
Net profit for the period	Notes	(18.540.386)	(12.262.497)	95.105.256	79.199.985
Other comprehensive income					
Other comprehensive income that will never be reclassified to profit or loss					
Revaluation and classification of gains / losses		--	--	--	--
Actuarial gain/(loss) arising from defined benefit plans		--	--	--	--
Other comprehensive income		--	--	--	--
TOTAL COMPREHENSIVE INCOME		(18.540.386)	(12.262.497)	95.105.256	79.199.985

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, 2019

(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
Balances at January 1, 2018		913.750.000	240.146.090	423.981	(223.542)	27.610.009	46.188.875	1.872.724.737	179.956.837	3.280.576.987
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)
Balances at June 30, 2018	18	958.750.000	240.146.090	423.981	(223.542)	27.610.009	59.561.684	1.925.777.515	95.105.256	3.307.150.993
Balances at January 1, 2019		958.750.000	240.146.090	423.981	(383.837)	31.053.049	59.561.684	1.925.777.515	341.610.873	3.556.939.355
Transfers		--	--	--	--	--	6.388.108	335.222.765	(341.610.873)	--
Total comprehensive income		--	--	--	--	--	--	--	(18.540.386)	(18.540.386)
Balances at June 30, 2019	18	958.750.000	240.146.090	423.981	(383.837)	31.053.049	65.949.792	2.261.000.280	(18.540.386)	3.538.398.969

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, 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

		<i>Revised</i> <i>(Note 2.2)</i>
		<i>Reviewed</i> <i>Reviewed</i>
		1 January - 30 June 2019
	Notes	1 January - 30 June 2018
A. Cash flows from operating activities		
Net profit for the period		(18.540.386)
Profit adjustments for:		95.105.256
Adjustments to depreciation and amortization	<i>12, 13</i>	986.538
Adjustments to impairment or cancelation		1.693.881
- <i>Adjustments to impairment of receivables</i>	<i>8</i>	<i>1.693.881</i>
Adjustments for provisions	<i>15</i>	431.188
- Adjustments to provision for employee severance indemnity		431.188
Adjustments for (gain)/losses on fair value		(9.322.227)
- <i>Adjustments to (gain)/losses on fair value of investment property</i>	<i>10</i>	<i>(2.740.000)</i>
- <i>Adjustments to (gain)/losses on fair value of derivatives</i>	<i>22</i>	<i>(6.582.227)</i>
Adjustments for retained earnings of investments valued by equity method		(883.827)
- <i>Adjustments for retained earnings of subsidiaries</i>	<i>3</i>	<i>(883.827)</i>
Adjustments for loss or gain on sales of non-current assets		--
- <i>Adjustments for loss or gain on sales of investment property</i>	<i>19</i>	<i>--</i>
Adjustments to interest income and expense		93.946.270
- <i>Adjustments to interest income</i>	<i>19</i>	<i>(7.005.856)</i>
- <i>Adjustments to interest expense</i>	<i>22</i>	<i>100.952.126</i>
Adjustments to foreign exchange differences		23.488.809
Operating profit from before the changes in working capital		91.800.246
Changes in working capital		120.859.779
Changes in trade receivables		(3.723.982)
- <i>Changes in trade receivables from related parties</i>		<i>1.694.136</i>
- <i>Changes in trade receivables from third parties</i>		<i>(5.418.118)</i>
Changes in other receivables		(7.952.409)
- <i>Changes in other receivables from related parties</i>		<i>1.035.610</i>
- <i>Changes in other receivables from third parties</i>		<i>(8.988.019)</i>
Changes in inventories		50.075.154
Changes in derivative assets		933.877
Changes in prepaid expenses		1.172.558
Changes in trade payables		(13.869.118)
- <i>Changes in trade payables from related parties</i>		<i>(4.812.547)</i>
- <i>Changes in trade payables from third parties</i>		<i>(9.056.571)</i>
Changes in other payables		(726.835)
- <i>Changes in other payables from third parties</i>		<i>(726.835)</i>
Changes in derivative liabilities		(778.515)
Changes in liabilities from contracts with customers		(63.482.519)
- <i>Changes in contractual obligations from sales of goods and services</i>		<i>(63.482.519)</i>
Changes in deferred income (Excluding liabilities from contracts with customers)		(5.061.502)
Other changes in working capital		15.120.382
- <i>Changes in other assets</i>		<i>15.374.565</i>
- <i>Changes in other liabilities</i>		<i>(254.183)</i>
		63.507.337
Cash generated from operating activities		81.075.392
Employee termination benefits paid	<i>15</i>	(120.206)
Interest received	<i>5, 19</i>	7.735.537
Net cash provided by / (used in) operating activities		71.122.668
B. Cash flows from investing activities		84.274.091
Cash outflows arising from purchases of investment properties		(6.888.411)
Cash inflows arising from sales of investment properties		--
Cash outflows arising from purchases of tangible and intangible assets	<i>12, 13</i>	(356.493)
- <i>Cash outflows arising from purchases of tangible assets</i>		<i>(5.429)</i>
- <i>Cash outflows arising from purchases of intangible assets</i>		<i>(351.064)</i>
Net cash used in investing activities		(7.244.904)
C. Cash flows from financing activities		27.914.078
Dividends paid	<i>18</i>	--
Cash inflows arising from derivatives		8.379.791
Borrowings received	<i>7</i>	751.469.000
Borrowings paid	<i>7</i>	(750.975.997)
Interest paid	<i>7</i>	(109.177.126)
Net cash provided by financing activities		(100.304.332)
Increase / (decrease) in cash and cash equivalents before effect of changes in foreign currency rates		(31.102.951)
Effect of changes in foreign currency rates over cash and cash equivalents		190.551
Net increase / (decrease) in cash and cash equivalents		(36.236.017)
Cash and cash equivalents at the beginning of the period	<i>5</i>	53.467.044
Cash and cash equivalents at the end of the period	<i>5</i>	17.231.027
		163.938.857

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, 2019

(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 75 employees as of June 30, 2019 (December 31, 2018: 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, 2019 have been approved for issue by the Board of Directors on July 31, 2019. 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 presented in accordance with the TAS taxonomy of POA announced at April 15, 2019.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2019

(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 and numbered 11/367, 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, 2019

(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.

The condensed statement of cash flow for the interim period ended June 30, 2018 has been restated in accordance with TAS 7 Statement of Cash Flows as follows. This restatement did not have any impact on the retained earnings and net profit for the period.

	Previously reported	The effect of the restatement	Revised
Adjustments to interest income and expense	19.976.844	(269.174)	19.707.670
- Adjustments to interest expense	24.498.580	(269.174)	24.229.406
Adjustments to foreign exchange differences	(428.521)	45.054.315	44.625.794
Changes in inventories	312.979.010	18.932.242	331.911.252
Cash outflows arising from purchases of investment properties	(60.450.377)	36.688.799	(23.761.578)
Borrowings received	218.201.994	(24.947.994)	193.254.000
Borrowings paid	(40.763.175)	(38.467.241)	(79.230.416)
Interest paid	(39.604.338)	(36.990.947)	(76.595.285)

2.3 Summary of significant accounting policies

Condensed consolidated financial statements for the period ended June 30, 2019, 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, 2019 are consistent with the accounting policies used for the preparation of financial statements for the year ended December 31, 2018. Thus, these condensed consolidated financial statements should be read together with the consolidated financial statements for the year ended December 31, 2019.

2.4 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the interim condensed financial statements as at June 30, 2019 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, 2019. The effects of these standards and interpretations on the Company’s financial position and performance have been disclosed in the related paragraphs.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2019

(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)

i) The new standards, amendments and interpretations which are effective as at January 1, 2019 are as follows:

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.

Lessees have recognition exemptions to applying this standard in case of short-term leases (i.e., leases with a lease term of 12 months or less) and leases of 'low-value' assets (e.g., personal computers, office equipment, etc.). At the commencement date of a lease, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date (i.e., the lease liability), at the same date recognises an asset representing the right to use the underlying asset (i.e., the right-of-use asset) and depreciates it during the lease term. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. Lessees are required to recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately.

Lessees are required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). Under these circumstances, the lessee recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. The amendments did not have a significant impact on the 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.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2019

(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 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.

These amendments are applied for annual periods beginning on or after 1 January 2019. The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company

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.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019. The interpretation 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, 2019

(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)

Annual Improvements – 2015–2017 Cycle

In January 2019, POA issued Annual Improvements to TFRS Standards 2015–2017 Cycle, amending the following standards:

- *TFRS 3 Business Combinations and TFRS 11 Joint Arrangements* — The amendments to TFRS 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 TFRS 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.
- *TAS 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.
- *TAS 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. The amendments did not have a significant impact on the financial position or performance of the Company.

Plan Amendment, Curtailment or Settlement” (Amendments to TAS 19)

In January 2019, the POA published Amendments to TAS 19 “Plan Amendment, Curtailment or Settlement” 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.

These amendments are applied for annual periods beginning on or after 1 January 2019. 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, 2019

(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)

Prepayment Features with Negative Compensation (Amendments to TFRS 9)

The POA issued minor amendments to TFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying TFRS 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.

These amendments are applied for annual periods beginning on or after 1 January 2019. The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

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 financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, when the new standards and interpretations become effective.

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.

TFRS 17 - The new Standard for insurance contracts

In February 2019, the POA issued TFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. TFRS 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.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2019

(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)

Definition of a Business (Amendments to TFRS 3)

In May 2019, the POA issued amendments to the definition of a business in TFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

- clarify the minimum requirements for a business;
- remove the assessment of whether market participants are capable of replacing any missing elements;
- add guidance to help entities assess whether an acquired process is substantive;
- narrow the definitions of a business and of outputs; and
- introduce an optional fair value concentration test.

The amendments to TFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted.

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

Definition of Material (Amendments to TAS 1 and TAS 8)

In June 2019, the POA issued amendments to TAS 1 Presentation of Financial Statements and TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of ‘material’ across the standards and to clarify certain aspects of the definition. The new definition states that, ‘Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to TAS 1 and TAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted.

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

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)

There are no new standards, interpretations and amendments to existing IFRS standards issued by the IASB but not yet adopted / issued by the POA.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2019

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

2. Basis of presentation of financial statements (continued)

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 Portfolio" 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 11 Inventories*
- *Note 15 Provision for employee benefits*

Working capital ratio

As of 30 June 2019, current assets of the Company are amount to TL 724.664.763 and short term liabilities of the Company are amount to 1.019.907.538. Short term liabilities exceeded current assets TL 295.242.775. In addition, there are advances received are amount to TL 215.953.862 arising from house sales are included to short term liabilities.

The Company does not foresee any shortcomings regarding the fulfillment of these short term liabilities.

The Company anticipates that approximately 240 million TL of rental income will be collected from the investment properties in the following year.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2019

(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, 2019	Ownership (%)	December 31, 2018
Kanyon	50	2.971.960	50	3.088.133
		2.971.960		3.088.133

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

Kanyon	June 30, 2019	December 31, 2018
Current assets	26.038.011	24.125.281
Non-current assets	1.396.286	1.753.880
Short-term liabilities	(20.645.481)	(18.945.317)
Long-term liabilities	(844.896)	(757.578)
Net assets	5.943.920	6.176.266

Kanyon	January 1 – June 30, 2019	January 1 – June 30, 2018
Income for the period	(35.648.491)	61.880.377
Expense for the period (-)	33.880.837	(60.325.003)

The Company recognized profit amounting to TL 883.827 TL resulting from consolidation of Kanyon with equity method for the year ended June 30, 2019 (June 30, 2018: TL 777.687) 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, 2019

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

4. Operating segments (continued)

	Ankara İş Kule Building	Istanbul İş Kuleleri Complex	Maslak Office Building	Mugla Marmaris Mallmarine Shopping Mall	Istanbul Kanyon Shopping Mall	Istanbul Marmara Park Shopping Mall	Nevşehir Kapadokya Lodge Hotel	Taksim Office Lamartine	Tuzla Technology and Operating Center	Istanbul Tuzla Combined	İzmir Ege Perla Shpping Mall	İzmir Ege Perla Residance/ Office	Kartal Manzara Adalar	Topkapı Inistanbul	Other Real Estates	Total
June 30, 2019																
<u>Sales Revenue</u>																
Rent income	2.731.038	18.567.016	697.018	481.356	20.284.233	--	1.040.000	1.172.960	46.465.628	12.405.377	2.835.463	255.907	7.675	--	129.560	107.073.231
Income from right of construction	--	--	--	--	--	12.925.650	--	--	--	--	--	--	--	--	--	12.925.650
Income from sales of real estate	--	--	--	--	--	--	--	--	--	--	--	2.824.756	10.228.566	107.154.596	--	120.207.918
Income fees and service	--	--	--	--	49.648	--	--	--	--	131.301	--	347.271	--	--	--	528.220
Other income	--	106.942	--	--	27.795	--	--	--	--	7.512	--	58.421	281.690	--	--	482.360
Real estate revenues	2.731.038	18.673.958	697.018	481.356	20.361.676	12.925.650	1.040.000	1.172.960	46.465.628	12.544.190	2.835.463	3.486.355	10.517.931	107.154.596	129.560	241.217.379
Insurance expense	13.946	370.642	11.762	14.097	181.419	--	10.089	8.178	440.346	275.473	290.922	4.988	98.581	--	1.987	1.722.430
Administrative expense	--	4.729.813	65.324	--	3.895.788	--	47.807	145.518	--	543.119	6.146.782	441.466	1.463.824	--	13.826	17.493.267
Cost of sales of real estate	--	--	--	--	--	--	--	--	--	--	--	2.835.653	10.728.688	92.232.730	--	105.797.071
Tax and duty and other charges	169.580	1.201.787	122.983	13.976	1.037.645	548.378	20.500	60.067	620.532	325.941	465.820	--	876.783	--	3.146	5.467.138
Other	5.124	93.572	700	--	39.710	22.000	--	--	235.087	35.305	33.704	92.860	--	--	--	558.062
Cost of Sales	188.650	6.395.814	200.769	28.073	5.154.562	570.378	78.396	213.763	1.295.965	1.179.838	6.937.228	3.374.967	13.167.876	92.232.730	18.959	131.037.968
Gross Profit	2.542.388	12.278.144	496.249	453.283	15.207.114	12.355.272	961.604	959.197	45.169.663	11.364.352	(4.101.765)	111.388	(2.649.945)	14.921.866	110.601	110.179.411
Capital investments	2.933.413	322.312	20.139	--	71.631	--	--	--	10.630	9.316	1.637.502	--	3.648.086	58.922.824	6.932.072	74.507.925

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2019

(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
June 30, 2018																
Sales Revenue																
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
Real estate revenues	414.317	18.965.171	2.898.624	405.937	51.728.090	18.662.882	9.913.145	120.000	1.133.231	50.095	38.189.881	9.345.134	3.901.201	14.843.004	574.177.792	744.748.504
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
Cost of Sales	661.672	5.630.628	119.719	23.509	49.867.938	6.249.534	1.995.029	31.641	164.007	23.365	1.025.742	990.055	7.500.393	12.432.323	513.901.432	600.616.987
Gross Profit	(247.355)	13.334.543	2.778.905	382.428	1.860.152	12.413.348	7.918.116	88.359	969.224	26.730	37.164.139	8.355.079	(3.599.192)	2.410.681	60.276.360	144.131.517
Capital investments	6.512.078	136.462	--	--	100.000	559.404	--	42.362	6.820	--	73.755	10.370	7.793.804	--	246.183.223	261.418.279

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2019

*(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)***4. Operating segments (continued)****Reconciliation of income, assets and liabilities**

Sales Revenue	January 1 – June 30, 2019	January 1 – June 30, 2018
Segment revenue	241.217.379	744.748.504
Undistributed revenue	7.320.061	4.916.718
Total Revenue	248.537.440	749.665.222

Cost of Sales	January 1 – June 30, 2019	January 1 – June 30, 2018
Segment Costs	(131.037.968)	(600.616.987)
Total cost of sales	(131.037.968)	(600.616.987)

Assets	June 30, 2019	December 31, 2018
Segment assets	4.817.005.959	4.844.425.433
Other assets	153.861.163	151.831.062
Non-segment related assets	179.156.040	226.076.429
Total assets	5.150.023.162	5.222.332.924

Liabilities	June 30, 2019	December 31, 2018
Segment liabilities	1.585.004.166	1.627.629.732
Other liabilities	26.620.027	37.763.837
Total liabilities	1.611.624.193	1.665.393.569

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2019

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

5. Cash and cash equivalents

	June 30, 2019	December 31, 2018
Demand deposits	3.076.286	4.776.633
Time deposits	12.540.021	45.406.340
Mutual funds	1.627.744	3.951.277
Other cash equivalents	27.000	102.499
	17.271.051	54.236.749
Interest accrued on cash and cash equivalents	(40.024)	(769.705)
Total cash and cash equivalents in the statement of cash flows	17.231.027	53.467.044

<u>Time deposits::</u>			June 30, 2019
<u>Currency</u>	<u>Interest rate</u>	<u>Maturity</u>	
TL	20,15%	July 2019	12.540.021
			12.540.021

	June 30, 2019	
	Cost	Fair Value
Mutual Funds	1.620.699	1.627.744
Total	1.620.699	1.627.744

<u>Time deposits:</u>			December 31, 2018
<u>Currency</u>	<u>Interest rate</u>	<u>Maturity</u>	
US Dollar	3,30-3,45%	January-February 2019	2.640.922
TL	18,00-23,5%	January 2019	42.765.418
Total			45.406.340

	December 31, 2018	
	Cost	Fair Value
Mutual funds	3.950.930	3.951.277
	3.950.930	3.951.277

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2019

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

6. Financial investments / Derivatives

	June 30, 2019	December 31, 2018
Financial assets held for trading		
Derivative instruments	57.922.954	59.536.713
Total	57.922.954	59.536.713

	June 30, 2019	December 31, 2018
Financial liabilities held for trading		
Derivative instruments	339.167	--
Total	339.167	--

7. Loans and borrowings

The details of financial borrowings and financial leasing as of June 30, 2019 and December 31, 2018 are as follows:

	June 30, 2019	December 31, 2018
Short-term borrowings		
Issued commercial papers	193.509.183	--
Short-term bank borrowings	121.420.249	--
Total	314.929.432	--

	June 30, 2019	December 31, 2018
Current portion of long term borrowings		
Current portion of long term borrowings	244.954.389	234.092.940
Bonds issued	194.015.956	508.571.232
Total	438.970.345	742.664.172

	June 30, 2019	December 31, 2018
Long-term borrowings:		
Long-term bank borrowings	384.941.376	471.899.456
Bonds issued	204.981.599	100.284.492
Total	589.922.975	572.183.948

The details of loans and borrowings as of June 30, 2019 and December 31, 2018 are as follows:

			June 30, 2019	
Currency	Interest rate (%)	Original amount	Short-term (TL)	Long-term (TL)
Euro	Euribor+3,50	4.851.415	15.894.715	15.885.448
US Dollar	Libor + 4,25	40.375.649	54.634.870	177.731.030
TL	11,75-24,50	487.169.951	295.845.053	191.324.898
Total			366.374.638	384.941.376

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2019

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

7. Loans and borrowings (continued)

December 31, 2018				
Currency	Interest rate (%)	Original amount	Short-term (TL)	Long-term (TL)
Euro	Euribor+3,50	4.850.471	14.620.742	14.617.900
US Dollar	Libor + 4,25	44.865.531	50.354.247	185.678.825
TL	11,75-15,10	440.720.683	169.117.951	271.602.731
Total			234.092.940	471.899.456

As of June 30, 2019 and December 31, 2018 details of issued bonds are as follows:

June 30, 2019					
ISIN CODE	Interest rate (%)	Issued Nominal Amount (TL)	Issue Date	Amortization Date	Net Book Value
TRSISGYE1915	Benchmark+2.50	87.000.000	October 11, 2016	October 10, 2019	91.384.369
TRSISGY32111	Benchmark+2.50	100.000.000	March 23, 2018	March 23, 2021	100.214.924
TRSISGYK1917	TRLIBOR + 2.50	100.000.000	November 20, 2018	November 25, 2019	102.631.587
TRSISGY12113	TRLIBOR + 2.00	100.000.000	January 24, 2019	January 25, 2021	104.766.675
Total					398.997.555

December 31, 2018					
ISIN CODE	Interest rate (%)	Issued Nominal Amount (TL)	Issue Date	Amortization Date	Net Book Value
TRSISGYE1915	Benchmark+2.50	87.000.000	October 11, 2016	October 10, 2019	92.241.098
TRSISGY61912	Benchmark+2.50	100.000.000	June 29, 2016	June 28, 2019	100.103.723
TRSISGY31915	Benchmark+2.50	213.000.000	April 5, 2016	March 29, 2019	213.220.930
TRSISGY32111	Benchmark+2.50	100.000.000	March 23, 2018	March 23, 2021	100.284.492
TRSISGYK1917	TRLIBOR + 2.50	100.000.000	November 20, 2018	November 25, 2019	103.005.481
Total					608.855.724

The Company has obtained 10-day maturity, 23,90% interest rate loan amounting to TL 150.000.000 from T. İş Bankası on March 26, 2019 and 1-year maturity, 24,50% loan amounting to TL 120.000.000 from T. İş Bankası on June 14, 2019.

As of June 30, 2019 details of issued commercial papers are as follows:

June 30, 2019					
ISIN CODE	Interest rate (%)	Issued Nominal Amount (TL)	Issue Date	Amortization Date	Net Book Value
TRFISGY81917	24,10	100.000.000	May 28, 2019	August 9, 2019	97.477.183
TRFISGY91916	23,75	100.000.000	June 14, 2019	September 2, 2019	96.032.000
Total					193.509.183

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7. Loans and borrowings (continued)

As of June 30, 2019 and 2018, the movement of loans and borrowings as follows:

	June 30, 2019	June 30, 2018
Opening balance, 1 January	1.314.848.120	1.185.482.549
Borrowings received	751.469.000	193.254.000
Borrowings paid	(750.975.997)	(79.230.416)
Interest paid	(109.177.126)	(76.595.285)
Interest accrual	113.979.395	79.850.447
Currency translation difference	23.679.360	45.054.315
Closing balance	1.343.822.752	1.347.815.610

8. Trade receivables and payables

Short-term trade receivables and payables

	June 30, 2019	December 31, 2019
<u>Trade receivables</u>		
Receivables from customers	64.915.707	60.509.118
Income accruals	45.239.615	40.249.157
Notes receivable	4.552.117	2.012.483
Rediscount of notes receivables (-)	(137.819)	(9.466)
Doubtful receivables	5.508.045	3.814.164
Provision for doubtful receivables (-)	(5.508.045)	(3.814.164)
Due from related parties (Note 24)	2.986.556	4.680.762
Total	117.556.176	107.442.054
<u>Trade payables</u>		
Payables to suppliers	9.484.282	18.540.853
Due to related parties (Note 24)	11.547.672	16.360.219
Total	21.031.954	34.901.072

As of June 30, 2019, provision for doubtful trade receivables is TL 5.508.045 (December 31, 2018: TL 3.814.164). 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, 2019	June 30, 2018
Opening balance, 1 January	(3.814.164)	(2.567.268)
Charge for the period	(2.742.480)	(842.728)
Provisions released	1.048.599	1.234.274
Closing balance	(5.508.045)	(2.175.722)

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8. Trade receivables and payables (continued)

Long Term Trade Receivables

	June 30, 2019	December 31, 2018
<u>Trade receivables</u>		
Receivables from customers	30.692.871	37.940.124
Income accruals	5.612.116	6.448.884
Closing balance	36.304.987	44.389.008

9. Other receivables and payables

	June 30, 2019	December 31, 2018
Other short-term receivables	9.670.754	718.345
Total	9.670.754	718.345

	June 30, 2019	December 31, 2018
<u>Other payables – short-term</u>		
Deposits and guarantees given	19.596.383	17.013.919
Other short-term payables (*)	510.588	3.819.887
Total	20.106.971	20.833.806

(*) The amount is consist of title deed fees which will be repaid to the customers of Inistanbul Project.

10. Investment property

As of June 30, 2019 and December 31, 2018, the details of investment properties are as follows:

	June 30, 2019	December 31, 2018
Investment property under operating lease	3.910.892.833	3.679.192.500
Investment property under construction and other	257.771.742	474.295.599
Total	4.168.664.575	4.153.488.099

As of June 30, 2019, total insurance amount on investment properties is TL 2.803.315.258 (December 31, 2018: TL 2.576.267.652).

For the six-month period ended 30 June 2019, finance expense has capitalized amounting to TL 13.027.269 (2018: TL 67.816.888) on the investment properties and inventories of the Company.

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10. Investment property (continued)

	January 1, 2019 opening balance	Purchases	Disposals	Fair value difference	June 30, 2019 closing balance
Investment property under operating lease					
Ankara İş Kule Building	149.630.000	2.933.413	--	--	152.563.413
Istanbul Marmarapark Shopping Mall	185.675.000	--	--	--	185.675.000
Istanbul İş Kuleleri Complex	938.885.000	322.312	--	--	939.207.312
Izmir Ege Perla Sopping Mall	252.680.000	1.637.502	--	--	254.317.502
Kapadokya Lodge Hotel	27.000.000	--	--	2.740.000	29.740.000
Mugla Marmaris Mallmarine Shopping Mall	14.975.000	--	--	--	14.975.000
Maslak Office Building	112.540.000	20.139	--	--	112.560.139
Taksim Office Lamartine	53.035.000	--	--	--	53.035.000
Tuzla Çınarlı Bahçe	2.600.000	--	--	--	2.600.000
Kanyon Shopping Mall	575.512.500	71.631	--	--	575.584.131
Istanbul Tuzla Combined	290.160.000	9.316	--	--	290.169.316
Tuzla Technology and Operation Center	1.076.500.000	10.630	--	--	1.076.510.630
Kartal Manzara Adalar	222.878.220	1.077.170	--	--	223.955.390
	3.902.070.720	6.082.113	--	2.740.000	3.910.892.833
Investment property under construction					
Istanbul Finance Center Project	200.103.000	5.669.881	--	--	205.772.881
Levent Land	6.401.879	--	--	--	6.401.879
Üsküdar Land	44.912.500	684.482	--	--	45.596.982
	251.417.379	6.354.363	--	--	257.771.742
Total	4.153.488.099	12.436.476	--	2.740.000	4.168.664.575

The fair values of the Company’s investment properties at June 30, 2019 have been arrived at on the basis of valuations carried out in December 2018 and June 2019 by four 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
Investment property under operating lease		
Ankara İş Kule Building	Sales comparison approach	Sales comparison approach
Istanbul Marmara Park Shopping Mall	Sales comparison approach	Sales comparison approach
Istanbul İş Kuleleri Complex	Sales comparison approach	Sales comparison approach
İş Bankası Ankara Merkez Building (*)	-	Sales comparison approach
Kapadokya Lodge Hotel	Cost capitalization approach	Sales comparison and cost approach
Mugla Marmaris Mallmarine Shopping Mall	Sales comparison approach	Sales comparison approach
Maslak Office Building	Sales comparison approach	Sales comparison approach
Taksim Office Lamartine	Sales comparison approach	Sales comparison approach
Tuzla Çınarlı Bahçe	Sales comparison approach	Sales comparison approach
Kanyon Shopping Mall	Discounted cash flow approach	Discounted cash flow approach
Tuzla Combined Project	Directly capitalization approach	Sales comparison approach
Tuzla Technology and Operation Center	Directly capitalization approach	Sales comparison approach
Izmir Ege Perla Shopping Mall	Sales comparison approach	Sales comparison approach
Investment property under construction		
Istanbul Finance Center Project	Sales comparison and cost approach	Cost approach
Kartal Manzara Adalar	Sales comparison approach	Sales comparison approach
Levent Land	Fair value based on estate tax	Fair value based on estate tax
Üsküdar Land	Sales comparison approach	Sales comparison approach

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10. Investment property (continued)

	January 1, 2018 opening balance	Purchases	Disposals	Fair value difference	December 31, 2018 closing balance
Investment property under operating lease					
Ankara İş Kule Building	135.420.000	38.653.848	--	(24.443.848)	149.630.000
Istanbul Marmara Park Shopping Mall	162.020.000	--	--	23.655.000	185.675.000
İstanbul İş Kuleleri Complex	869.905.000	841.469	--	68.138.531	938.885.000
İş Bankası Ankara Merkez Building (*)	47.755.000	100.000	(49.860.000)	2.005.000	--
Izmir Ege Perla Sopping Mall	245.050.000	9.339.552	--	(1.709.552)	252.680.000
Kapadokya Lodge Hotel	25.388.000	742.936	--	869.064	27.000.000
Mugla Marmaris Mallmarine Shopping Mall	13.030.000	--	--	1.945.000	14.975.000
Maslak Office Building	107.635.000	350.207	--	4.554.793	112.540.000
Taksim Office Lamartine	50.543.000	351.024	--	2.140.976	53.035.000
Tuzla Çınarlı Bahçe	2.600.000	--	--	--	2.600.000
Kanyon Shopping Mall	510.090.000	5.465.836	--	59.956.664	575.512.500
Istanbul Tuzla Combined	270.382.000	16.473	--	19.761.527	290.160.000
Tuzla Technology and Operation Center	941.345.000	79.858	--	135.075.142	1.076.500.000
	3.381.163.000	55.941.203	(49.860.000)	291.948.297	3.679.192.500
Investment property under construction					
Istanbul Finance Center Project	191.917.000	13.245.466	--	(5.059.466)	200.103.000
Kartal Manzara Adalar (*)	214.212.972	22.397.942	(19.252.251)	5.519.557	222.878.220
Levent Land	4.267.917	18.588	--	2.115.374	6.401.879
Üsküdar Land	43.310.000	738.988	--	863.512	44.912.500
	453.707.889	36.400.984	(19.252.251)	3.438.977	474.295.599
Total	3.834.870.889	92.342.187	(69.112.251)	295.387.274	4.153.488.099

(*) Among the buildings included in the portfolio of the Company are İş Bankası Ankara Merkez Building, 18 residential units at Kartal Manzara Adalar E Block and Kartal parcel no 395 were sold amounting to TL 49.885.000 including VAT, TL 25.800.000 including VAT and TL 5.310.000 including VAT respectively.

As of June 30, 2019, 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 119.998.882 (June 30, 2018: TL 105.127.849) of its investment property. Total direct operating expenses related to these properties amounting to TL 25.240.897 (June 30, 2018: TL 25.183.334).

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11. Inventories

<i>Short-term inventories</i>	June 30, 2019	December 31, 2018
<i>Inventories</i>		
Kartal Manzara Adalar (*)	232.496.332	240.163.575
Topkapı İstanbul (**)	162.520.702	18.259.806
İzmir Ege Perla (***)	46.305.690	48.606.724
<i>Inventories under development</i>		
Topkapı İstanbul (**)	31.787.752	209.357.229
Total	473.110.476	516.387.334

<i>Long-term inventories</i>	June 30, 2019	December 31, 2018
Tuzla Land	175.230.908	217.854.501
Impairment provision on inventories (-)	--	(43.304.501)
Total	175.230.908	174.550.000

(*) There are 975 residential units in Kartal Manzara Adalar Project, as of June 30, 2019, 603 residential units has been delivered to the customers. Balance of advances given related with the Project is amounting to TL 2.171.049 (December 31, 2018: TL 6.111.468) (Note 17).

(**) There are 2.741 residential units in Topkapı İstanbul Project, as of June 30, 2019, 1.926 residential units has been delivered to the customers. Balance of advances given related with the Project is amounting to TL 213.773.657 (December 31, 2018: TL 271.066.101) (Note 17).

(***) There are 243 residential units in İzmir Ege Perla Project, as of June 30, 2019, 172 residential units has been delivered to the customers. Balance of advances given related with the Project is amounting to TL 9.156 (December 31, 2018: 2.258.812 TL) (Note 17).

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Notes to the Condensed Financial Statements

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12. Tangible assets

	Buildings (*)	Machinery and equipment	Vehicles	Fixtures	Total
Cost					
Opening balance as of January 1, 2019	35.639.936	85.950	374.647	3.403.788	39.504.321
Purchases	--	--	--	5.429	5.429
Disposals	--	--	--	--	--
Fair value difference	--	--	--	--	--
Closing balance as of June 30, 2019	35.639.936	85.950	374.647	3.409.217	39.509.750
Accumulated Depreciation					
Opening balance as of January 1, 2019	2.839.936	85.950	31.220	2.733.056	5.690.162
Current year charge	516.881	--	37.465	108.604	662.950
Disposal	--	--	--	--	--
Closing balance as of June 30, 2019	3.356.817	85.950	68.685	2.841.660	6.353.112
Net book value as of January 1, 2019	32.800.000	--	343.427	670.732	33.814.159
Net book value as of June 30, 2019	32.283.119	--	305.962	567.557	33.156.638
Cost					
Opening balance as of January 1, 2018	32.189.207	85.950	--	3.203.698	35.478.855
Purchases	7.689	--	374.647	200.090	582.426
Disposals	--	--	--	--	--
Fair value difference	3.443.040	--	--	--	3.443.040
Closing balance as of December 31, 2018	35.639.936	85.950	374.647	3.403.788	39.504.321
Accumulated Depreciation					
Opening balance as of January 1, 2018	1.892.431	85.950	--	2.494.721	4.473.102
Current year charge	947.505	--	31.220	238.335	1.217.060
Disposal	--	--	--	--	--
Closing balance as of December 31, 2018	2.839.936	85.950	31.220	2.733.056	5.690.162
Net book value as of January 1, 2018	30.296.776	--	--	708.977	31.005.753
Net book value as of December 31, 2018	32.800.000	--	343.427	670.732	33.814.159

(*) As of June 30, 2019, 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 32.283.119. 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, 2018: USD 136 million and TL 185 million).

As of June 30, 2019, the Company has tangible assets which is fully depreciated amounting to TL 2.651.510.

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13. Intangible assets

	Computer Programs	Total
Cost		
Opening balance as of January 1, 2019	4.102.413	4.102.413
Purchases	351.064	351.064
Closing balance as of June 30, 2019	4.453.477	4.453.477
Accumulated Depreciation		
Opening balance as of January 1, 2019	3.086.804	3.086.804
Current year charge	323.588	323.588
Closing balance as of June 30, 2019	3.410.392	3.410.392
Net book value as of January 1, 2019	1.015.609	1.015.609
Net book value as of June 30, 2019	1.043.085	1.043.085
Cost		
Opening balance as of January 1, 2018	3.397.414	3.397.414
Purchases	704.999	704.999
Closing balance as of December 31, 2018	4.102.413	4.102.413
Accumulated Depreciation		
Opening balance as of January 1, 2018	2.549.708	2.549.708
Current year charge	537.096	537.096
Closing balance as of December 31, 2018	3.086.804	3.086.804
Net book value as of January 1, 2018	847.706	847.706
Net book value as of December 31, 2018	1.015.609	1.015.609

As at June 30, 2019 and December 31, 2018, Company has no intangible assets which is capitalized in the business area.

As at June 30, 2019, the Company has intangible assets which is fully depreciated amounting to TL 2.432.614.

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14. Provisions, contingent assets and liabilities

	June 30, 2019	December 31, 2018
Debt provisions (*)	4.183.438	4.814.210
Total	4.183.438	4.814.210

	June 30, 2019	December 31, 2018
Letters of guarantee received (**)	144.278.228	145.521.342
Mortgage received	28.109.505	25.245.505
Total	172.387.733	170.766.847

(*) As of June 30, 2019, debt provisions of the Company consists of title deed fee accruals of delivered houses 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, 2019 and December 31, 2018 are as follows:

	June 30, 2019	December 31, 2018
A. CPM given for companies own legal personality (*)	1.505.817.136	1.438.626.831
B. CPM given in behalf of fully consolidated companies	--	--
C. CPM given for continuation of its economic activities on behalf of third parties (**)	87.919.254	163.362.012
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	--	--
Total	1.593.736.390	1.601.988.843

(*) CPM given for the Company's own legal personality consists of letters of guarantee amounting to TL 38.123.536 and pledge amounting to USD 136.000.000 and TL 685.000.000. As of June 30, 2019, 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. (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 residential units 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, 2019, the ratio of CPM given by the Company to the Company's shareholders' equity is 2% (December 31, 2018: 5%).

As of June 30, 2019, there is no significant legal case required provisions on the financial statements and there are 114 legal cases and 81 enforcement proceedings of the Company is a party.

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For the Interim Period Ended June 30, 2019

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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, 2019 and 2018 are as follows:

	June 30, 2019	June 30, 2018
Less than 1 year	212.153.594	208.061.580
Between 1-5 years	709.209.091	634.583.155
More than 5 years	3.137.735.248	2.439.398.588
Total	4.059.097.932	3.282.043.323

15. Provision for employee benefits

	June 30, 2019	December 31, 2018
Unused vacation provisions	535.938	390.946
Total	535.938	390.946

	June 30, 2019	December 31, 2018
Severance pay indemnity	1.793.680	1.627.689
Total	1.793.680	1.627.689

There is an obligation to pay the severance indemnities to those employees are terminated with employment contract to be entitled to severance pay in accordance with Labor Law No. 4857 and Social Security Law No. 5510.

The amount payable consists of one month’s salary limited to a maximum of TL 6.018 for each period of service as of June 30, 2019 (December 31, 2018: TL 5.434).

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

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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, 2019, 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 11,30% (estimated salary increase rate) and a discount rate of 16,00%, resulting in a real discount rate of approximately 4,22% (December 31, 2018: The provisions have been calculated assuming an annual inflation rate of 11,30% (estimated salary increase rate) and discount rate of 16,00%, resulting in a real discount rate of approximately 4,22% discount rate). The anticipated rate of for features is considered. As the maximum liability is revised semi-annually, the maximum amount of TL 6.018 effective from June 30, 2019 has been taken into consideration in calculation of provision from employment termination benefits.

	January 1 – June 30, 2019	January 1 – June 30, 2018
Opening balance at January 1	1.627.690	1.773.027
Service cost	147.294	151.076
Interest cost	138.902	142.468
Retirement pay provisions (-)	(120.206)	(422.704)
Closing balance at June 30	1.793.680	1.643.867

16. Prepaid expenses, other assets, deferred revenue (excluding liabilities from contracts with customers) and other liabilities

<i>Prepaid expenses – short term</i>	June 30, 2019	December 31, 2018
Job advances (*)	8.322.526	10.901.517
Prepaid expenses	852.070	696.197
Related party prepaid expenses (Note 24)	2.035.051	2.788.312
Total	11.209.647	14.386.026

(*) The amount consists of job advance is amounting to TL 779.597 (December 31, 2018: TL 4.609.098) to Sera Yapı Endüstri ve Tic. A.Ş. for construction of Topkapı İnistanbul Project, job advance is amounting to TL 3.552.840 (December 31, 2018: TL 3.276.607) to the related directorates within the scope of the construction supervision services of the projects and job advance is amounting to TL 1.421.775 (December 31, 2018: None) to Manzara Adalar Collective Building Management for the payment of dues for the empty units in Kartal Manzara Adalar project.

<i>Prepaid expenses – long term</i>	June 30, 2019	December 31, 2018
Job advances (*)	7.012.594	4.757.821
Prepaid taxes and dues payable	973.652	1.224.604
Total	7.986.246	5.982.425

(*) An agreement has signed in order to bought 45% shares of the land registered in Kadıkoy, Istanbul, has 9.043 m2 of floor space which is ownership of the land is belong to Tecim Yapı Elemanları İnşaat Servis ve Yönetim Hizmetleri San. ve Tic. Limited Şirketi (Tecim Ltd. Şti.). In this context, the expenses incurred until the price of the land is reached in accordance with the terms of the agreement will be accounted in this account.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

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

16. Prepaid expenses, other assets, deferred revenue (excluding liabilities from contracts with customers) and other liabilities (continued)

<i>Other current assets</i>	June 30, 2019	December 31, 2018
VAT transferred	37.721.404	--
Deposits and guarantees given	106.884	22.787
Prepaid taxes and dues payable	95.417	14.471
Total	37.923.705	37.258

<i>Other non-current assets</i>	June 30, 2019	December 31, 2018
VAT transferred	--	53.261.012
Toplam	--	53.261.012

<i>Other short-term liabilities</i>	June 30, 2019	December 31, 2018
Taxes and funds payable	1.019.798	1.040.031
Payable social security cuts	615.055	218.234
Total	1.634.853	1.258.265

Deferred revenue - short-term	June 30, 2019	December 31, 2018
Deferred revenue	2.056.391	7.025.210
Short-term deferred revenue from related party (Note24)	165.187	257.870
Total	2.221.578	7.283.080

17. Liabilities from contracts with customers

Liabilities from contracts with customers	June 30, 2019	December 31, 2018
Contractual liabilities from sales of goods and services (*)	215.953.862	279.436.381
Total	215.953.862	279.436.381

(*) The amount consists of advances received from the owners of the houses sold by Kartal Manzara Adalar Project, Topkapı İstanbul Project and İzmir Ege Perla Project (Note 11).

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

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18. Shareholder’s equity

Share capital

The composition of the paid-in share capital as of June 30, 2019 and December 31, 2018 are as follows:

	June 30, 2019		December 31, 2018	
İş Gayrimenkul Yat. Ort. A.Ş.	(%)		(%)	
Türkiye İş Bankası A.Ş.	47,65	456.800.662	47,44	454.800.582
Anadolu Hayat Emeklilik A.Ş.	7,11	68.151.714	7,11	68.151.714
Other	45,24	433.797.624	45,45	435.797.704
Total	100	958.750.000	100	958.750.000

The total number of ordinary shares consists of TL 958.750.000 (December 31, 2018: TL 958.750.000) 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, 2018: TL 1.369.642,817) of the total amount is Group A and TL 957.380.357,183 (December 31, 2018: TL 957.380.357,183) 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.

There was no capital increase with or without price during the period.

Adjustment to share capital

Adjustment to share capital amount is TL 240.146.090 as of June 30, 2019 and December 31, 2018. 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, 2019 and December 31, 2018, 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.

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Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2019

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

18. Shareholders’ equity (continued)

Restricted reserves

	June 30, 2019	December 31, 2018
Legal reserves	65.949.792	59.561.684
Total	65.949.792	59.561.684

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

	June 30, 2019	December 31, 2018
Prior years’ profits	2.261.000.280	1.925.777.515
Total	2.261.000.280	1.925.777.515

Dividend distribution

At the Ordinary General Assembly Meeting held on March 26, 2019; After the Board of Directors' Profit Share Distribution Proposal for the distribution of 2018 profit was accepted and the dividend was not distributed, and after the legal reserves required to be set aside in accordance with the legislation on the financial statements and the statutory records prepared in accordance with the capital market legislation; It has been decided to transfer the remaining profit from the profit to the previous year's profits according to the financial statements prepared in accordance with the capital market legislation.

In the Ordinary General Shareholders’ Meeting held on March 26, 2019, the distribution of 2018 net profit was determined as follows:

	Amount
Primary reserve (TTK 466/1) %5	6.388.108
Dividend	--
Secondary reserve (TTK 466/2)	--
Capital increase through bonus shares	--
Transferred to prior years’ profits	335.222.765
Total	341.610.873

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2019

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

19. Revenue and cost of revenue

	January 1– June 30, 2019	April 1– June 30, 2019	January 1– June 30, 2018	April 1– June 30, 2018
Income from sales of real estate	120.207.918	106.813.080	584.458.847	577.642.882
Rent income	107.073.231	54.281.368	95.214.704	47.929.356
Income from right of construction	12.925.650	7.130.373	9.913.145	5.196.093
Income fees and service	528.220	280.779	728.276	384.135
Sales income from investment property	--	--	54.385.000	54.385.000
Other revenue	482.360	454.917	153.323	68.230
Total real estate revenues	241.217.379	168.960.517	744.853.295	685.605.696
Interest income on bank deposits	7.002.517	2.836.240	4.513.563	3.396.166
Gain on buy/sell of marketable securities	314.205	159.644	394.982	158.940
Interest income from reverse repos	3.339	1.949	8.173	3.189
Total debt instruments revenue	7.320.061	2.997.833	4.916.718	3.558.295
Sales discounts (-)	--	--	(104.791)	(104.791)
Total revenue	248.537.440	171.958.350	749.665.222	689.059.200

	January 1– June 30, 2019	April 1– June 30, 2019	January 1– June 30, 2018	April 1– June 30, 2018
Cost of sales of real estate	(105.797.071)	(93.313.798)	(518.823.653)	(513.769.008)
Cost of administrative expenses	(17.493.267)	(8.277.705)	(17.347.669)	(6.284.270)
Taxes and dues	(5.467.138)	(2.752.338)	(6.144.886)	(1.953.322)
Insurance expenses	(1.722.430)	(900.328)	(1.524.298)	(771.004)
Cost of sales of investment property	--	--	(56.610.000)	(56.610.000)
Other	(558.062)	(460.976)	(166.481)	(76.575)
Total	(131.037.968)	(105.705.145)	(600.616.987)	(579.464.179)

20. Administrative expenses / Marketing, selling and distribution expenses

	January 1– June 30, 2019	April 1– June 30, 2019	January 1– June 30, 2018	April 1– June 30, 2018
Administrative expenses				
Personnel expenses	(10.114.672)	(6.300.690)	(8.384.733)	(3.048.955)
Outsourced service expenses	(2.714.767)	(1.315.890)	(3.321.821)	(1.779.463)
Provision for doubtful receivables	(1.693.881)	(1.034.455)	391.546	(286.245)
Depreciation and amortization	(986.538)	(490.181)	(896.852)	(425.271)
Taxes and dues	(47.971)	(24.718)	(120.912)	(83.914)
Other	(1.005.028)	(418.786)	(699.151)	(330.268)
Total	(16.562.857)	(9.584.720)	(13.031.923)	(5.954.116)

	January 1– June 30, 2019	April 1– June 30, 2019	January 1– June 30, 2018	April 1– June 30, 2018
Marketing, selling and distribution expenses				
Advertising expenses	(5.543.184)	(2.774.772)	(11.783.386)	(7.635.657)
Sales commission expenses	(1.597.987)	(705.470)	--	--
Consultancy expenses	(795.701)	(418.145)	(928.191)	(462.248)
Office expenses	(112.971)	(78.455)	(150.091)	(61.493)
Other	(41.589)	--	(705.398)	(680.912)
Total	(8.091.432)	(3.976.842)	(13.567.066)	(8.840.310)

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2019

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21. Other operating income / expense

	January 1– June 30, 2019	April 1– June 30, 2019	January 1– June 30, 2018	April 1– June 30, 2018
Other Operating Income				
Foreign exchange gains	3.556.568	3.179.723	82.074	(1.123.395)
Revaluation income of investment property (Note 10)	2.740.000	2.740.000	2.005.000	2.005.000
Other	978.947	178.297	549.086	138.075
Total	7.275.515	6.098.020	2.636.160	1.019.680

	January 1– June 30, 2019	April 1– June 30, 2019	January 1– June 30, 2018	April 1– June 30, 2018
Other Operating Expense				
Other expenses	(1.784)	(1.784)	--	--
Revaluation expense of investment property (Note 10)	--	--	(1.050.000)	(1.050.000)
Total	(1.784)	(1.784)	(1.050.000)	(1.050.000)

22. Finance income / expense

	January 1– June 30, 2019	April 1– June 30, 2019	January 1– June 30, 2018	April 1– June 30, 2018
Finance income				
Derivative gains	6.582.227	(9.028.552)	39.929.614	32.188.686
Total	6.582.227	(9.028.552)	39.929.614	32.188.686

	January 1– June 30, 2019	April 1– June 30, 2019	January 1– June 30, 2018	April 1– June 30, 2018
Finance expense				
Interest expense on loans and borrowings	(100.952.126)	(54.942.304)	(24.229.406)	(14.780.045)
Foreign exchange losses	(23.679.359)	(6.055.741)	(45.054.315)	(33.124.380)
Other interest expense	(1.493.869)	(1.298.940)	(353.719)	(328.873)
Derivative losses	--	--	(11)	--
Total	(126.125.354)	(62.296.985)	(69.637.451)	(48.233.298)

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2019

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

23. Earnings per share

	January 1– June 30, 2019	January 1– June 30, 2018
Period opening of number of shares in circulation	95.875.000.000	91.375.000.000
Bonus shares due to capital increase	--	4.500.000.000
Number of shares in circulation as of June 30	95.875.000.000	95.875.000.000
Weighted average number of shares in circulation (*)	95.875.000.000	95.875.000.000
Net profit for the period	(18.540.386)	95.105.256
Earnings per share	(0,0002)	0,0010
Diluted earnings per share	(0,0002)	0,0010

As of June 30, 2019 capital of the Company consists of 95.875.000.000 shares that are valued TL 0,01 for each one.

24. 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.

Details of related party balances are as follows:

Balances at İş Bankası	June 30, 2019	December 31, 2018
Demand deposits	3.076.120	4.671.458
Time deposits	12.540.021	45.406.348
Other current asset	27.000	102.499
Total	15.643.141	50.180.305

The Company has letters of guarantee amounting TL 38.123.536 (December 31, 2018: TL 38.144.431) from İş Bankası. In addition, 1st and 2nd 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, 2019 and December 31, 2018, the Company has mutual funds, established by İş Bankası.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2019

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

24. Related party disclosures (continued)

	June 30, 2019			
	Short Term Trade Receivable	Short Term Prepaid Expenses	Short Term Trade Payable	Deferred Income
Balances with related parties				
İş Merkezleri Yönetim ve İşletim A.Ş.	373.326	38.612	711.665	--
İş Finansal Kiralama A.Ş.	--	--	--	--
Türkiye İş Bankası A.Ş.	97.710	--	--	31.709
Kanyon Yönetim İşl. Paz. Ltd. Şti.A.Ş.	--	--	615.884	67.830
Anadolu Anonim Türk Sigorta A.Ş.	487.939	1.996.439	950.654	--
Anadolu Cam Sanayii A.Ş.	--	--	--	5.177
Anadolu Hayat Emeklilik A.Ş.	10.176	--	--	--
Camiş Madencilik A.Ş.	--	--	--	1.915
Şişecam Çevre Sistemleri A.Ş.	14.517	--	--	205
Madencilik San. ve Tic. A.Ş.	--	--	--	24
Camiş Elektrik A.Ş.	--	--	--	24
Cam Elyaf San. A.Ş.	--	--	--	24
Trakya Polatlı Cam San. A.Ş.	--	--	--	24
Trakya Yenişehir Cam San. A.Ş.	--	--	--	24
Çayrova Cam San. A.Ş.	--	--	--	24
Şişecam Otomotiv A.Ş.	--	--	--	1.352
İş Net Elektronik Hizmetler A.Ş.	1.607	--	21.370	--
Paşabahçe Cam San. Ve Tic. A.Ş.	--	--	--	13.718
Paşabahçe Mağazaları A.Ş.	53.875	--	--	2.883
Soda Sanayii A.Ş.	--	--	--	4.294
Şişecam Enerji A.Ş.	--	--	--	650
Şişecam Elyaf Sanayii A.Ş.	--	--	--	24
Türkiye Şişe ve Cam Fabrikaları A.Ş.	--	--	--	27.110
Trakya Cam Sanayii A.Ş.	--	--	--	8.176
Tecim Yapı Elemanları Ltd. Şti.	1.947.406	--	8.472.514	--
Kültür Yayınları İş Türk A.Ş.	--	--	--	--
Ortaklara borçlar (temettü)	--	--	705	--
Diğer	--	--	774.880	--
	2.986.556	2.035.051	11.547.672	165.187

June 30, 2019		
Loans and borrowings		
Balances with related parties	Short Term	Long Term
T. İş Bankası A.Ş.	320.187.893	312.291.802
Transactions with related parties		
	Interest expense on loans	Capitalized interest expense
T. İş Bankası A.Ş.	28.716.880	1.179.348

The Company has interest rate swap transactions realized during the period by T. İş Bankası A.Ş. as of June 30, 2019. Derivative gains amounting to TL 778.514 accounted in the financial statements of the Company.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

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For the Interim Period Ended June 30, 2019

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

24. Related party disclosures (continued)

	December 31, 2018			
	Short Term Trade Receivable	Short Term Prepaid Expenses	Short Term Trade Payable	Deferred Income
Balances with related parties				
İş Merkezleri Yönetim ve İşletim A.Ş.	2.293.499	--	1.732.093	--
İş Girişim Sermayesi A.Ş.	--	--	350	--
İş Finansal Kiralama A.Ş.	--	--	805	--
Türkiye İş Bankası A.Ş. (*)	--	--	--	17.438
İş Faktoring A.Ş.	--	--	750	--
Kanyon Yönetim İşl. Paz. Ltd. Şti. A.Ş.	75.754	--	2.602.868	43.479
Anadolu Anonim Türk Sigorta A.Ş.	--	2.788.312	1.495.237	--
Anadolu Cam Sanayii A.Ş.	--	--	--	15.532
Anadolu Hayat Emeklilik A.Ş.	128.968	--	--	--
Camiş Madencilik A.Ş.	--	--	--	5.746
Şişecam Çevre Sistemleri A.Ş.	6.252	--	--	616
Madencilik San. Ve Tic. A.Ş.	--	--	--	73
Camiş Elektrik A.Ş.	--	--	--	73
Cam Elyaf San. A.Ş.	642	--	--	73
Trakya Polatlı Cam San. A.Ş.	97	--	--	73
Trakya Yenişehir Cam San. A.Ş.	--	--	--	73
Çayırova Cam San. A.Ş.	1.380	--	--	73
Şişecam Otomotiv A.Ş.	5.407	--	--	4.055
İş Net Elektronik Hizmetler A.Ş.	767	--	13.770	--
Paşabahçe Cam San. Ve Tic. A.Ş.	54.872	--	--	41.154
Paşabahçe Mağazacılık A.Ş.	70.507	--	--	8.648
Soda Sanayii A.Ş.	17.176	--	--	12.882
Şişecam Enerji A.Ş.	--	--	--	1.950
Şişecam Elyaf Sanayii A.Ş.	97	--	--	73
Türkiye Şişe ve Cam Fabrikaları A.Ş.	108.444	--	--	81.332
Trakya Cam Sanayii A.Ş.	32.703	--	--	24.527
Softtech Yazılım Teknolojileri A.Ş.	--	--	48.216	--
Maxis Girişim Sermayesi Portföy Yön. A.Ş.	350	--	--	--
Tecim Yapı Elemanları Ltd. Şti.	1.883.847	--	10.097.186	--
Ortaklara borçlar (temettü)	--	--	705	--
Diğer	--	--	368.239	--
	4.680.762	2.788.312	16.360.219	257.870

(*) As of December 31, 2018, there is other short term receivables balance is amounting to TL 35.610 from Türkiye İş Bankası A.Ş.

	December 31, 2018	
	Financial liabilities	
Balances with related parties	Short term	Long term
T. İş Bankası A.Ş.	195.688.191	378.309.711
	June 30, 2018	
Transactions with related parties	Interest expense on loans	Capitalized interest expense
T. İş Bankası A.Ş.	14.227.531	17.229.929

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2019

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

24. Related party disclosures (continued)

	January 1 – June 30, 2019				
<i>Transactions with related parties</i>	Purchases (*)	Interest received	Rent income	Other income	Other expense
Anadolu Anonim Türk Sigorta A.Ş. (*)	2.861.329	--	280.636	269.896	--
Anadolu Hayat Emeklilik A.Ş.	91.515	--	2.715.429	--	--
İş Finansal Kiralama A.Ş.	--	--	3.150	--	--
İş Merkezleri Yönetim ve İşletim A.Ş.	5.853.916	--	1.958.573	--	--
İş Yatırım Menkul Değerler A.Ş.	899.528	--	1.869.034	--	--
Türkiye Şişe ve Cam Fabrikaları A.Ş.	--	--	5.139.540	54.222	--
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	--	--	243.911	--	--
İş Net Elektronik Hizmetler A.Ş.	119.992	--	207.732	--	--
Paşabahçe Mağazacılık A.Ş.	1.018	--	929.642	5.765	--
Paşabahçe Cam San. Ve Tic. A.Ş.	--	--	2.467.518	27.436	--
Trakya Cam Sanayii A.Ş.	--	--	1.470.614	16.352	--
Soda Sanayii A.Ş.	--	--	772.376	8.588	--
Anadolu Cam Sanayii A.Ş.	--	--	931.263	10.355	--
Camiş Madencilik A.Ş.	--	--	344.519	3.831	--
Camiş Elektrik A.Ş.	--	--	4.360	48	--
Softtech Yazılım Teknolojileri A.Ş.	--	--	3.636.577	--	--
Şişecam Enerji A.Ş.	--	--	116.940	1.300	--
Şişecam Otomotiv A.Ş.	--	--	243.127	2.703	--
Şişecam Çevre Sistemleri A.Ş.	--	--	36.908	410	--
Şişecam Elyaf Sanayii A.Ş.	--	--	4.360	48	--
Madencilik San. Ve Tic. A.Ş.	--	--	4.360	48	--
Cam Elyaf San. A.Ş.	--	--	4.360	48	--
Trakya Yenişehir Cam San. A.Ş.	--	--	4.360	48	--
Trakya Polatlı Cam San. A.Ş.	--	--	4.360	48	--
Çayırova Cam San. A.Ş.	--	--	4.360	48	--
Maxis Girişim Sermayesi Portföy Yön. A.Ş.	--	--	106.336	--	--
İş Faktoring A.Ş.	--	--	30.526	--	--
Kültür Yayınları İş Türk A.Ş.	10.067	--	--	--	--
Türkiye İş Bankası A.Ş.	--	7.005.856	45.341.422	--	438.795
	9.837.365	7.005.856	68.876.293	401.194	438.795

(*) 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, Kapadokya Lodge Hotel and Mallmarine Shopping Center.

In 2019, revenue share is amounting to TL 3.658.000 has paid to Tecim Yapı Elemanları Ltd. Şti. within the scope of Kartal Manzara Adalar project.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

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For the Interim Period Ended June 30, 2019

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

24. Related party disclosures (continued)

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

(*) 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, Kapadokya Lodge Hotel and Mallmarine Shopping Center.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2019

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

24. Related party disclosures (continued)

As of June 30, 2019 and December 31, 2018, related party balances of issued bonds and commercial papers as follows:

Balances with related parties	June 30, 2019	December 31, 2018
İş Yatırım Menkul Değerler A.Ş.	19.012.497	34.087.651
İş Yatırım Ortaklığı A.Ş.	2.524.479	1.030.055
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	307.895	7.816.795
	21.844.871	42.934.501

As of June 30, 2019 and 2018, coupon payments of issued bonds and commercial papers as follows:

Transactions with related parties	June 30, 2019	June 30, 2018
Anadolu Anonim Türk Sigorta A.Ş.	2.125.650	1.163.752
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	466.128	581.876
İş Yatırım Menkul Değerler A.Ş.	364.481	141.590
İş Yatırım Ortaklığı A.Ş.	202.977	619.116
T. İş Bankası	18.815	--
	3.178.051	2.506.334

Benefits provided to key management personnel:

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

	January 1- June 30, 2019	January 1- June 30, 2018
Salaries and other short term benefits	3.102.504	3.215.147
Employee termination benefits	554.856	496.873
Total	3.657.360	3.712.020

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2019

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

25. 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, 2019 and December 31, 2018 are as follows:

	US Dollars	Euro	GBP
June 30, 2019	5,7551	6,5507	7,2855
December 31, 2018	5,2609	6,0280	6,6528

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2019

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

25. 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:

June 30, 2019			
	TL Equivalent (Functional currency)	US Dollar	Euro
1. Trade Receivables	--	--	--
2a. Monetary Financial Assets	357.403	61.674	376
2b. Non-Monetary Financial Assets	358.848	62.353	--
3. Other	--	--	--
4. CURRENT ASSETS	716.251	124.027	376
5. Trade Receivables	--	--	--
6a. Monetary Financial Assets	--	--	--
6b. Non-Monetary Financial Assets	--	--	--
7. Other	--	--	--
8. NON CURRENT ASSETS	--	--	--
9. TOTAL ASSET	716.251	124.027	376
10. Trade Payables	387.830	67.389	--
11. Financial Liabilities	66.665.739	8.823.529	2.425.000
12a. Other Monetary Liabilities	--	--	--
12b. Other Non-Monetary Liabilities	4.140.184	605.927	99.686
13. SHORT TERM LIABILITIES	71.193.753	9.496.845	2.524.686
14. Trade Payables	--	--	--
15. Financial Liabilities	193.616.483	30.882.354	2.425.000
16a. Other Monetary Liabilities	--	--	--
16b. Other Non-Monetary Liabilities	--	--	--
17. LONG TERM LIABILITIES	193.616.483	30.882.354	2.425.000
18. TOTAL LIABILITIES	264.810.236	40.379.199	4.949.686
19. Net asset/liability position of off balance sheet derivatives (19a-19b)	228.511.321	39.705.882	--
19.a Off-balance sheet foreign currency derivative assets	228.511.321	39.705.882	--
19b. Off-balance sheet foreign currency derivative liabilities	--	--	--
20. Net foreign currency asset / liability position	(35.582.664)	(549.290)	(4.949.310)
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(260.312.650)	(39.711.598)	(4.849.624)
22. Fair Value of foreign currency hedged Financial asset	57.922.953	10.064.630	--
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, 2019

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

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

Foreign currency risk management (continued)

December 31, 2018			
	TL Equivalent (Functional currency)	US Dollar	Euro
1. Trade Receivables	--	--	--
2a. Monetary Financial Assets	2.953.603	502.478	51.446
2b. Non-Monetary Financial Assets	172.152	32.723	--
3. Other	--	--	--
4. CURRENT ASSETS	3.125.755	535.201	51.446
5. Trade Receivables	--	--	--
6a. Monetary Financial Assets	--	--	--
6b. Non-Monetary Financial Assets	--	--	--
7. Other	--	--	--
8. NON CURRENT ASSETS	--	--	--
9. TOTAL ASSET	3.125.755	535.201	51.446
10. Trade Payables	64.935	12.343	--
11. Financial Liabilities	61.037.604	8.823.529	2.425.000
12a. Other Monetary Liabilities	--	--	--
12b. Other Non-Monetary Liabilities	4.148.284	594.477	169.343
13. SHORT TERM LIABILITIES	65.250.823	9.430.349	2.594.343
14. Trade Payables	--	--	--
15. Financial Liabilities	200.296.725	35.294.118	2.425.000
16a. Other Monetary Liabilities	--	--	--
16b. Other Non-Monetary Liabilities	--	--	--
17. LONG TERM LIABILITIES	200.296.725	35.294.118	2.425.000
18. TOTAL LIABILITIES	265.547.548	44.724.467	5.019.343
19. Net asset/liability position of off balance sheet derivatives (19a-19b)	232.098.529	44.117.647	--
19.a Off-balance sheet foreign currency derivative assets	232.098.529	44.117.647	--
19b. Off-balance sheet foreign currency derivative liabilities	--	--	--
20. Net foreign currency asset / liability position	(30.323.264)	(71.619)	(4.967.897)
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(258.445.661)	(43.627.512)	(4.798.554)
22. Fair Value of foreign currency hedged Financial asset	59.381.350	11.287.299	--
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, 2019

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

25. 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.

June 30, 2019		
	Appreciation of foreign currency	Devaluation of foreign currency
<u>If US Dollar changes against TL by 10%</u>		
US Dollar net asset / liability	(22.854.422)	22.854.422
Portion hedged against US Dollar risk (-)	22.851.132	(22.851.132)
US Dollar net effect	(3.290)	3.290
<u>If Euro changes against TL by 10%</u>		
Euro net asset / liability	(3.176.843)	3.176.843
Portion hedged against Euro risk (-)	--	--
Euro net effect	(3.176.843)	3.176.843
December 31, 2018		
	Appreciation of foreign currency	Devaluation of foreign currency
<u>If US Dollar changes against TL by 10%</u>		
US Dollar net asset / liability	(22.951.998)	22.951.998
Portion hedged against US Dollar risk (-)	23.209.853	(23.209.853)
US Dollar net effect	257.855	(257.855)
<u>If Euro changes against TL by 10%</u>		
Euro net asset/liability	(2.892.568)	2.892.568
Portion hedged against Euro risk (-)	--	--
Euro net effect	(2.892.568)	2.892.568

26. Events after the reporting period

The Company's new issuing application for the debt instruments to be issued in lots through sales method to qualified investors in scope of issuing limit of 1.000.000.000TL is approved by Capital Markets Board's decision dated July 4, 2019 and numbered 39/874.

On July 24, 2019, the Company has issued bonds amounting to TL 50.000.000. The maturity date of the bond which is sold to qualified investors through İş Yatırım Menkul Değerler A.Ş. is September 20, 2019.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2019

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

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

The main accounts of separate financial statements	Related regulation	June 30, 2019	December 31, 2018
A Capital and money market instruments	III-48.1. Md. 24 / (b)	17.271.051	54.236.749
B Real estates, rights supported by real estates and real estate projects	III-48.1. Md. 24 / (a)	4.817.005.959	4.844.425.433
C Affiliates	III-48.1. Md. 24 / (b)	2.971.960	3.088.133
Due from related parties (other receivables)	III-48.1. Md. 23 / (f)	--	--
Other assets		312.774.192	320.582.609
D Total assets	III-48.1. Md. 3 / (k)	5.150.023.162	5.222.332.924
E Loans and borrowings	III-48.1. Md. 31	1.343.822.752	1.314.848.120
F Other financial liabilities	III-48.1. Md. 31	4.183.438	4.814.210
G Financial lease obligations	III-48.1. Md. 31	--	--
H Due to related parties (other payables)	III-48.1. Md. 23 / (f)	--	--
I Equity	III-48.1. Md. 31	3.538.398.969	3.556.939.355
Other liabilities		263.618.003	345.731.239
D Total liabilities and equity	III-48.1. Md. 3 / (k)	5.150.023.162	5.222.332.924
Other separate financial information	Related regulation	June 30, 2019	December 31, 2018
A1 Capital and money market instruments amount held for 3-year real estate payments	III-48.1. Md. 24 / (b)	--	--
A2 Time balances / demand balances TL / foreign currency	III-48.1. Md. 24 / (b)	15.616.307	50.182.973
A3 Foreign capital market instruments	III-48.1. Md. 24 / (d)	--	--
B1 Foreign real estates, rights supported by real estates and real estate projects	III-48.1. Md. 24 / (d)	--	--
B2 Inactive land	III-48.1. Md. 24 / (c)	51.998.861	51.314.379
C1 Foreign affiliates	III-48.1. Md. 24 / (d)	--	--
C2 Participating to operating company	III-48.1. Md. 28	2.971.960	3.088.133
J Non-cash loans	III-48.1. Md. 31	38.123.536	38.144.431
K Mortgage amounts of the mortgaged lands that the project will be developed on without ownership	III-48.1. Md. 22 / (e)	--	--
L The sum of investments in money and capital market instruments in a single company	III-48.1 Md. 22 / (1)	17.270.887	54.131.580

(*) 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, 2019, 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, 2019

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

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

Portfolio restrictions	Related regulation	June 30, 2019	December 31, 2018	Min/Max ratio
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)	94%	93%	Min %51
3 Capital and money market instruments and subsidiaries	III-48.1. Md. 24 / (b)	0%	1%	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	39%	38%	Max %500
8 Time balances / demand balances TL / foreign currency	III-48.1. Md. 24 / (b)	0%	1%	Max %10
9 The sum of investments in money and capital market instruments in a single company	III-48.1 Md. 22 / (1)	0%	1%	Max %10