

# **İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**

**Financial Statements As of and  
For the Year Ended December 31, 2021  
With Independent Auditors' Report**

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

February 21, 2022

*This report includes 4 pages of Independent Auditors' Report and  
67 pages financial statements and notes to the financial statements.*

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

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Güney Bağımsız Denetim ve SMMM A. Ş.  
Maslak Mah. Eski Büyükdere Cad.  
Orjin Maslak İş Merkezi No: 27 D: 57  
34485 Sarıyer/İstanbul TÜRKİYE

Tel: +90 212 315 3000  
Fax: +90 212 230 8291  
ey.com  
Ticaret Sicil No : 479920  
Mersis No: 0-4350-3032-6000017

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

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

### A) Report on the Audit of the Financial Statements

#### 1) Opinion

We have audited the financial statements of İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi'nin ("Şirket"), which comprise the statement of financial position as at December 31, 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with the Turkish Financial Reporting Standards (TFRS).

#### 2) Basis for Opinion

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

#### 3) Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
<b>Presentation of investment properties in the financial statements and significant information disclosed</b>	
As explained in note 2 and 10, the Company recognizes investment properties at their fair values, after initial recognition.	We assessed the qualifications, competencies and independence of the professional appraisers engaged by the management.
As of December 31, 2021, fair value amount of the investment properties disclosed in the financial statements has been valued at TL 5.454.111.022 by independent appraisal firms and details of the valuation have been disclosed	In our audit, we assessed whether the valuation methods as applied by appraisers are acceptable for valuation of the underlying investment property. We reconciled the appraised value for independent sections in the valuation report with disclosed amount in note

<p>in note 10. Due to the fact that investment properties are significant part of the Company's assets and applied valuation methods contain significant judgements and assumptions, we have considered the valuation of investment properties as a key audit matter.</p>	<p>10. In addition, we reconciled standing data included in the valuation report such as rental income, duration of lease contracts, occupancy rates and administration expenses to source documents.</p> <p>Among the other audit procedures we performed, we verified the assumptions used by the external appraisers in their valuations (including the discount rate, the market rent and the expected occupancy rates) against external data. For this assessment we involved valuation experts of a firm which is in our audit network to our audit procedures.</p> <p>Due to the high level of judgment in the valuation of investment property and the existence of alternative assumptions and valuation methods, we assessed if the result of the external valuation is within an acceptable range.</p> <p>We also examined the suitability of the information in the financial statements and explanatory note, given the importance of this information for users of the financial statements.</p>
<p><b>Inventories</b></p>	
<p>As of December 31, 2021, in the financial statements of the Company there has been inventories amounting to TL 139.873.007 in the current assets and TL 381.236.548 in the non-current assets. Inventories comprise of cost of land that is held to build housing projects for sale in the short-term and construction costs of housing units. Accounting policy regarding to inventories is disclosed in note 2, related inventory amounts are disclosed in note 11. Due to the fact that inventories are significant part of the Company's assets and matters such as accounting of purchase, conversion-capitalization and other necessary costs which are included to inventories, housing inventories to be sold are considered as key audit matter to our audit.</p>	<p>Within the scope of our audit procedures performed regarding to the subject stated above, it has been focused on the followings;</p> <ul style="list-style-type: none"> <li>- Testing cost of development additions in the current year by comparing with documents such as invoice and progress payment</li> <li>- Review of borrowing costs capitalized to inventories in the current year and review the capitalization ceiling test</li> <li>- Testing of foreign currency differences capitalized and its verification with borrowing costs</li> <li>- Controlling of net realizable value of the inventories with valuation report and realized sales.</li> </ul>



#### **4) Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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

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

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

#### **5) Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

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

**B) Report on Other Legal and Regulatory Requirements**

- 1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on January 31, 2022.
- 2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January – 31 December 2021 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.
- 3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Fatih Polat.

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



Fatih Polat, SMMM  
Partner

January 31, 2022  
İstanbul, Turkey

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**İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**

As of December 31, 2021 Statement of Financial Position (Balance Sheet)

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

		<i>Audited</i>	<i>Audited</i>
	Notes	December 31, 2021	December 31, 2020
<b>ASSETS</b>			
<b>Current assets</b>		<b>492.261.589</b>	<b>464.909.637</b>
Cash and cash equivalents	5	138.562.954	59.156.089
Trade receivables	8	109.092.484	125.644.421
<i>Trade receivables from related parties</i>	25	2.369.667	2.183.477
<i>Trade receivables from third parties</i>		106.722.817	123.460.944
Other receivables	9	5.560.768	6.374.055
<i>Other receivables from related parties</i>	25	--	1.175.000
<i>Other receivables from third parties</i>		5.560.768	5.199.055
Derivatives	6	28.049.500	33.617.110
Inventories	11	139.873.007	234.619.247
Prepaid expenses	16	68.485.450	5.234.925
<i>Prepaid expenses to related parties</i>	25	229.092	211.610
<i>Prepaid expenses to third parties</i>		68.256.358	5.023.315
Other current assets	16	2.637.426	263.790
<b>Non-current assets</b>		<b>6.184.059.709</b>	<b>4.760.495.830</b>
Financial investments	6	272.785.497	230.571.960
Trade receivables	8	3.528.353	13.203.105
<i>Other trade receivables from third parties</i>		3.528.353	13.203.105
Inventories	11	381.236.548	200.107.126
Equity accounted investees	3	5.768.402	4.285.294
Investment properties	10	4.979.646.022	3.942.624.436
Investment properties under development	10	474.465.000	318.570.000
Tangible assets	12	55.492.519	41.395.040
Intangible assets	13	1.249.812	939.699
Prepaid expenses	16	9.887.556	8.799.170
<i>Prepaid expenses to third parties</i>		9.887.556	8.799.170
<b>TOTAL ASSETS</b>		<b>6.676.321.298</b>	<b>5.225.405.467</b>

The accompanying notes form an integral part of these financial statements



**İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**

As of December 31, 2021 Statement of Financial Position (Balance Sheet)

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

		<i>Audited</i>	<i>Audited</i>
	<b>Notes</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>LIABILITIES</b>			
<b>Short-term liabilities</b>		<b>1.000.398.213</b>	<b>962.552.803</b>
Short term loans and borrowings	7	840.482.361	446.021.370
<i>Loans and borrowings to related parties</i>	25	442.594.531	222.657.441
<i>Loans and borrowings to third parties</i>		397.887.830	223.363.929
Current portion of long term loans and borrowings	7	5.645.663	437.419.301
<i>Loans and borrowings to related parties</i>	25	5.645.663	235.880.646
<i>Loans and borrowings to third parties</i>		--	201.538.655
Trade payables	8	10.550.029	8.041.258
<i>Trade payables to related parties</i>	25	4.310.834	2.896.856
<i>Trade payables to third parties</i>	8	6.239.195	5.144.402
Other payables	9	16.137.729	11.374.522
<i>Other payables to third parties</i>	9	16.137.729	11.374.522
Liabilities from contracts with customers		98.315.105	38.013.150
<i>Contractual obligations from sales of goods and services</i>	17	98.315.105	38.013.150
Deferred income (Excluding liabilities from contracts with customers)	16	18.673.511	2.107.021
<i>Deferred income from related parties</i>	25	56.771	47.113
<i>Deferred income from third parties</i>		18.616.740	2.059.908
Short-term provisions		6.517.479	7.207.646
<i>Provisions for employee benefits</i>	15	496.510	459.525
<i>Other short-term provisions</i>	14	6.020.969	6.748.121
Other short-term liabilities	16	4.076.336	2.460.885
Derivatives	6	--	9.907.650
<b>Long-term liabilities</b>		<b>200.260.206</b>	<b>131.898.858</b>
Long term loans and borrowings	7	197.107.317	129.538.235
<i>Loans and borrowings to related parties</i>	25	117.000.002	129.538.235
<i>Loans and borrowings to third parties</i>		80.107.315	-
Long term provisions		3.152.889	2.360.623
<i>Provisions for employee benefits</i>	15	3.152.889	2.360.623
<b>EQUITY</b>		<b>5.475.662.879</b>	<b>4.130.953.806</b>
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		55.581.064	40.791.881
<i>Revaluation and classification of gains / losses</i>		56.043.574	41.094.769
<i>Other earnings/ losses</i>		(462.510)	(302.888)
Legal reserves	18	71.190.580	70.941.969
Prior years' profits	18	2.819.651.274	2.553.397.882
Net profit for the period		1.329.919.890	266.502.003
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>6.676.321.298</b>	<b>5.225.405.467</b>

The accompanying notes form an integral part of these financial statements

**İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi****Statement of Profit or Loss For the Year Ended December 31, 2021***(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)*

		<i>Audited</i>	<i>Audited</i>
		<b>January 1 - December 31 2021</b>	<b>January 1 - December 31 2020</b>
	<b>Notes</b>		
Revenue	19	488.577.001	552.678.714
Cost of sales (-)	19	(200.955.447)	(356.313.056)
<b>Gross profit</b>		<b>287.621.554</b>	<b>196.365.658</b>
General administrative expenses (-)	20	(30.243.898)	(30.471.174)
Marketing expenses (-)	20	(14.512.469)	(7.139.564)
Other operating income	22	1.235.439.964	358.709.081
Other operating expenses (-)	22	(659.131)	(75.744.314)
<b>Operating profit</b>		<b>1.477.646.020</b>	<b>441.719.687</b>
Share of profit of equity-accounted investees	3	1.983.108	2.044.038
<b>Operating Profit Before Finance Expense</b>		<b>1.479.629.128</b>	<b>443.763.725</b>
Financial income	23	46.193.755	10.929.166
Financial expenses (-)	23	(195.902.993)	(188.190.888)
<b>Operating Profit before Tax From Continuing Operations</b>		<b>1.329.919.890</b>	<b>266.502.003</b>
<b>Tax Expense From Continuing Operations</b>			
- Corporate tax charge		--	--
- Deferred tax benefit		--	--
<b>Net profit for the period</b>		<b>1.329.919.890</b>	<b>266.502.003</b>
Earnings per share	24	0,0139	0,0028

The accompanying notes form an integral part of these financial statements

**İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**

Statement of Other Comprehensive Income For the Year Ended December 31, 2021

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

		<i>Audited</i>	<i>Audited</i>
		<b>January 1 - December 31 2021</b>	<b>January 1 - December 31 2020</b>
	<b>Notes</b>		
<b>Net profit for the period</b>		<b>1.329.919.890</b>	<b>266.502.003</b>
<b>Other comprehensive income</b>			
<b>Other comprehensive income that will never be reclassified to profit or loss</b>		<b>14.789.183</b>	<b>4.224.725</b>
Revaluation and classification of gains / losses	12	14.948.805	4.142.813
Actuarial gain/(loss) arising from defined benefit plans	15	(159.622)	81.912
<b>Other comprehensive income</b>		<b>14.789.183</b>	<b>4.224.725</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>1.344.709.073</b>	<b>270.726.728</b>

The accompanying notes form an integral part of these financial statements

**İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**

**Statement of Changes in Equity For the Year Ended December 31, 2021**

*(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	Other earnings/losses	Revaluation and classification of gains/losses	Legal reserves	Prior years' profits	Net profit for the period	Equity
<b>Balances at January 1, 2020</b>		<b>958.750.000</b>	<b>240.146.090</b>	<b>423.981</b>	<b>(384.800)</b>	<b>36.951.956</b>	<b>65.949.792</b>	<b>2.261.000.280</b>	<b>297.389.779</b>	<b>3.860.227.078</b>
Transfers		--	--	--	--	--	4.992.177	292.397.602	(297.389.779)	--
Total comprehensive income		--	--	--	81.912	4.142.813	--	--	266.502.003	270.726.728
<b>Balances at December 31, 2020</b>	<b>18</b>	<b>958.750.000</b>	<b>240.146.090</b>	<b>423.981</b>	<b>(302.888)</b>	<b>41.094.769</b>	<b>70.941.969</b>	<b>2.553.397.882</b>	<b>266.502.003</b>	<b>4.130.953.806</b>
<b>Balances at January 1, 2021</b>		<b>958.750.000</b>	<b>240.146.090</b>	<b>423.981</b>	<b>(302.888)</b>	<b>41.094.769</b>	<b>70.941.969</b>	<b>2.553.397.882</b>	<b>266.502.003</b>	<b>4.130.953.806</b>
Transfers		--	--	--	--	--	248.611	266.253.392	(266.502.003)	--
Total comprehensive income		--	--	--	(159.622)	14.948.805	--	--	1.329.919.890	1.344.709.073
<b>Balances at December 31, 2021</b>	<b>18</b>	<b>958.750.000</b>	<b>240.146.090</b>	<b>423.981</b>	<b>(462.510)</b>	<b>56.043.574</b>	<b>71.190.580</b>	<b>2.819.651.274</b>	<b>1.329.919.890</b>	<b>5.475.662.879</b>

The accompanying notes form an integral part of these financial statements



**İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**  
**Statement of Cash Flow For the Year Ended December 31, 2021**  
*(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)*

		<i>Audited</i>	<i>Audited</i>
		<b>January 1- December 31 2021</b>	<b>January 1- December 31 2020</b>
	<b>Notes</b>		
<b>A. Cash flows from operating activities</b>			
Net profit for the period		<b>1.329.919.890</b>	<b>266.502.003</b>
<i>Profit adjustments for:</i>			
Adjustments to depreciation and amortization	12, 13	2.477.126	2.307.159
Adjustments to impairment or cancellation		(32.220.733)	(8.425.983)
- Adjustments to impairment of receivables	8	2.096.646	1.078.370
- Adjustments to impairment of inventories	11	(34.317.379)	(9.504.353)
Adjustments for provisions		760.529	698.245
- Adjustments to provision for employee severance indemnity	15	760.529	698.245
Adjustments for (gain)/losses on fair value		(1.226.018.007)	(280.908.566)
- Adjustments to (gain)/losses on fair value of investment property	10	(1.139.831.513)	(261.329.951)
- Adjustments to (gain)/losses on fair value of financial assets		(39.992.739)	(8.649.449)
- Adjustments to (gain)/losses on fair value of derivatives	23	(46.193.755)	(10.929.166)
Adjustments for retained earnings of investments valued by equity method		(1.983.108)	(2.044.038)
- Adjustments for retained earnings of subsidiaries	3	(1.983.108)	(2.044.038)
Adjustments to interest income and expense		148.338.747	130.208.283
- Adjustments to interest income	19	(6.123.271)	(7.418.947)
- Adjustments to interest expense	23	154.462.018	137.627.230
Adjustments to foreign exchange differences		(19.297.162)	40.142.550
<b>Operating profit from before the changes in working capital</b>		<b>201.977.282</b>	<b>148.479.653</b>
<i>Changes in working capital</i>			
Changes in trade receivables		24.130.044	9.264.481
- Changes in trade receivables from related parties		(186.190)	881.022
- Changes in trade receivables from third parties		24.316.234	8.383.459
Changes in other receivables		813.287	811.233
- Changes in other receivables from related parties		1.175.000	325.000
- Changes in other receivables from third parties		(361.713)	486.233
Changes in inventories		77.884.013	253.776.783
Changes in prepaid expenses		(64.338.911)	2.060.962
Changes in trade payables		2.508.771	(33.303.260)
- Changes in trade payables from related parties		1.413.968	(31.155.930)
- Changes in trade payables from third parties		1.094.803	(2.147.330)
Changes in other payables		4.763.236	(894.662)
- Changes in other payables from third parties		4.763.236	(894.662)
Changes in liabilities from contracts with customers		60.301.956	(111.023.095)
- Changes in contractual obligations from sales of goods and services		60.301.956	(111.023.095)
Changes in deferred income (Excluding liabilities from contracts with customers)		16.566.490	(20.724.167)
Other changes in working capital		(1.485.363)	16.117.004
- Changes in other assets		(2.373.636)	12.593.003
- Changes in other liabilities		888.273	3.524.001
		<b>323.120.805</b>	<b>264.564.932</b>
<b>Cash generated from operating activities</b>			
Employee termination benefits paid	15	(90.902)	(265.375)
Interest received	5, 19	5.798.034	8.625.877
<b>Net cash provided by / (used in) operating activities</b>		<b>328.827.937</b>	<b>272.925.434</b>
<b>B. Cash flows from investing activities</b>			
Cash outflows for the acquisition of shares of other entities or funds or debt instruments		(2.220.798)	(2.799.999)
Cash outflows arising from purchase of investment properties	10	(182.934.674)	(13.880.749)
Cash outflows arising from purchases of tangible and intangible assets	12, 13	(1.935.913)	(1.107.263)
- Cash outflows arising from purchases of tangible assets		(1.029.066)	(322.173)
- Cash outflows arising from purchases of intangible assets		(906.847)	(785.090)
Dividends received		500.000	--
<b>Net cash used in investing activities</b>		<b>(186.591.385)</b>	<b>(17.788.011)</b>
<b>C. Cash flows from financing activities</b>			
Cash inflows arising from derivatives		45.227.800	30.636.424
Cash outflows arising from derivatives		(3.374.085)	(9.442.867)
Borrowings received	7	2.291.187.851	521.607.215
Borrowings paid	7	(2.272.488.656)	(987.641.445)
Interest paid	7	(143.004.995)	(146.833.209)
<b>Net cash provided by financing activities</b>		<b>(82.452.085)</b>	<b>(591.673.882)</b>
<b>Increase / (decrease) in cash and cash equivalents before effect of changes in foreign currency rates</b>		<b>59.784.467</b>	<b>(336.536.459)</b>
Effect of changes in foreign currency rates over cash and cash equivalents		19.297.161	8.484.092
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>79.081.628</b>	<b>(328.052.367)</b>
Cash and cash equivalents at the beginning of the period	5	58.915.973	386.968.340
<b>Cash and cash equivalents at the end of the period</b>	5	<b>137.997.601</b>	<b>58.915.973</b>

The accompanying notes form an integral part of these financial statements

# **İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**

Notes to the Financial Statements For the Year Ended December 31, 2021

(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 66 employees as of December 31, 2021 (December 31, 2020: 69).

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”). However, Kanyon is converted to Joint Stock Company status as at June 5, 2015. 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.

## **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 December 31, 2021 have been approved for issue by the Board of Directors on January 31, 2022. 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 announced by POA as of April 15, 2019.

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

Notes to the Financial Statements For the Year Ended December 31, 2021

(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

In the statement made by the Public Oversight, Accounting and Auditing Standards Authority on January 20, 2022, since the cumulative change in the general purchasing power of the last three years, according to the Consumer Price Index (CPI), is 74,41%, in the financial statements for 2021, it has been stated that there is no need to make any adjustments within the scope of "TAS 29 Financial Reporting Standard in High Inflation Economies". In this respect, while preparing the financial statements as of 31 December 2021, no inflation adjustment was made according to TAS 29.

##### 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 were 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.

## **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 retrospectively and restated prior financial statements.

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

The accounting policies adopted in preparation of the financial statements as at December 31, 2021 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, 2021. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs

**i) The new standards, amendments and interpretations which are effective as at January 1, 2021 are as follows:**

#### **Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16**

In December 2020, the POA issued Interest Rate Benchmark Reform – Phase 2, Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 to provide temporary reliefs which address the financial reporting effects when an interbank offering rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR, amending the followings. The amendments are effective for periods beginning on or after 1 January 2021. Earlier application is permitted and must be disclosed.

#### **Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform**

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Under this practical expedient, if the interest rates applicable to financial instruments change as a result of the IBOR reform, the situation is not considered as a derecognition or contract modification; instead, this would be determined by recalculating the carrying amount of the financial instrument using the original effective interest rate to discount the revised contractual cash flows.

The practical expedient is required for entities applying IFRS 4 Insurance Contracts that are using the exemption from IFRS 9 Financial Instruments (and, therefore, apply IAS 39 Financial Instruments: Classification and Measurement) and for IFRS 16 Leases, to lease modifications required by IBOR reform.

#### **Relief from discontinuing hedging relationships**

The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.

Amounts accumulated in the cash flow hedge reserve are deemed to be based on the RFR.

For the IAS 39 assessment of retrospective hedge effectiveness, on transition to an RFR, entities may elect on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero.



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

Notes to the Financial Statements For the Year Ended December 31, 2021

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

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

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

The amendments provide relief for items within a designated group of items (such as those forming part of a macro cash flow hedging strategy) that are amended for modifications directly required by IBOR reform. The reliefs allow the hedging strategy to remain and not be discontinued.

As instruments transition to RFRs, a hedging relationship may need to be modified more than once. The phase two reliefs apply each time a hedging relationship is modified as a direct result of IBOR reform.

#### **Separately identifiable risk components**

The amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

#### **Additional disclosures**

Amendments need additional IFRS 7 Financial Instruments disclosures such as; How the entity is managing the transition to RFRs, its progress and the risks to which it is exposed arising from financial instruments due to IBOR reform, quantitative information about financial instruments that have yet to transition to RFRs and if IBOR reform has given rise to changes in the entity's risk management strategy, a description of these changes.

The amendments are mandatory, with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods.

The Company has not had an impact on the financial position or performance of the Company.

#### **Amendments to IFRS 16 - Covid-19-Related Rent Concessions and Covid-19-Related Rent Concessions**

In June 2020, the POA issued amendments to TFRS 16 Leases to provide relief to lessees from applying TFRS 16 guidance on lease modifications to rent concessions arising a direct consequence of the Covid-19 pandemic. In April 7, 2021, POA extended the exemption to include concessions that cause a decrease in lease payments whose maturity expired on or before June 30, 2022.

A lessee will apply the amendment for annual reporting periods beginning on or after 1 April 2021. Early application of the amendments is permitted. Overall, the Company expects no significant impact on its balance sheet and equity. The Company is in the process of assessing the impact of the amendments on 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 / the Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

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

Notes to the Financial Statements For the Year Ended December 31, 2021

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

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

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

##### **Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

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.

##### **Amendments to IFRS 3 – Reference to the Conceptual Framework**

In July 2020, the POA issued amendments to TFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of TFRS 3. At the same time, the amendments add a new paragraph to TFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments issued to TFRS 3 which are effective for periods beginning on or after 1 January 2022 and must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in TFRS standards (2018 Version).

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

##### **Amendments to IAS 16 – Proceeds before intended use**

In July 2020, the POA issued amendments to TAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments issued to TAS 16 which are effective for periods beginning on or after 1 January 2022. Amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment. There is no transition relief for the first time adopters.

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

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

Notes to the Financial Statements For the Year Ended December 31, 2021

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

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

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

##### **Amendments to IAS 37 – Onerous contracts – Costs of Fulfilling a Contract**

In July 2020, the POA issued amendments to TAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments issued to TAS 37 which are effective for periods beginning on or after 1 January 2022, to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a “directly related cost approach”. Amendments must be applied prospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

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

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

The POA issued TFRS 17 in February 2019, 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 2023; 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.

##### **Amendments to TAS 1- Classification of Liabilities as Current and Non-Current Liabilities**

On January 15, 2021, the POA issued amendments to TAS 1 Presentation of Financial Statements. The amendments issued to TAS 1 which are effective for periods beginning on or after 1 January 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted.

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

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

Notes to the Financial Statements For the Year Ended December 31, 2021

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

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

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

##### **Amendments to TAS 8 - Definition of Accounting Estimates**

In August 2021, the POA issued amendments to TAS 8, in which it introduces a new definition of ‘accounting estimates’. The amendments issued to TAS 8 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the POA. The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. Earlier application is permitted.

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

##### **Amendments to TAS 1 - Disclosure of Accounting Policies**

In August 2021, the POA issued amendments to TAS 1, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments issued to TAS 1 are effective for annual periods beginning on or after 1 January 2023. In the absence of a definition of the term ‘significant’ in TFRS, the POA decided to replace it with ‘material’ in the context of disclosing accounting policy information. ‘Material’ is a defined term in TFRS and is widely understood by the users of financial statements, according to the POA. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them. Examples of circumstances in which an entity is likely to consider accounting policy information to be material have been added.

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



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

Notes to the Financial Statements For the Year Ended December 31, 2021

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

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

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

##### **Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

In August 2021, the POA issued amendments to TAS 12, which narrow the scope of the initial recognition exception under TAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments issued to TAS 12 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations should be recognized.

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

##### **Annual Improvements – 2018–2020 Cycle**

In July 2020, the POA issued Annual Improvements to TFRS Standards 2018–2020 Cycle, amending the followings:

- TFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter: The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.

- TFRS 9 Financial Instruments – Fees in the “10 per cent test” for derecognition of financial liabilities: The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other’s behalf.

- TAS 41 Agriculture – Taxation in fair value measurements: The amendment removes the requirement in paragraph 22 of TAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of TAS 41.

Improvements are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted for all.

The Company is in the process of assessing the impact of the amendments / improvements on financial position or performance of the Company.

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

Notes to the Financial Statements For the Year Ended December 31, 2021

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

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

#### **2.4 Summary of significant accounting policies**

Significant accounting policies applied for the preparation of the accompanying financial statements are as follows:

##### **2.4.1 Accounting of income and expense**

###### Revenue

Revenue include rent income, revenue from sale of investment properties and income from expenses made for investment properties invoiced to tenants, interests received from banks, income from capital market instruments.

###### *Rent income from investment properties under operating leases*

Rent income generated during the period from investment properties is recognized on an accrual basis. Revenue can only be realized if the amount is reliably measured and the inflow of the economic benefits related with the transaction to the Company is probable. Revenue is recognized as the fair value of the consideration amount received or receivable.

Income from expenses made for investment properties invoiced to tenants is recognized in the period when the service is provided by the Company.

###### *Revenue from sale of investment property*

Revenue is recognized when the significant risks and rewards of ownership of the investment property are transferred to the buyer and the amount is reliably measured. Revenue is recognized when and only when the Company transfers the significant risks and rewards of ownership of the goods to the buyer, retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

###### *Interest income and expense*

Interest income is recognized through profit or loss on accrual basis by using the effective interest method.

If borrowing costs are totally related with an investment property in progress, these borrowing costs are included in the cost of mentioned investment property. Other borrowing costs are recognized through profit or loss by using the effective interest rate.

###### Other income and expense

Other income and expense are recognized through profit or loss on accrual basis.

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

Notes to the Financial Statements For the Year Ended December 31, 2021

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

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

#### **2.4 Summary of significant accounting policies (continued)**

##### **2.4.2 Investment property**

The investment properties that the Company owns are measured by fair value in accordance with TMS 40 "Investment Property".

Terrains and buildings which hired to use for production of goods and services or administrative use or to be sold or rented in the ordinary course of business or in the purpose of appreciation, or for both are classified as investment properties and are evaluated by fair value measurement. Profit or loss that inflicting by a change in the fair value of an investment property, is included to the comprehensive income statement in its consisting time. (Note 22)

Investment properties are registered as asset if and only the economic benefits in the future are likely to enter the firm and the cost of investment properties are dependably measurable.

Management considers level of completion of construction, comparability of constructional project in market, identifiability of cash flows credibly which are following completion of construction, risks of real estate property, backgrounds and reconstruction permits of other construction which has same qualifications for faithfully evaluation of fair value of real estate properties which are under construction.

##### **2.4.3 Tangible assets**

As of December, 31 2004 the Company were reflecting tangible assets purchased before January 1 2005 on cost restated for the effects of inflation. In the following period were reflecting purchase cost, after allocating accumulated depreciation and permanent impairment provisions to the financial statements. Due to the changes in accounting policies since September 30, 2015, valuation of real estate in use recorded under tangible fixed assets was amended from cost model to the revaluation model in accordance with "TAS 16- Tangible Assets".

Cost of a tangible asset represents all cash outflows directly attributable to purchase of an asset and includes capitalized borrowing costs if any.

If the components of a tangible asset have different useful lives, these components (essential parts) must be recognized separately.

Gains and losses of sale of a tangible asset is determined by offsetting the carrying value with recovered amount and recognized through profit or loss in the other operating income / loss account.

##### **Depreciation**

Tangible assets are depreciated principally on a straight-line basis considering estimated useful lives, acquisition and assembly dates. Estimated useful lives are summarized below:

Buildings	50 years
Machinery and equipment	4-5 years
Vehicles	4-5 years
Furniture and fixtures	3-5 years

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

Notes to the Financial Statements For the Year Ended December 31, 2021

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

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

#### **2.4 Summary of significant accounting policies (continued)**

##### **2.4.3 Tangible assets (continued)**

###### Subsequent costs

Expenditures incurred to replace a component of tangible assets that is accounted for separately, including major inspection and overhaul costs, are capitalized. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit or loss as incurred.

##### **2.4.4 Intangible assets**

Intangible assets acquired before 1 January 2005 are carried at restated cost; and subsequent purchases are carried at cost, less accumulated amortization and impairment.

###### Amortization

Intangible assets are amortized principally on a straight-line basis considering the estimated useful lives. Related intangible assets are amortized when they are ready to use. The expected useful lives of intangible assets are 5 years.

##### **2.4.5 Impairment of non-financial assets**

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If an asset's or cash generating unit's recoverable amount is less than it is carrying value, the value of this asset or cash generating unit is discounted to recoverable amount. Impairments are recognized through profit or loss.

##### **2.4.6 Inventories**

Inventories are measured at the lower of cost or net realizable value. Inventories comprise of construction costs of housing units (completed and in-progress) and the costs of land used for these housing projects. Cost elements included in inventory are purchase costs, conversion costs and other costs necessary to prepare the asset for its intended use. Unit costs of the inventories are valued at the lower of cost or net realizable value. Housing units which are completed and ready for delivery to customers together with work-in progress costs for housing units which will be completed within a year are classified as short term inventories, and which will not be completed within a year are classified as long term inventories in the financial statements.

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

Notes to the Financial Statements For the Year Ended December 31, 2021

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

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

#### **2.4 Summary of significant accounting policies (continued)**

##### **2.4.7 Financial instruments**

###### **i) Financial assets**

###### *Classification*

The Company classifies its financial assets in three categories of financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss. The classification of financial assets is determined considering the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The appropriate classification of financial assets is determined at the time of the purchase.

###### *Recognition and Measurement*

“Financial assets measured at amortized cost”, are non-derivative assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Company’s financial assets measured at amortized cost comprise “cash and cash equivalents”, “trade receivables” and “other receivables”. Financial assets carried at amortized cost are measured at their fair value at initial recognition and by effective interest rate method at subsequent measurements. Gains and losses on valuation of non-derivative financial assets measured at amortized cost are accounted for under the statement of income.

“Financial assets measured at fair value through other comprehensive income”, are non-derivative assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Gains or losses on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses until the financial asset is derecognized or reclassified. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified to retained earnings. The Company may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss, to present subsequent changes in fair value in other comprehensive income. In such cases, dividends from those investments are accounted for under statement of income.

“Financial assets measured at fair value through profit or loss”, are assets that are not measured at amortized cost or at fair value through other comprehensive income. Gains and losses on valuation of these financial assets are accounted for under the statement of income.

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

Notes to the Financial Statements For the Year Ended December 31, 2021

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

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

#### **2.4 Summary of significant accounting policies (continued)**

##### **2.4.7 Financial instruments (continued)**

###### **i) Financial assets (continued)**

###### *Derecognition*

The Company derecognized a financial asset when the contractual rights to the cash flows from the asset expired, or it transferred the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset were transferred. Any interest in such transferred financial assets that was created or retained by the Company was recognized as a separate asset or liability.

###### *Impairment*

Impairment of the financial and contractual assets measured by using "Expected credit loss model" (ECL). The impairment model applies for amortized financial and contractual assets. Provision for loss measured as below;

- 12- Month ECL: results from default events that are possible within 12 months after reporting date.
- Lifetime ECL: results from all possible default events over the expected life of financial instrument. Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since 12 month ECL measurement if it has not.

The Company may determine that the credit risk of a financial asset has not increased significantly if the asset has low credit risk at the reporting date. However lifetime ECL measurement (simplified approach) always apply for trade receivables and contract assets without a significant financing

###### *Trade receivable*

Trade receivables are carried at amortized rate method, less the unearned financial income. Short duration receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

The Company has preferred to apply "simplified approach" for the recognition of impairment losses on trade receivables, carried at amortised cost and that do not comprise of any significant finance component (those with maturity less than 12 months). In accordance with the simplified approach, the Company measures the loss allowances regarding its trade receivables at an amount equal to "lifetime expected credit losses" except incurred credit losses in which trade receivables are already impaired for a specific reason.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other operating income.

Unearned finance income/expense due to commercial transactions are accounted for under "Other Operating Income/Expenses" in the statement of income or loss.

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

Notes to the Financial Statements For the Year Ended December 31, 2021

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

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

#### **2.4 Summary of significant accounting policies (continued)**

##### **2.4.7 Financial instruments (continued)**

###### **i) Financial assets (continued)**

###### *Cash and cash equivalents*

Cash and cash equivalents are comprised of cash, bank deposits with maturity periods of less than three-months and other highly liquid short-term investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. The carrying values of these assets are close to their fair values.

###### *Reverse repurchase agreements*

Marketable securities held as part of resale agreement commitments (“reverse repo”) are accounted for under cash and cash equivalents in the statement of financial position. The difference between purchase and resale prices is accounted for as interest and amortized during the period of the agreement.

###### **ii) Financial liabilities**

Financial liabilities are recognized with fair values in initial registration date. Financial liabilities are recognized with their acquisition costs including transaction costs and evaluated through amortized costs depending on the method of active interest rate. In case of enforcing, cancelling or abolishing the obligations based on the agreement; the Company deducts aforesaid financial obligations from registrations.

###### **iii) Non-derivative financial liabilities**

###### *Trade and other payables*

Trade and other payables are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. In case of cancellation or termination of contractual obligations; The Company removes the financial liability from its records.

###### **iv) Derivative financial instruments**

The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. In accordance with its treasury policy, the Company engages in swap contracts. If these derivatives do not qualify for hedge accounting and are accounted for as trading instruments, changes in their fair value are accounted in profit or loss.

Derivative financial instruments are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted in profit or loss.

###### **v) Paid-in capital**

###### *Ordinary shares*

Ordinary shares are classified as paid in capital. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.



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

Notes to the Financial Statements For the Year Ended December 31, 2021

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

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

#### **2.4 Summary of significant accounting policies (continued)**

##### **2.4.8 Offsetting**

Financial assets and liabilities are offset when the Company has a legally enforceable right to set off, and when the Company has the intention of collecting or paying the net amount of related assets and liabilities or when the Company has the right to offset the assets and liabilities simultaneously.

##### **2.4.9 Effects of foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currency of the Company at exchange rates on the dates of the transactions. The Company's financial statements and operation results are presented in TL which is effective currency and presentation currency of the Company.

The Company uses the Central Bank buying rates of exchange that is valid at the transaction date, when converting the transactions made by foreign currency Monetary assets and liabilities denominated in foreign currencies on the reporting date are retranslated to the functional currency at the exchange rate on that date. Foreign currency differences arising on retranslation are recognized in profit or loss.

##### **2.4.10 Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, such as investment property, are capitalized as part of the cost of that asset.

All other borrowing costs are recorded in the profit or loss in the period in which they are incurred.

##### **2.4.11 Earnings per share**

Earnings per share is calculated by dividing profit or loss by the weighted average number of ordinary shares outstanding during the period. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held (Note 24).

In Turkey, companies can raise their share capital by distributing "bonus shares" to shareholders from retained earnings. In computing earnings per share, such "bonus share" distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

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

Notes to the Financial Statements For the Year Ended December 31, 2021

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

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

#### **2.4 Summary of significant accounting policies (continued)**

##### **2.4.12 Events after the reporting period**

Events after the reporting period represent the events that occur against or on behalf of the Company between the reporting date and the date when statement of financial position was authorized for the issue. There are two types of events after the reporting period:

- those that provide evidence of conditions that existed as of the reporting period (adjusting events after the reporting date) and
- those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting date).

If there is evidence of such events as of reporting date or if such events occur after reporting date and if adjustments are necessary, the Company's financial statements are adjusted according to the new situation. The Company discloses the post-balance sheet events that are not adjusting events but material.

##### **2.4.13 Provisions, contingent asset and liabilities**

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. If the related criteria not met, obligations must be disclosed in the notes to the financial statements.

If there is a probable cash inflow for an economic benefit, contingent asset must be disclosed in the notes to the financial statements. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

##### **2.4.14 Taxes calculated on the basis of the company's earnings**

###### The Company

According to Article 5/1(d) (4) of the New Corporate Tax Law No: 5220, the income of Real Estate Investment Trusts ("REIT") is exempt from Corporate Income Tax in Turkey. This exemption is also applicable to Quarterly Advance Corporate Tax.

According to New Corporate Tax Law Article 15/ (3), the income of REITs is subject to 15% withholding tax irrespective of its distribution. The Council of Ministers has the authority to increase the withholding tax rate on REIT income to corporate income tax rate or reduce it to 0% or change it within the limits defined through publication of a Decree based on the Corporate Tax Law Article 15/ (34). In accordance with New Corporate Tax Law Article 15/ (2), income subject to corporate tax is also exempt from withholding tax.

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

Notes to the Financial Statements For the Year Ended December 31, 2021

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

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

#### **2.4 Summary of significant accounting policies (continued)**

##### **2.4.14 Taxes calculated on the basis of the company's earnings (continued)**

According to temporary Article (1) of the New Corporate Tax Law, resolutions of the Council of Ministers related with Income Tax Law numbered 193 and Tax Law No: 5422 are valid up to new Decrees published by the Council of Ministers. Determined rates cannot exceed statutory limits defined at New Corporate Tax Law.

Based on the resolution of the Council of Ministers related to the withholding tax rates which were determined as 15% according to the New Corporate Tax Law Article 15/(3) published in the Official Gazette dated 3 February 2009 numbered 27130, the withholding tax rate is determined as 0% and this resolution is effective on the same date. Thereof, in accordance with the Article 5/1(d) (4) of the New Corporate Tax Law, real estate investment company earnings, regardless of the fact they are distributed or not, will be subject to 0% withholding.

Since the Company is exempt from Corporate Income Tax in Turkey in accordance with Article 5 of the Corporate Tax Law, deferred tax is not recognized.

##### **2.4.15 Employee benefits / Retirement pay provisions**

In accordance with TAS 19 all actuarial gains and losses are recognized in other comprehensive income. The most important change in new TAS 19 is related to the accounting for the defined benefit obligations effective from 31 December 2012.

Under the Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Company. Such payments are considered as being part of defined retirement benefit plan as per IAS 19 *Employee Benefits*.

The retirement benefit obligation recognized in the financial statements represents the present value of the defined benefit obligation. All actuarial gains and losses have been recognized in the statement of other comprehensive income.

##### **2.4.16 Share capital and dividends**

Common shares are classified as equity. Expenses directly attributable to the issuance of common shares and share options are recognized in equity with net of tax. Dividends on common shares are recognized in equity in the period in which they are approved and announced.

##### **2.4.17 Related parties**

For the purpose of the accompanying financial statements, the shareholders, key management personnel and the Board members, and in each case, together with their families and companies controlled by/affiliated with them; and investments are considered and referred to as the related parties. Shareholders and the Company's management are also included in the related parties. Related party transactions include the transfer of the assets and liabilities between institutions with or without a charge.

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

Notes to the Financial Statements For the Year Ended December 31, 2021

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

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

#### **2.4 Summary of significant accounting policies (continued)**

##### **2.4.18 Leasing**

Finance leasing is a leasing method which most of the risks and rewards transferred to lessee. All other leasing activities are classified as operational leasing.

##### *The Company, as lessor in the operational lease transactions*

Operational lease income is recognized in the profit or loss on a straight-line basis for the whole lease period in the agreement.

##### *The Company, as lessee in the operational lease transactions*

Operational lease expense is recognized in the profit or loss on a straight-line basis for the whole lease period in the agreement. Start-up costs for the realization and optimization of the operational lease agreement are added to the cost of the leased asset and amortized through the leased time on a straight line basis method.

##### *The Company, as lessee in the finance lease transactions*

Tangible assets acquired by finance leasing are recognized both as an asset and liability in the statement of financial position of the Company. The value of these assets is determined as lower of fair value or present value of future lease payments. Financial costs arising from leasing transactions are distributed in a fixed rate through the lease agreement period.

##### **2.4.19 Statement of cash flows**

The Company presents statement of cash flows as an integral part of other financial statements to inform the users of financial statements about the changes in its net assets, its financial structure and its ability to manage the amount and timing of its cash flows under new conditions. Cash and cash equivalents are comprised of cash, receivables from reverse repos and time deposits with maturity shorter than three months.

##### **2.4.20 Segment reporting**

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are regularly reviewed by the Company Management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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

Notes to the Financial Statements For the Year Ended December 31, 2021

(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 included in the footnote titled "Control of Compliance with Portfolio Limitations" is in the nature of summary information derived from financial statements in accordance with the CMB's Communiqué Serial: II No: 14.1 "Principles of Financial Reporting in the Capital Markets". This information was published in the Official Gazette numbered 28660 on May 28, 2013, Serial: III, No: 48.1 "Communiqué on Principles Regarding Real Estate Investment Trusts"; The Communiqué on the Amendment of the Communiqué, Serial: III, No: 48.1a, published in the Official Gazette No. 28891 on January 23, 2014, and published in the Official Gazette No. 31269 on October 9, 2020, Serial: III No: Amendments to the Communiqué No. 48.1.e on "Principles Regarding Real Estate Investment Trusts". It has been prepared within the framework of the provisions of the Communiqué on the control of compliance with portfolio limitations.

#### **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 14 Provision for litigation*
- *Note 15 Provision for employee benefits*

#### **Working capital ratio**

As of 31 December 2021, current assets of the Company are amount to TL 492.261.589 and short term liabilities of the Company are amount to TL 1.000.398.213 short term liabilities exceeded current assets TL 508.136.624. In addition, there are advances received are amount to TL 98.315.105 arising from house sales are included to short term liabilities.

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

The Company anticipates that approximately 330-350 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 Financial Statements For the Year Ended December 31, 2021

(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 (%)	December 31, 2021	Ownership (%)	December 31, 2020
Kanyon	50	5.768.402	50	4.285.294
		<b>5.768.402</b>		<b>4.285.294</b>

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

Kanyon	December 31, 2021	December 31, 2020
Current assets	31.921.418	21.095.672
Non-current assets	1.037.744	1.266.553
Short-term liabilities	(19.628.531)	(12.725.896)
Long-term liabilities	(1.793.827)	(1.065.741)
<b>Net assets</b>	<b>11.536.804</b>	<b>8.570.588</b>

Kanyon	January 1 – December 31, 2021	January 1 – December 31, 2020
Income for the period	71.421.479	69.384.440
Expense for the period (-)	(67.455.263)	(65.296.363)

The Company recognized profit amounting to TL 1.983.108 resulting from consolidation of Kanyon with equity method for the year ended December 31, 2021 (December 31, 2020: TL 2.044.038) 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 Year Ended December 31, 2021

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

## 4. Operating segments (continued)

	Ankara İş Kule Building	İstanbul İş Kuleleri Complex	Maslak Office Building	Mugla Marmaris Mallmarin Shopping Mall	İstanbul Kanyon Shopping Mall	İstanbul Marmara Park Shopping Mall	Taksim Office Lamartine	Tuzla Technology and Operating Centre	Tuzla Meydan Bazaar	İzmir Ege Perla Shopping Mall	İzmir Ege Perla Residence/ Office	Kartal Manzara Adalar	Topkapı İstanbul	Other Real Estates	Total
<b>31 December 2021</b>															
<u>Sales revenue</u>															
Income from sales of residential units	--	--	--	--	--	--	--	--	--	--	32.602.388	180.709.422	22.736.938	--	236.048.748
Rent income	6.345.158	38.956.731	392.106	1.084.644	35.908.379	--	2.640.489	114.360.163	1.218.450	4.101.012	557.155	81.344	--	--	205.645.631
Income from right of construction	--	--	--	--	--	38.117.321	--	--	--	--	--	--	--	--	38.117.321
Income fees and service	--	--	64.061	--	86.331	--	--	--	--	859.874	--	--	--	--	1.010.266
Other income	--	--	--	--	84.814	--	--	--	--	--	--	2.951	--	--	87.765
<b>Real estate revenue</b>	<b>6.345.158</b>	<b>38.956.731</b>	<b>456.167</b>	<b>1.084.644</b>	<b>36.079.524</b>	<b>38.117.321</b>	<b>2.640.489</b>	<b>114.360.163</b>	<b>1.218.450</b>	<b>4.960.886</b>	<b>33.159.543</b>	<b>180.793.717</b>	<b>22.736.938</b>	<b>--</b>	<b>480.909.731</b>
Cost of sales of residential units	--	--	--	--	--	--	--	--	--	--	20.357.492	109.899.194	19.345.491	--	149.602.177
Administrative expense	--	11.436.252	303.182	--	10.247.530	--	390.021	--	1.081.595	10.818.858	586.777	2.215.152	--	171.538	37.250.905
Tax and duty and other charges	394.645	2.784.359	286.056	32.525	2.404.831	1.276.633	140.476	1.447.667	87.336	969.073	--	271.687	--	--	10.095.288
Insurance expense	104.985	687.719	81.098	39.029	415.493	--	33.029	979.019	161.811	394.830	21.051	67.835	--	44.450	3.030.349
Other	20.087	217.397	500	--	91.840	12.500	--	--	841	16.324	219.822	383.423	--	13.994	976.728
<b>Cost of Sales</b>	<b>519.717</b>	<b>15.125.727</b>	<b>670.836</b>	<b>71.554</b>	<b>13.159.694</b>	<b>1.289.133</b>	<b>563.526</b>	<b>2.426.686</b>	<b>1.331.583</b>	<b>12.199.085</b>	<b>21.185.142</b>	<b>112.837.291</b>	<b>19.345.491</b>	<b>229.982</b>	<b>200.955.447</b>
<b>Gross Profit</b>	<b>5.825.441</b>	<b>23.831.004</b>	<b>(214.669)</b>	<b>1.013.090</b>	<b>22.919.830</b>	<b>36.828.188</b>	<b>2.076.963</b>	<b>111.933.477</b>	<b>(113.133)</b>	<b>(7.238.199)</b>	<b>11.974.401</b>	<b>67.956.426</b>	<b>3.391.447</b>	<b>(229.982)</b>	<b>279.954.284</b>
<b>Capital investments</b>	<b>73.735</b>	<b>483.382</b>	<b>9.000</b>	<b>--</b>	<b>3.776.990</b>	<b>--</b>	<b>--</b>	<b>223.715</b>	<b>--</b>	<b>7.373.354</b>	<b>--</b>	<b>273.840</b>	<b>3.908.173</b>	<b>228.227.461</b>	<b>244.349.650</b>



# İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Year Ended December 31, 2021

(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	Taksim Office Lamartine	Tuzla Technology and Operating Centre	Tuzla Meydan Bazaar	İzmir Ege Perla Shopping Mall	İzmir Ege Perla Residence/ Office	Kartal Manzara Adalar	Topkapı İstanbul	Other Real Estates	Total
<b>December 31, 2020</b>															
<u>Sales Revenue</u>															
Income from sales of residential units	--	--	--	--	--	--	--	--	--	--	20.976.585	142.023.428	166.752.559	--	329.752.572
Rent income	5.670.762	39.248.958	346.616	890.942	25.343.535	--	2.399.710	101.852.656	897.982	2.802.904	467.624	411.138	--	--	180.332.827
Income from right of construction	--	--	--	--	--	32.070.725	--	--	--	--	--	--	--	--	32.070.725
Income fees and service	--	--	114.827	--	76.431	--	--	--	--	823.992	208.264	265.650	--	--	1.489.164
Other income	--	56.399	--	--	40.535	--	--	--	1.102	352.909	--	17.052	--	--	467.997
<b>Real estate revenue</b>	<b>5.670.762</b>	<b>39.305.357</b>	<b>461.443</b>	<b>890.942</b>	<b>25.460.501</b>	<b>32.070.725</b>	<b>2.399.710</b>	<b>101.852.656</b>	<b>899.084</b>	<b>3.979.805</b>	<b>21.652.473</b>	<b>142.717.268</b>	<b>166.752.559</b>	<b>--</b>	<b>544.113.285</b>
Cost of sales of residential units	--	--	--	--	--	--	--	--	--	--	16.701.534	141.189.930	150.870.986	--	308.762.450
Administrative expense	--	9.766.238	203.688	--	7.375.812	--	134.333	--	895.389	10.751.349	861.749	3.951.189	--	295.986	34.235.733
Tax and duty and other charges	377.454	2.663.246	290.629	31.106	2.300.028	1.220.584	134.387	1.384.732	88.510	813.620	--	268.268	--	1.624	9.574.188
Insurance expense	35.065	725.065	23.588	28.238	351.927	--	17.460	841.151	110.077	637.445	59.538	137.307	--	26.584	2.993.445
Other	--	169.806	13.169	--	74.865	37.500	--	--	5.802	266.246	--	153.287	--	26.565	747.240
<b>Cost of Sales</b>	<b>412.519</b>	<b>13.324.355</b>	<b>531.074</b>	<b>59.344</b>	<b>10.102.632</b>	<b>1.258.084</b>	<b>286.180</b>	<b>2.225.883</b>	<b>1.099.778</b>	<b>12.468.660</b>	<b>17.622.821</b>	<b>145.699.981</b>	<b>150.870.986</b>	<b>350.759</b>	<b>356.313.056</b>
<b>Gross Profit</b>	<b>5.258.243</b>	<b>25.981.002</b>	<b>(69.631)</b>	<b>831.598</b>	<b>15.357.869</b>	<b>30.812.641</b>	<b>2.113.530</b>	<b>99.626.773</b>	<b>(200.694)</b>	<b>(8.488.855)</b>	<b>4.029.652</b>	<b>(2982.713)</b>	<b>15.881.573</b>	<b>(350.759)</b>	<b>187.800.229</b>
<b>Capital investments</b>	<b>158.465</b>	<b>1.146.960</b>	<b>6.316.484</b>	<b>--</b>	<b>640.303</b>	<b>--</b>	<b>--</b>	<b>45.577</b>	<b>--</b>	<b>3.216.602</b>	<b>--</b>	<b>379.125</b>	<b>34.239.765</b>	<b>18.009.366</b>	<b>64.152.647</b>

**İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**

Notes to the Condensed Financial Statements For the Year Ended December 31, 2021

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

**4. Operating segments (continued)****Reconciliation of income, assets and liabilities**

<b>Sales Revenue</b>	<b>January 1 – December 31, 2021</b>	<b>January 1 – December 31, 2020</b>
Segment revenue	480.909.731	544.113.285
Undistributed revenue	7.667.270	8.565.429
<b>Total Revenue</b>	<b>488.577.001</b>	<b>552.678.714</b>
<b>Cost of Sales</b>	<b>January 1 – December 31, 2021</b>	<b>January 1 – December 31, 2020</b>
Segment Costs	200.955.447	356.313.056
<b>Total cost of sales</b>	<b>200.955.447</b>	<b>356.313.056</b>
<b>Assets</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Segment assets	5.975.220.577	4.695.920.809
Other assets	112.620.837	138.847.526
Non-segment related assets	588.479.884	390.637.132
<b>Total assets</b>	<b>6.676.321.298</b>	<b>5.225.405.467</b>
<b>Liabilities</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Segment liabilities	1.164.300.293	1.065.467.611
Other liabilities	36.358.126	28.984.050
<b>Total liabilities</b>	<b>1.200.658.419</b>	<b>1.094.451.661</b>

**5. Cash and cash equivalents**

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Time deposits	118.732.252	56.249.378
Demand deposits	17.174.012	818.504
Mutual funds	2.656.690	2.088.207
	<b>138.562.954</b>	<b>59.156.089</b>
Interest accrued on cash and cash equivalents	(565.353)	(240.116)
<b>Total cash and cash equivalents in the statement of cash flows</b>	<b>137.997.601</b>	<b>58.915.973</b>

**İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**

Notes to the Condensed Financial Statements For the Year Ended December 31, 2021

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

**5. Cash and cash equivalents (continued)**

<u>Time deposits:</u>			<b>December 31, 2021</b>
<u>Currency</u>	<u>Interest Rate</u>	<u>Maturity</u>	
Euro	0,05%	January 2022	30.174.020
US Dollar	0,06%	January 2022	19.993.796
TL	16,00-16,25%	January 2022	68.564.436
			<b>118.732.252</b>
			<b>December 31, 2021</b>
	<b>Cost</b>	<b>Fair Value</b>	
Mutual Funds	2.643.014	2.656.690	
<b>Total</b>	<b>2.643.014</b>	<b>2.656.690</b>	
<u>Time deposits:</u>			<b>December 31, 2020</b>
<u>Currency</u>	<u>Interest rate</u>	<u>Maturity</u>	
Euro	0,50%	February 2021	2.253.698
US Dollar	0,25-0,90%	February 2021	38.803.466
TL	16,75%	January 2021	15.192.214
<b>Total</b>			<b>56.249.378</b>
			<b>December 31, 2020</b>
	<b>Cost</b>	<b>Fair Value</b>	
Mutual funds	2.087.654	2.088.207	
	<b>2.087.654</b>	<b>2.088.207</b>	

**6. Financial investments / Derivatives*****Long-term financial investments***

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Financial assets at fair value through profit or loss</b>		
İş Asset Management 2nd Real Estate Investment Fund	272.785.497	230.571.960
<b>Total</b>	<b>272.785.497</b>	<b>230.571.960</b>

As of 31 December 2021, the Company is kept the held of financial investments with 223.632.247 shares from İş Asset Management 2nd Real Estate Investment Fund

**İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**

Notes to the Condensed Financial Statements For the Year Ended December 31, 2021

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

**6. Financial investments / Derivatives (continued)**

The movement of İş Asset Management 2nd Real Estate Investment Fund is follow;

	December 31, 2021	December 31, 2020
<b>Opening, January 1</b>	<b>230.571.960</b>	<b>394.715.000</b>
Additions	2.220.798	2.800.000
Disposal	--	(175.592.488)
Fair value difference (Note 21)	39.992.739	8.649.448
<b>Closing</b>	<b>272.785.497</b>	<b>230.571.960</b>

**Derivatives**

	December 31, 2021	December 31, 2020
<b>Financial assets held for trading</b>		
Derivative instruments	28.049.500	33.617.110
<b>Total</b>	<b>28.049.500</b>	<b>33.617.110</b>

	December 31, 2021	December 31, 2020
<b>Financial liabilities held for trading</b>		
Derivative instruments	--	9.907.650
<b>Total</b>	<b>--</b>	<b>9.907.650</b>

**7. Loans and borrowings**

The details of financial borrowings and financial leasing as of December 31, 2021 and 2020 are as follows:

	December 31, 2021	December 31, 2020
<b><u>Short-term borrowings</u></b>		
Short-term bank borrowings	765.999.596	151.629.029
Issued commercial papers	74.482.765	294.392.341
<b>Total</b>	<b>840.482.361</b>	<b>446.021.370</b>

	December 31, 2021	December 31, 2020
<b><u>Short-term portions of long-term financial borrowings:</u></b>		
Short-term portions of long-term loans	5.645.663	234.151.528
Issued bonds	--	203.267.773
<b>Total</b>	<b>5.645.663</b>	<b>437.419.301</b>

**İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**

Notes to the Condensed Financial Statements For the Year Ended December 31, 2021

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

**7. Loans and borrowings (continued)**

	December 31, 2021	December 31, 2020
<b><u>Long-term financial borrowings</u></b>		
Long-term bank loans	117.000.002	129.538.235
Issued bonds	80.107.315	--
<b>Total</b>	<b>197.107.317</b>	<b>129.538.235</b>

The details of loans and bank borrowings as of December 31, 2021 and 2020 are as follows:

December 31, 2021				
Currency	Interest rate (%)	Original amount	Short-term (TL)	Long-term (TL)
TL	17,00-20,15	888.645.261	771.645.259	117.000.002
<b>Total</b>			<b>771.645.259</b>	<b>117.000.002</b>

December 31, 2020				
Currency	Interest rate (%)	Original amount	Short-term (TL)	Long-term (TL)
US Dollar	Libor + 4,25	26.761.797	66.906.736	129.538.235
TL	11,75-13,00	318.873.821	318.873.821	--
<b>Total</b>			<b>385.780.557</b>	<b>129.538.235</b>

In accounting period ending on 31 December 2021, the Company borrowed cash loans amounting to TL 1.127.000.000, some of which expire within the maturity period, with maturities ranging from 11 days to 2 years, with an interest rate of 17.00% to 20.25%.

As of December 31, 2021 and 2020 details of issued bonds are as follows:

December 31, 2021					
ISIN CODE	Interest rate (%)	Issued Nominal Amount (TL)	Issue Date	Amortization Date	Net Book Value
TRSISGYA2214	17,50%	78.650.000	November 11, 2021	December 9, 2022	80.107.315
TRFISGY12219	19,10%	75.000.000	September 15, 2021	January 14, 2022	74.482.765
<b>Total</b>		<b>153.650.000</b>			<b>154.590.080</b>
December 31, 2020					
ISIN CODE	Interest rate (%)	Issued Nominal Amount (TL)	Issue Date	Amortization Date	Net Book Value
TRSISGY12113	TRLIBOR + 2,00	100.000.000	January 24, 2019	January, 25 2021	102.924.684
TRSISGY32111	Benchmark + 2,50	100.000.000	March 23, 2018	March 23, 2021	100.343.089
TRFISGY12110	14,10%	150.000.000	October 19, 2020	January 20, 2021	148.880.440
TRFISGY22119	15,75%	50.750.000	November 18, 2020	February 18, 2021	49.717.170
TRFISGY42117	16,90%	100.000.000	December 2, 2020	April 6, 2021	95.794.731
<b>Total</b>		<b>500.750.000</b>			<b>497.660.114</b>

**İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**

Notes to the Condensed Financial Statements For the Year Ended December 31, 2021

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

**7. Loans and borrowings (continued)**

As of December 31, 2021 and 2020, the movement of loans and borrowings as follows:

	December 31, 2021	December 31, 2020
<b>Opening balance, 1 January</b>	<b>1.012.978.908</b>	<b>1.438.508.447</b>
Borrowings received	2.291.187.851	521.607.215
Borrowings paid	(2.272.488.656)	(987.641.445)
Interest paid	(143.004.995)	(146.833.209)
Interest accrual	154.562.233	138.711.259
Currency translation difference	--	48.626.641
<b>Closing balance</b>	<b>1.043.235.341</b>	<b>1.012.978.908</b>

**8. Trade receivables and payables***Short-term trade receivables and payables*

	December 31, 2021	December 31, 2020
<u>Trade receivables</u>		
Receivables from customers	28.857.270	56.274.184
Income accruals	76.596.785	65.695.716
Notes receivable	1.298.762	1.563.501
Rediscount of notes receivables (-)	(30.000)	(72.457)
Doubtful receivables	8.586.780	6.490.134
Provision for doubtful receivables (-)	(8.586.780)	(6.490.134)
Due from related parties (Note 25)	2.369.667	2.183.477
<b>Total</b>	<b>109.092.484</b>	<b>125.644.421</b>
<u>Trade payables</u>		
Payables to suppliers	6.239.195	5.144.402
Due to related parties (Note 25)	4.310.834	2.896.856
<b>Total</b>	<b>10.550.029</b>	<b>8.041.258</b>

As of December 31, 2021, provision for doubtful trade receivables is TL 8.586.780 TL (December 31, 2020: TL 6.490.134). Provision for doubtful receivables is determined based on the historical collection performance.

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

	December 31, 2021	December 31, 2020
<b>Opening balance, 1 January</b>	<b>(6.490.134)</b>	<b>(5.411.764)</b>
Charge for the period	(2.646.826)	(1.447.768)
Provisions released	550.180	369.398
<b>Closing balance</b>	<b>(8.586.780)</b>	<b>(6.490.134)</b>

*Long Term Trade Receivables*

	December 31, 2021	December 31, 2020
<u>Trade receivables</u>		
Receivables from customers	1.964.886	10.635.788
Income accruals	1.563.467	2.567.317
	<b>3.528.353</b>	<b>13.203.105</b>

**İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**

Notes to the Condensed Financial Statements For the Year Ended December 31, 2021

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

**9. Other receivables and payables**

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Other short-term receivables (*)	5.560.768	5.199.055
Other receivables from related parties (Not 25)	--	1.175.000
<b>Total</b>	<b>5.560.768</b>	<b>6.374.055</b>

(\*) The amount is consisting of receivables from tax office amounting to TL 3.456.536 (December 31, 2020: TL 3.456.536) receivables from collective building management of projects amounting to TL 723.123 (December 31, 2020: TL 1.557.066).

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<u>Other payables – short-term</u>		
Deposits and guarantees given	13.103.982	10.427.563
Other short-term payables (*)	3.033.747	946.959
<b>Total</b>	<b>16.137.729</b>	<b>11.374.522</b>

(\*) The amount is consisting of title deed fees which will be repaid to the customers of İnistanbul Project.

**10. Investment property**

As of December 31, 2021 and 2020, details of investment properties are as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Investment property under operating lease	4.979.646.022	3.942.624.436
Investment property under construction and other	474.465.000	318.570.000
<b>Total</b>	<b>5.454.111.022</b>	<b>4.261.194.436</b>

As of December 31, 2021, total insurance amount on investment properties is TL 2.383.229.698 (December 31, 2020: TL 2.263.594.913).

In 2021, finance expense is capitalized amounting to TL 14.709.127 (December 31, 2020: TL 1.084.027) at investment properties and inventories of the Company.



**İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**

Notes to the Condensed Financial Statements For the Year Ended December 31, 2021

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

**10. Investment property (continued)**

	January 1, 2021 opening balance	Purchases	Disposals	Transfers	Fair value difference	December 31, 2021 closing balance
<b>Investment property under operating lease</b>						
Tuzla Technology and Operation Centre	1.339.000.000	223.715	--	--	313.423.285	1.652.647.000
Istanbul İş Kuleleri Complex	1.133.076.000	483.382	--	--	360.694.618	1.494.254.000
Kanyon Shopping Mall	580.258.447	3.776.990	--	--	107.899.563	691.935.000
Istanbul Marmarapark Shopping Mall	245.330.000	--	--	--	104.427.000	349.757.000
Izmir Ege Perla Shopping Mall	235.000.000	7.373.354	--	--	40.056.646	282.430.000
Ankara İş Kule Building	154.745.000	73.735	--	--	23.366.265	178.185.000
Maslak Office Building	130.385.000	9.000	--	--	32.756.000	163.150.000
Taksim Office Lamartine	73.830.000	--	--	--	31.290.000	105.120.000
Tuzla Meydan Bazaar	25.095.000	--	--	--	6.580.000	31.675.000
Mugla Marmaris Mallmarine Shopping Mall	17.935.000	--	--	--	4.225.000	22.160.000
Levent Land	7.969.989	96.780	--	--	266.253	8.333.022
	<b>3.942.624.436</b>	<b>12.036.956</b>	--	--	<b>1.024.984.630</b>	<b>4.979.646.022</b>
<b>Investment property under construction</b>						
Istanbul Finance Centre Project	248.795.000	110.823.117	--	--	114.846.883	474.465.000
Üsküdar Land	69.775.000	60.074.601	--	(129.849.601)	--	--
	<b>318.570.000</b>	<b>170.897.718</b>	--	<b>(129.849.601)</b>	<b>114.846.883</b>	<b>474.465.000</b>
<b>Total</b>	<b>4.261.194.436</b>	<b>182.934.674</b>	--	<b>(129.849.601)</b>	<b>1.139.831.513</b>	<b>5.454.111.022</b>

As of December 31, 2021, the Company has 1st and 2nd degree mortgage on the investment properties amounting to USD 136.000.000 and TL 879.000.000 which are established in favor of İş Bank. In the current period, the Company obtained rent income amounting to TL 243.762.952 (December 31, 2020: TL 212.403.552) of its investment property. Total direct operating expenses related to these properties amounting to TL 51.353.270 (December 31, 2020: TL 47.550.606).

## İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Year Ended December 31, 2021

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

### 10. Investment property (continued)

The fair values of the Company's investment properties at December 31, 2021 have been arrived at on the basis of valuations carried out in November and December 2021 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.

	2021	2020
<b>Investment property under operating lease</b>		
Tuzla Technology and Operation Centre	Sales comparison approach	Discounted cash flow and directly capitalization approach
İstanbul İş Kuleleri Complex	Sales comparison approach	Sales comparison approach
Kanyon Shopping Mall	Discounted cash flow	Discounted cash flow approach
Ege Perla Shopping Mall	Sales comparison approach	Discounted cash flow and sales comparison approach
İstanbul Marmara Park Shopping Mall	Sales comparison approach	Sales comparison approach
Ankara İş Kule Building	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 Meydan Bazaar	Sales comparison approach	Directly capitalization approach
Muğla Marmaris Mallmarine Shopping Mall	Sales comparison approach	Sales comparison approach
Levent Land	Fair value based on estate tax	Fair value based on estate tax
<b>Investment property under construction</b>		
İstanbul Finance Centre Project	Sales comparison and cost approach	Sales comparison and cost approach
Üsküdar Land	--	Sales comparison approach

	January 1, 2020 opening balance	Purchases	Disposals	Transfers	Fair value difference	December 31, 2020 closing balance
<b>Investment property under operating lease</b>						
Tuzla Technology and Operation Centre	1.198.000.000	45.577	--	--	140.954.423	1.339.000.000
İstanbul İş Kuleleri Complex	1.068.763.000	1.146.960	--	--	63.166.040	1.133.076.000
Kanyon Shopping Mall	614.479.043	640.303	--	--	(34.860.899)	580.258.447
İstanbul Marmarapark Shopping Mall	202.139.000	--	--	--	43.191.000	245.330.000
İzmir Ege Perla Shopping Mall	270.100.000	3.216.602	--	--	(38.316.602)	235.000.000
Ankara İş Kule Building	151.865.000	158.465	--	--	2.721.535	154.745.000
Maslak Office Building	114.923.000	6.316.484	--	--	9.145.516	130.385.000
Taksim Office Lamartine	57.042.000	--	--	--	16.788.000	73.830.000
Tuzla Meydan Bazaar	23.700.000	--	--	--	1.395.000	25.095.000
Muğla Marmaris Mallmarine Shopping Mall	16.224.000	--	--	--	1.711.000	17.935.000
Levent Land	7.161.458	92.556	--	--	715.975	7.969.989
	<b>3.724.396.501</b>	<b>11.616.947</b>	<b>--</b>	<b>--</b>	<b>206.610.988</b>	<b>3.942.624.436</b>
<b>Investment property under construction</b>						
İstanbul Finance Centre Project	210.047.000	1.476.296	--	--	37.271.704	248.795.000
Üsküdar Land	51.490.000	837.741	--	--	17.447.259	69.775.000
	<b>261.537.000</b>	<b>2.314.037</b>	<b>--</b>	<b>--</b>	<b>54.718.963</b>	<b>318.570.000</b>
<b>Total</b>	<b>3.985.933.501</b>	<b>13.930.984</b>	<b>--</b>	<b>--</b>	<b>261.329.951</b>	<b>4.261.194.436</b>

**İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**

Notes to the Condensed Financial Statements For the Year Ended December 31, 2021

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

**11. Inventories**

<i>Short-term inventories</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Kartal Manzara Adalar (*)	84.225.118	189.922.001
Ömerli Town Project(**)	40.270.521	--
İzmir Ege Perla (***)	13.999.477	28.827.471
Topkapı İnistanbul (****)	1.377.891	15.869.775
<b>Total</b>	<b>139.873.007</b>	<b>234.619.247</b>

<i>Long-term inventories</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Tuzla Land	219.879.578	219.317.379
Üsküdar Land (*****)	161.356.970	--
Ömerli Land(**)	--	15.107.126
Impairment provision on inventories (-)	--	(34.317.379)
<b>Total</b>	<b>381.236.548</b>	<b>200.107.126</b>

(\*) There are 975 residential units in Kartal Manzara Adalar Project, as of December 31, 2021, 914 residential units has been delivered to the customers. Balance of advances given related with the Project is amounting to TL 15.111.681 (December 31, 2020: TL 2.738.972) (Note 17).

(\*\*) Balance of advances given related with the Ömerli Town Project is amounting to TL 76.708.627 (December 31, 2020: None.) (Note 17).

(\*\*\*) There are 243 residential units in İzmir Ege Perla Project, as of December 31, 2021, 223 residential units has been delivered to the customers. Balance of advances given related with the Project is amounting to TL 82.590 (December 31, 2020: 2.494.079 TL) (Note 17).

(\*\*\*\*) There are 2.741 residential units in Topkapı İnistanbul Project, as of December 31, 2021, 2.737 residential units has been delivered to the customers. Balance of advances given related with the Project is amounting to TL 6.412.205 (December 31, 2020: TL 32.780.099) (Note 17).

(\*\*\*\*\*) Due to the start of the construction of the project, which is planned to be developed on a registered land in İstanbul Province, Üsküdar District, Burhaniye Mahallesi, consisting of 6 blocks of residences, 1 block of offices and partly commercial area, it has been transferred from the Investment Properties account to the stocks account on September 15, 2021.

Movement of provision for inventories for the year is as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Opening balance, 1 January</b>	<b>(34.317.379)</b>	<b>(43.821.732)</b>
Charge for the period (-)	--	--
Provisions released	34.317.379	9.504.353
<b>Closing balance</b>	<b>--</b>	<b>(34.317.379)</b>

**İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**

Notes to the Condensed Financial Statements For the Year Ended December 31, 2021

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

**12. Tangible assets**

	<b>Buildings (*)</b>	<b>Machinery and equipment</b>	<b>Vehicles</b>	<b>Fixtures</b>	<b>Total</b>
<b>Cost</b>					
Opening balance as of January 1, 2021	45.681.656	85.950	374.647	3.818.167	49.960.420
Purchases	--	--	650.744	427.044	1.077.788
Disposals	--	--	--	(48.722)	(48.722)
Fair value difference	14.948.805	--	--	--	14.948.805
<b>Closing balance as of December 31, 2021</b>	<b>60.630.461</b>	<b>85.950</b>	<b>1.025.391</b>	<b>4.196.490</b>	<b>65.938.292</b>
<b>Accumulated Depreciation</b>					
Opening balance as of January 1, 2021	5.154.656	85.950	181.078	3.143.696	8.565.380
Current year charge	1.398.805	--	205.078	276.510	1.880.392
<b>Closing balance as of December 31, 2021</b>	<b>6.553.461</b>	<b>85.950</b>	<b>386.156</b>	<b>3.420.206</b>	<b>10.445.772</b>
<b>Net book value as of January 1, 2021</b>	<b>40.527.000</b>	<b>--</b>	<b>193.569</b>	<b>674.471</b>	<b>41.395.040</b>
<b>Net book value as of December 31, 2021</b>	<b>54.077.000</b>	<b>--</b>	<b>639.235</b>	<b>776.284</b>	<b>55.492.519</b>

	<b>Buildings (*)</b>	<b>Machinery and equipment</b>	<b>Vehicles</b>	<b>Fixtures</b>	<b>Total</b>
<b>Cost</b>					
Opening balance as of January 1, 2020	41.538.843	85.950	374.647	3.495.994	45.495.434
Purchases	--	--	--	322.173	322.173
Fair value difference	4.142.813	--	--	--	4.142.813
<b>Closing balance as of December 31, 2020</b>	<b>45.681.656</b>	<b>85.950</b>	<b>374.647</b>	<b>3.818.167</b>	<b>49.960.420</b>
<b>Accumulated Depreciation</b>					
Opening balance as of January 1, 2020	3.898.843	85.950	106.149	2.943.754	7.034.696
Current year charge	1.255.813	--	74.929	199.942	1.530.684
<b>Closing balance as of December 31, 2020</b>	<b>5.154.656</b>	<b>85.950</b>	<b>181.078</b>	<b>3.143.696</b>	<b>8.565.380</b>
<b>Net book value as of January 1, 2020</b>	<b>37.640.000</b>	<b>--</b>	<b>268.498</b>	<b>552.240</b>	<b>38.460.738</b>
<b>Net book value as of December 31, 2020</b>	<b>40.527.000</b>	<b>--</b>	<b>193.569</b>	<b>674.471</b>	<b>41.395.040</b>

(\*) As of December 31, 2021, 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 54.077.000. 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, 2020: USD 136 million and TL 185 million).

As of December 31, 2021, the Company has tangible assets which is fully depreciated amounting to TL 3.141.294.

**İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**

Notes to the Condensed Financial Statements For the Year Ended December 31, 2021

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

**13. Intangible assets**

	<b>Computer Programs</b>	<b>Total</b>
<b><u>Cost</u></b>		
Opening balance as of January 1, 2021	5.460.120	5.460.120
Addition	906.847	906.847
Disposals	--	--
<b>Closing balance as of December 31, 2021</b>	<b>6.366.967</b>	<b>6.366.967</b>
<b><u>Accumulated Depreciation</u></b>		
Opening balance as of January 1, 2021	4.520.421	4.520.421
Current year charge	596.734	596.734
Disposals	--	--
<b>Closing balance as of December 31, 2021</b>	<b>5.117.155</b>	<b>5.117.155</b>
<b>Net book value as of January 1, 2021</b>	<b>939.699</b>	<b>939.699</b>
<b>Net book value as of December 31, 2021</b>	<b>1.249.812</b>	<b>1.249.812</b>
	<b>Computer Programs</b>	<b>Total</b>
<b><u>Cost</u></b>		
Opening balance as of January 1, 2020	4.675.030	4.675.030
Additions	785.090	785.090
Disposals	--	--
<b>Closing balance as of December 31, 2020</b>	<b>5.460.120</b>	<b>5.460.120</b>
<b><u>Accumulated Depreciation</u></b>		
Opening balance as of January 1, 2020	3.743.946	3.743.946
Current year charge	776.475	776.475
Disposal	--	--
<b>Closing balance as of December 31, 2020</b>	<b>4.520.421</b>	<b>4.520.421</b>
<b>Net book value as of January 1, 2020</b>	<b>931.084</b>	<b>931.084</b>
<b>Net book value as of December 31, 2020</b>	<b>939.699</b>	<b>939.699</b>

As at December 31, 2021 and 2020, the Company has no intangible assets which is capitalized in the business area.

As at December 31, 2021, the Company has intangible assets which is fully depreciated amounting to TL 3.524.768.

**İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**

Notes to the Condensed Financial Statements For the Year Ended December 31, 2021

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

**14. Provisions, contingent assets and liabilities**

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Debt provisions (*)	4.812.972	5.540.124
Legal case provisions	1.207.997	1.207.997
<b>Total</b>	<b>6.020.969</b>	<b>6.748.121</b>

  

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Letters of guarantee received (**)	307.077.462	114.147.836
Mortgage received	7.598.347	20.903.410
<b>Total</b>	<b>314.675.809</b>	<b>135.051.246</b>

(\*) As of December 31, 2021, debt provisions consists of title deed fee accruals of delivered residential units and accrued residential unit 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 December 31, 2021 and 2020 are as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
A. CPM given for companies own legal personality (*)	2.727.010.684	1.921.039.304
B. CPM given in behalf of fully consolidated companies	--	--
C. CPM given for continuation of its economic activities on behalf of third parties (**)	20.539.348	45.289.792
D. Total amount of other CPM's	--	--
- Total amount of CPM's given on behalf of majority shareholder	--	--
- Total amount of CPM's given on behalf of other Group companies which are not in scope of B and C	--	--
- Total amount of CPM's given on behalf of third parties which are not in scope of C	--	--
<b>Total</b>	<b>2.747.550.032</b>	<b>1.966.329.096</b>

(\*) CPM given for the Company's own legal personality consists of letters of guarantee amounting to TL 35.266.684 and pledge amounting to USD 136.000.000 and TL 879.000.000. As of December 31, 2021, the investment properties are pledged in favour of İş Bankası amounting to 1st degree USD 136.000.000 and TL 444.000.000 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-3 amounting to TL 444.000.000 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.

(\*\*) 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 December 31, 2021, the ratio of CPM given by the Company to the Company's shareholders' equity is 0,4% (December 31, 2020: 1%).

Within the scope of its ongoing projects, the Company has made a progress payment agreement of Eur 6.000.000 with subcontractors, and has made a Eur 6.000.000 forward transaction based on the payment terms and amounts of the relevant contract.

As of December 31, 2021, TL 1.207.997 legal case provision is accrued and there are 242 legal cases and 128 enforcement proceedings of the Company is a party. The lawsuit in question are ongoing, and as of 31 December 2021, there is provision for lawsuits amounting to TL 1.207.997 within the scope of the lawsuit filed regarding the ÇED process of the Ege Perla Project. Lawsuits are not of a nature to affect the financial situation and activities of the Company.

**İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**

Notes to the Condensed Financial Statements For the Year Ended December 31, 2021

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

**14. Provisions, contingent assets and liabilities (continued)****Operating leases**The Company, as the lessor in the operating lease transactions

The Company signed operating lease agreements as lessor for the investment properties in its portfolio with tenants which are shopping mall tenants, hotel operators and other third parties. The future minimum lease receivables as of December 31, 2021 and 2020 are as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Less than 1 year	257.595.531	226.691.393
Between 1-5 years	796.003.106	827.294.645
More than 5 years	5.801.676.809	3.857.643.060
<b>Total</b>	<b>6.855.275.446</b>	<b>4.911.629.098</b>

**15. Provision for employee benefits**

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Unused vacation provisions	496.510	459.525
<b>Total</b>	<b>496.510</b>	<b>459.525</b>

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Severance pay indemnity	3.152.889	2.360.623
<b>Total</b>	<b>3.152.889</b>	<b>2.360.623</b>

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 Labour Law No. 4857 and Social Security Law No. 5510.

The amount payable consists of one month's salary limited to a maximum of TL 8.284,51 for each period of service as of December 31, 2021 (December 31, 2020: TL 7.117).

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

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 December 31, 2021, 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 15,07% (estimated salary increase rate) and a discount rate of 19,10%, resulting in a real discount rate of approximately 3,50% (December 31, 2020: the provisions have been calculated assuming an annual inflation rate of 8% (estimated salary increase rate) and discount rate of 12,40%, resulting in a real discount rate of approximately 4,07% discount rate). The anticipated rate of for features is considered. As the maximum liability is revised semi-annually, the maximum amount of TL 8.284,51 effective from December 31, 2021 has been taken into consideration in calculation of provision from employment termination benefits.



**İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**

Notes to the Condensed Financial Statements For the Year Ended December 31, 2021

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

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

	January 1 – December 31, 2021	January 1 – December 31, 2020
<b>Opening balance at January 1</b>	<b>2.360.625</b>	<b>2.013.706</b>
Service cost	430.827	458.599
Interest cost	292.717	235.605
Retirement pay provisions (-)	(90.902)	(265.375)
Actuarial differences	159.622	(81.912)
<b>Closing balance as of year end</b>	<b>3.152.889</b>	<b>2.360.623</b>

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

<i>Prepaid expenses – short term</i>	December 31, 2021	December 31, 2020
Job advances (*)	67.567.779	4.178.201
Prepaid expenses	688.579	845.114
Related party prepaid expenses (Note 25)	229.092	211.610
<b>Total</b>	<b>68.485.450</b>	<b>5.234.925</b>

(\*) The amount generally consists of advances given to the contractors of the projects..

<i>Prepaid expenses – long term</i>	December 31, 2021	December 31, 2020
Job advances (*)	9.788.349	8.699.970
Prepaid expenses	99.207	99.200
<b>Total</b>	<b>9.887.556</b>	<b>8.799.170</b>

(\*) An agreement has signed in order to bought 45% shares of the land registered in Kadikoy, 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 (TECİM). 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.

<i>Other current assets</i>	December 31, 2021	December 31, 2020
VAT transferred	2.183.490	--
Prepaid taxes and dues payable	262.871	173.231
Deposits and guarantees given	191.065	90.559
<b>Total</b>	<b>2.637.426</b>	<b>263.790</b>

<i>Other short-term liabilities</i>	December 31, 2021	December 31, 2020
Taxes and funds payable	3.837.305	2.211.674
Payable social security cuts	239.031	249.211
<b>Total</b>	<b>4.076.336</b>	<b>2.460.885</b>

<i>Deferred revenue - short-term</i>	December 31, 2021	December 31, 2020
Deferred revenue	18.616.740	2.059.908
Short-term deferred revenue from related party (Note25)	56.771	47.113
<b>Total</b>	<b>18.673.511</b>	<b>2.107.021</b>

## İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Year Ended December 31, 2021

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

### 17. Liabilities from contracts with customers

Liabilities from contracts with customers	December 31, 2021	December 31, 2020
Contractual liabilities from sales of goods and services (*)	98.315.105	38.013.150
<b>Total</b>	<b>98.315.105</b>	<b>38.013.150</b>

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

### 18. Shareholder's equity

#### Share capital

The composition of the paid-in share capital as of December 31, 2021 and 2020 are as follows:

	December 31, 2021		December 31, 2020	
<u>İş Gayrimenkul Yat. Ort. A.Ş.</u>	<u>(%)</u>		<u>(%)</u>	
Türkiye İş Bankası A.Ş.	52,06	499.138.056	50,51	484.271.866
Anadolu Hayat Emeklilik A.Ş.	7,11	68.151.714	7,11	68.151.714
Other	40,83	391.460.230	42,38	406.326.420
<b>Total</b>	<b>100</b>	<b>958.750.000</b>	<b>100</b>	<b>958.750.000</b>

The total number of ordinary shares consists of TL 958.750.000 (December 31, 2020: 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, 2020: TL 1.369.642,817) of the total amount is Group A and TL 957.380.357,183 (December 31, 2020: 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 December 31, 2021 and 2020. 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 December 31, 2021 and 2020, 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.

**İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**

Notes to the Condensed Financial Statements For the Year Ended December 31, 2021

*(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)***18. Shareholders' equity (continued)**Restricted reserves

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Legal reserves	71.190.580	70.941.969
<b>Total</b>	<b>71.190.580</b>	<b>70.941.969</b>

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

Prior years' profits

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Prior years' profits	2.819.651.274	2.553.397.882
<b>Total</b>	<b>2.819.651.274</b>	<b>2.553.397.882</b>

Dividend distribution

At the Ordinary General Assembly Meeting held on March 24, 2021; After the Board of Directors' Profit Share Distribution Proposal for the distribution of 2020 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 24, 2021, the distribution of 2020 net profit was determined as follows:

	<b>Amount</b>
Primary reserve (TTK 466/1) %5	248.611
Dividend	--
Secondary reserve (TTK 466/2)	--
Capital increase through bonus shares	--
Transferred to prior years' profits	266.253.392
<b>Total</b>	<b>266.502.003</b>

**İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**

Notes to the Condensed Financial Statements For the Year Ended December 31, 2021

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

**19. Revenue and cost of sales**

	January 1 - December 31, 2021	January 1 - December 31, 2020
Income from sales of residential units	236.048.748	329.752.571
Rent income	205.645.631	180.332.827
Income from right of construction	38.117.321	32.070.725
Income fees and service	1.010.266	1.489.165
Other revenue	87.765	467.996
<b>Total real estate revenues</b>	<b>480.909.731</b>	<b>544.113.284</b>
Interest income on bank deposits	6.123.271	7.418.947
Gain on buy/sell of marketable securities	1.543.999	1.146.483
<b>Total debt instruments revenue</b>	<b>7.667.270</b>	<b>8.565.430</b>
Sales discounts (-)	--	--
<b>Total revenue</b>	<b>488.577.001</b>	<b>552.678.714</b>

	January 1 - December 31, 2021	January 1 - December 31, 2020
Cost of sales of residential units	(149.602.177)	(308.762.449)
Cost of administrative expenses	(37.250.905)	(34.235.733)
Taxes and dues	(10.095.288)	(9.574.188)
Insurance expenses	(3.030.349)	(2.993.445)
Other	(976.728)	(747.241)
<b>Total</b>	<b>(200.955.447)</b>	<b>(356.313.056)</b>

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

<b>Administrative expenses</b>	January 1 - December 31, 2021	January 1 - December 31, 2020
Personnel expenses	(18.098.065)	(20.084.311)
Outsourced service expenses	(4.768.416)	(4.562.224)
Depreciation and amortization	(2.477.126)	(2.307.159)
Provision for doubtful receivables	(2.096.646)	(1.078.370)
Taxes and dues	(132.091)	(279.019)
Other	(2.671.554)	(2.160.091)
<b>Total</b>	<b>(30.243.898)</b>	<b>(30.471.174)</b>

<b>Marketing, selling and distribution expenses</b>	January 1 - December 31, 2021	January 1 - December 31, 2020
Sales commission expenses	(8.059.052)	(1.017.414)
Advertising expenses	(4.999.030)	(4.567.172)
Consultancy expenses	(1.251.914)	(1.318.510)
Sales office expenses	(73.010)	(134.637)
Other	(129.463)	(101.831)
<b>Total</b>	<b>(14.512.469)</b>	<b>(7.139.564)</b>

**İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**

Notes to the Condensed Financial Statements For the Year Ended December 31, 2021

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

**21. Expenses by nature**

	January 1 - December 31, 2021	January 1 - December 31, 2020
<b>Personnel expenses</b>		
Administrative expenses	18.098.065	20.084.311
<b>Total</b>	<b>18.098.065</b>	<b>20.084.311</b>
	January 1 - December 31, 2021	January 1 - December 31, 2020
<b>Depreciation and amortization</b>		
Administrative expenses	2.477.126	2.307.159
<b>Total</b>	<b>2.477.126</b>	<b>2.307.159</b>

**22. Other operating income / expense**

	January 1 - December 31, 2021	January 1 - December 31, 2020
<b>Other operating income</b>		
Revaluation income of investment property (Note 10)	1.139.831.513	334.507.452
Gain on real estate investment fund	39.992.739	8.649.448
Gain on inventories	34.317.379	9.504.353
Foreign exchange gains	20.280.284	5.430.987
Other	1.018.049	616.841
<b>Total</b>	<b>1.235.439.964</b>	<b>358.709.081</b>
	January 1 - December 31, 2021	January 1 - December 31, 2020
<b>Other operating expense</b>		
Revaluation difference of investment property (Note 10)	--	(73.177.501)
Share transfer of real estate investment fund	--	(2.126.601)
Other	(659.131)	(440.212)
<b>Total</b>	<b>(659.131)</b>	<b>(75.744.314)</b>

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Notes to the Condensed Financial Statements For the Year Ended December 31, 2021

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

**23. Finance income / expense**

Finance income and expenses as of December 31, 2021 and 2020 are as follows:

<b>Finance income</b>	<b>January 1 - December 31, 2021</b>	<b>January 1 - December 31, 2020</b>
Derivative gains	46.193.755	10.929.166
<b>Total</b>	<b>46.193.755</b>	<b>10.929.166</b>

<b>Finance expense</b>	<b>January 1 - December 31, 2021</b>	<b>January 1 - December 31, 2020</b>
Interest expenses	(154.462.018)	(137.627.230)
Foreign exchange expenses	(35.432.367)	(48.626.641)
Commission expenses	(5.978.608)	(1.864.560)
Other	(30.000)	(72.457)
<b>Total</b>	<b>(195.902.993)</b>	<b>(188.190.888)</b>

**24. Earnings per share**

	<b>January 1 - December 31, 2021</b>	<b>January 1 - December 31, 2020</b>
Period opening of number of shares in circulation	95.875.000.000	95.875.000.000
Bonus shares due to capital increase	--	--
Number of shares in circulation as of year end	<b>95.875.000.000</b>	<b>95.875.000.000</b>
Weighted average number of shares in circulation	95.875.000.000	95.875.000.000
Net profit for the period	1.329.919.890	266.502.003
<b>Earnings per share</b>	<b>0,0139</b>	<b>0,0028</b>
<b>Diluted earnings per share</b>	<b>0,0139</b>	<b>0,0028</b>

As of December 31, 2021 capital of the Company consists of 95.875.000.000 shares that are valued TL 0,01 for each one.

## İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Year Ended December 31, 2021

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

### 25. 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	December 31, 2021	December 31, 2020
Time deposits	118.732.252	56.249.378
Demand deposits	17.173.993	818.504
<b>Total</b>	<b>135.906.245</b>	<b>57.067.882</b>

The Company has letters of guarantee amounting TL 35.266.684 (December 31, 2020: TL 43.731.304) from İş Bankası. In addition, 1<sup>st</sup> and 2<sup>nd</sup> degree mortgage is instituted by the Company in favour İş Bankası amounting to USD 136.000.000 and TL 879.000.000 on some investment properties.

As of December 31, 2021 and December 31, 2020, the Company has mutual funds, established by, İş Bankası and İş Portföy Yönetimi A.Ş.

	December 31, 2021			
	Short Term Trade Receivables	Short Term Prepaid Expenses	Short Term Trade Payables	Deferred Income
<b>Balances with related parties</b>				
Anadolu Anonim Türk Sigorta A.Ş.	--	228.244	368.400	--
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	5.275	--	--	--
İş Merkezleri Yönetim ve İşletim A.Ş.	4.721	--	1.516.925	--
İş Net Elektronik Hizmetler A.Ş.	1.944	--	27.185	--
Kanyon Yönetim İşl. Paz. A.Ş.	38.282	--	1.381.313	38.400
Maxis Girişim Sermayesi Portföy Yön. A.Ş.	11.821	--	--	--
Paşabahçe Mağazaları A.Ş.	311.465	--	15.063	--
Tecim Yapı Elemanları Ltd. Şti.	1.968.593	--	--	--
Türkiye İş Bankası A.Ş.	27.566	--	--	18.371
Due to shareholders (dividend)	--	--	705	--
Other	--	848	1.001.243	--
	<b>2.369.667</b>	<b>229.092</b>	<b>4.310.834</b>	<b>56.771</b>

**İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**

Notes to the Condensed Financial Statements For the Year Ended December 31, 2021

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

**25. Related party disclosures**

December 31, 2021		
Loans and borrowings		
<i>Balances with related parties</i>	Short Term	Long Term
T. İş Bankası A.Ş.	415.110.903	117.000.002
<i>Transactions with related parties</i>	Interest expense on loans	Capitalized interest expense
T. İş Bankası A.Ş.	74.360.831	10.244.109

The Company has interest rate swap transactions realized during the period by T. İş Bankası A.Ş. as of December 31, 2021. Derivative profit amounting to TL 38.967.182 accounted in the financial statements of the Company.

					December 31, 2020
	Short Term Trade Receivables	Short Term Prepaid Expenses	Short Term Trade Payables	Deferred Income	Short Term Trade Receivables
<i>Balances with related parties</i>					
Anadolu Anonim Türk Sigorta A.Ş.	--	--	201.301	415.472	--
Anadolu Hayat Emeklilik A.Ş.	--	--	--	40	--
İş Girişim Sermayesi A.Ş.	--	83	--	--	--
İş Merkezleri Yönetim ve İşletim A.Ş.	--	7.328	--	269.684	--
İş Net Elektronik Hizmetler A.Ş.	--	--	--	31.439	--
Kanyon Yönetim İşl. Paz. A.Ş.	1.175.000	--	--	1.020.235	32.572
Maxis Girişim Sermayesi Portföy Yön. A.Ş.	--	2.064	--	--	--
Paşabahçe Mağazaları A.Ş.	--	74.621	--	51.073	--
Softtech Yazılım Teknolojileri A.Ş.	--	--	--	268	--
Tecim Yapı Elemanları Ltd. Şti.	--	1.968.593	--	--	--
Türkiye İş Bankası A.Ş.	--	4.773	166	13.692	14.541
Türkiye Şişe ve Cam Fabrikaları A.Ş.	--	126.015	--	--	--
Due to shareholders (dividend)	--	--	--	704	--
Other			10.143	1.094.249	
	<b>1.175.000</b>	<b>2.183.477</b>	<b>211.610</b>	<b>2.896.856</b>	<b>47.113</b>

December 31, 2020		
Loans and borrowings		
<i>Balances with related parties</i>	Short Term	Long Term
T. İş Bankası A.Ş.	385.780.557	129.538.235
<i>Transactions with related parties</i>	Interest expense on loans	Capitalized interest expense
T. İş Bankası A.Ş.	83.219.208	366.318

The Company has interest rate swap and forward transactions realized during the period by T. İş Bankası A.Ş. as of December 31, 2020. Derivative losses amounting to TL 10.956.973 accounted in the financial statements of the Company.



## İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Year Ended December 31, 2021

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

### 25. Related party disclosures (continued)

January 1- December 31 2021					
Transactions with related parties	Purchases	Interest received	Rent income	Other income	Other expense
Anadolu Anonim Türk Sigorta A.Ş. (*)	3.965.084	--	611.344	717.600	--
Anadolu Hayat Emeklilik A.Ş.	220.587	--	7.839.105	--	21.889
BAYEK Ağız Ve Diş Sağlığı Hizmetleri ve İşletmeciliği A.Ş.	--	--	150.424	--	--
BAYEK Tedavi Sağlık Hizmetleri ve İşletmeleri A.Ş.	7.873.133	--	--	--	7.475
İş Faktoring A.Ş.	--	--	69.511	--	--
İş Finansal Kiralama A.Ş.	--	--	46.516	--	--
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	--	--	405.882	--	--
İş Merkezleri Yönetim ve İşletim A.Ş. (**)	13.678.678	--	1.481.316	--	--
İş Net Elektronik Hizmetler A.Ş.	340.318	--	544.999	535	4.506
İş Portföy Yönetimi A.Ş.	--	--	33.000	--	--
İş Yatırım Menkul Değerler A.Ş.	--	--	5.075.075	--	--
Kasaba Gayrimenkul İnşaat Taahhüt Ve Ticaret A.Ş.	--	--	--	--	297.604
Maxis Girişim Sermayesi Portföy Yönetim A.Ş.	--	--	315.581	--	--
Moka Ödeme Kuruluşu A.Ş.	--	--	163.282	--	--
Paşabahçe Mağazacılık A.Ş.	296	--	1.128.542	--	--
Softtech Yazılım Teknolojileri A.Ş.	--	--	9.003.811	--	--
T.Şişe ve Cam Fabrikaları A.Ş.	--	--	350.042	--	--
Topkapı Danışmanlık Elektrik Hizmetleri Pazarlama ve Ticaret A.Ş.	--	--	274.064	--	--
Türkiye İş Bankası A.Ş.	--	6.082.559	113.349.603	64.061	722.037
	<b>26.078.096</b>	<b>6.082.559</b>	<b>140.842.097</b>	<b>782.196</b>	<b>1.053.511</b>

(\*) The amount of purchases with Anadolu Anonim Türk Sigorta Anonim Şirketi is related to the insurance of the Company's real estates.

(\*\*)The amount of purchases from the İş Merkezleri Yönetim ve İşletim Anonim Şirketi is related to the operation of the Company's investment properties İş Kuleleri and İstanbul Tuzla Combined.

In 2021, revenue share compensation is amounting to TL 7.354.785 (2020: 3.527.916 TL) has been paid to Türkiye İş Bankası A.Ş. within the scope of Ege Perla project. Additionally, as of December 31, 2021, there is unpaid revenue share compensation is amounting to TL 3.199.174 (December 31, 2020: 2.882.282 TL) at debt provisions.

## İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Year Ended December 31, 2021

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

### 25. Related party disclosures (continued)

January 1 – December 31, 2020					
Transactions with related parties	Purchases	Interest received	Rent income	Other income	Other expense
Anadolu Anonim Türk Sigorta A.Ş. (*)	4.992.894	--	630.664	9.232	--
Anadolu Hayat Emeklilik A.Ş.	191.532	--	6.630.434	191.600	--
İş Faktoring A.Ş.	--	--	66.235	--	--
İş Finansal Kiralama A.Ş.	--	--	41.429	--	--
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	--	--	449.128	--	--
İş Merkezleri Yönetim ve İşletim A.Ş.	12.187.395	--	1.126.168	--	576.894
İş Net Elektronik Hizmetler A.Ş.	616.901	--	485.726	--	15.906
İş Yatırım Menkul Değerler A.Ş.	--	--	4.497.829	--	--
Maxis Girişim Sermayesi Portföy Yön. A.Ş.	--	--	194.765	--	--
Paşabahçe Mağazacılık A.Ş.	1.545	--	517.169	--	--
Softtech Yazılım Teknolojileri A.Ş.	--	--	8.017.652	--	--
Tecim Yapı Elemanları Ltd. Şti. (**)	85.700	--	--	--	--
Türkiye İş Bankası A.Ş.	--	7.418.946	98.980.692	57.109	714.378
Türkiye Şişe ve Cam Fabrikaları A.Ş.	--	--	652.811	--	--
	<b>18.075.967</b>	<b>7.418.946</b>	<b>122.290.702</b>	<b>257.941</b>	<b>1.307.178</b>

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

(\*\*) In 2020, revenue share compensation is amounting to TL 173.465.887 has been paid to Tecim Yapı Elemanları Ltd. Şti. within the scope of Kartal Manzara Adalar project.

**İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**

Notes to the Condensed Financial Statements For the Year Ended December 31, 2021

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

**25. Related party disclosures (continued)**

As of December 31, 2021 and 2020, related party balances of issued bonds and commercial papers are as follows:

<b>Balances with related parties</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Milli Reasurans A.Ş.	31.551.706	71.024.753
İş Girişim Sermayesi A.Ş.	1.577.585	--
İş Yatırım Ortaklığı A.Ş.	--	1.471.823
Türkiye İş Bankası A.Ş.	--	257.295
İş Yatırım Menkul Değerler A.Ş.	--	3.659
	<b>33.129.291</b>	<b>72.757.530</b>

As of December 31, 2021 and 2020, coupon payments of issued bonds and commercial papers are as follows:

<b>Transactions with related parties</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Milli Reasurans A.Ş.	8.023.804	1.224.753
İş Yatırım Menkul Değerler A.Ş.	2.029.198	607.134
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	207.203	--
Anadolu Anonim Türk Sigorta A.Ş.	171.735	--
İş Yatırım Ortaklığı A.Ş.	15.832	180.907
T. İş Bankası A.Ş.	1.947	142.512
	<b>10.449.719</b>	<b>2.155.306</b>

**Benefits provided to key management personnel:**

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

	<b>January 1- December 31, 2021</b>	<b>January 1- December 31, 2020</b>
Salaries and other short term benefits	7.526.167	6.778.393
Employee termination benefits	728.720	731.352
<b>Total</b>	<b>8.254.887</b>	<b>7.509.745</b>

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

Notes to the Condensed Financial Statements For the Year Ended December 31, 2021

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

### **26. Nature and level of risks arising from financial instruments**

#### **a) Capital risk management**

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to stakeholders and corporate shareholders and at the same time, provide consistent application of the most efficient capital structure to minimize the cost of capital.

The Company’s capital and funding structure consists of cash and cash equivalents, share capital and retained earnings.

The Company management evaluates the cost of capital and the risk associated with each class of equity.

#### **b) Financial risk factors**

The risks of the Company, resulting from operations, include market risk (including currency risk, fair value and cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company’s risk management program generally seeks to minimize the effects of uncertainty in financial markets on the financial performance of the Company.

Risk management is implemented according to the policies approved by the Board of Directors. According to the policy, once a risk is identified, it has been evaluated by each operating unit which is responsible to coordinate the work to minimize the exposure to that risk. The Board of Directors is in charge of forming written procedures in order to manage the foreign currency risk, interest risk, credit risk, and use of derivative and non-derivative financial instruments and the assessment of excess liquidity.

## İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Year Ended December 31, 2021

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

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

#### b.1) Credit risk management

Exposure to maximum credit risk as of reporting date	Receivables						
	Trade receivables		Other Receivables		Bank deposits	Derivative instruments	Other <sup>(***)</sup>
	Related parties	Other parties	Related parties	Other parties			
<b>December 31, 2021</b>							
<b>Maximum net credit risk as of the reporting date (A+B+C+D+E) <sup>(*)</sup></b>	<b>2.369.667</b>	<b>110.251.170</b>	<b>--</b>	<b>5.560.768</b>	<b>135.906.264</b>	<b>28.049.500</b>	<b>2.656.690</b>
- The part of maximum risk under guarantee with collateral etc. <sup>(**)</sup>	--	76.499.441	--	--	--	--	--
A. Net book value of financial assets that are neither past due nor impaired	2.369.667	103.879.471	--	5.560.768	135.906.264	28.049.500	2.656.690
B. Net book value of financial assets which are overdue but not impaired	--	6.371.699	--	--	--	--	--
C. Net book value of impaired assets							
- Past due (gross carrying amount)	--	8.586.780	--	--	--	--	--
- Impairment (-)	--	(8.586.780)	--	--	--	--	--
- The part of net value under guarantee with collateral etc.	--	--	--	--	--	--	--
- Not past due (gross carrying amount)	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--
- The part of net value under guarantee with collateral etc.	--	--	--	--	--	--	--
D. Off-balance sheet items with credit risk	--	--	--	--	--	--	--

<sup>(\*)</sup> Items such as guarantees received which increase the credibility are not included in the determination of the balance.

<sup>(\*\*)</sup> Collaterals consist of notes, cheques and mortgages.

<sup>(\*\*\*)</sup> Investment funds which are shown in cash and cash equivalent, 3 months government bonds reverse repo agreements and other liquid assets are shown in other.

## İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Year Ended December 31, 2021

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

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

#### b.1) Credit risk management (continued)

Exposure to maximum credit risk as of reporting date	Receivables						
	Trade receivables		Other Receivables		Bank deposits	Derivative instruments	Other <sup>(***)</sup>
	Related parties	Other parties	Related parties	Other parties			
<b>December 31, 2020</b>							
<b>Maximum net credit risk as of the reporting date (A+B+C+D+E) <sup>(*)</sup></b>	<b>2.183.477</b>	<b>136.664.049</b>	<b>1.175.000</b>	<b>--</b>	<b>57.067.882</b>	<b>33.617.110</b>	<b>2.088.207</b>
- The part of maximum risk under guarantee with collateral etc. <sup>(**)</sup>	--	74.371.274	--	--	--	--	--
A. Net book value of financial assets that are neither past due nor impaired	2.183.477	131.399.623	1.175.000	--	57.067.882	33.617.110	2.088.207
B. Net book value of financial assets which are overdue but not impaired	--	5.264.426	--	--	--	--	--
C. Net book value of impaired assets							
- Past due (gross carrying amount)	--	6.490.134	--	--	--	--	--
- Impairment (-)	--	(6.490.134)	--	--	--	--	--
- The part of net value under guarantee with collateral etc.	--	--	--	--	--	--	--
- Not past due (gross carrying amount)	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--
- The part of net value under guarantee with collateral etc.	--	--	--	--	--	--	--
D. Off-balance sheet items with credit risk	--	--	--	--	--	--	--

<sup>(\*)</sup> Items such as guarantees received which increase the credibility are not included in the determination of the balance.

<sup>(\*\*)</sup> Collaterals consist of notes, cheques and mortgages.

<sup>(\*\*\*)</sup> Investment funds which are shown in cash and cash equivalent, 3 months government bonds reverse repo agreements and other liquid assets are shown in other.

**İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**

Notes to the Condensed Financial Statements For the Year Ended December 31, 2021

*(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)***26. Nature and level of risks arising from financial instruments (continued)*****b.1) Credit risk management (continued)***

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure to credit risks is monitored on a continuous basis.

The aging of the overdue but not impaired receivables are as follows:

<b>Receivables</b>			
<b>December 31, 2021</b>	<b>Trade Receivables</b>	<b>Other Receivables</b>	<b>Total</b>
Past due 1-30 days	3.197.872	--	3.197.872
Past due 1-3 months	1.334.035	--	1.334.035
Past due 3-12 months	1.571.228	--	1.571.228
Past due 1-5 years	268.564	--	268.564
<b>Total overdue receivables</b>	<b>6.371.699</b>	<b>--</b>	<b>6.371.699</b>
<b>Total collateralized portion</b>	<b>4.966.491</b>	<b>--</b>	<b>4.966.491</b>

  

<b>Receivables</b>			
<b>December 31, 2020</b>	<b>Trade Receivables</b>	<b>Other Receivables</b>	<b>Total</b>
Past due 1-30 days	1.166.776	--	1.166.776
Past due 1-3 months	696.609	--	696.609
Past due 3-12 months	3.401.041	--	3.401.041
Past due 1-5 years	--	--	--
<b>Total overdue receivables</b>	<b>5.264.426</b>	<b>--</b>	<b>5.264.426</b>
<b>Total collateralized portion</b>	<b>4.915.026</b>	<b>--</b>	<b>4.915.026</b>

**İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**

Notes to the Condensed Financial Statements For the Year Ended December 31, 2021

*(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)***26. Nature and level of risks arising from financial instruments (continued)*****b.1) Credit risk management (continued)***

Collaterals held for trade receivables that are past due but not impaired as of the reporting date are as follows:

	December 31, 2021		December 31, 2020	
	Nominal Value	Fair Value	Nominal Value	Fair Value
Letters of guarantee	4.590.062	4.590.062	4.468.606	4.468.606
Cash deposit	220.093	220.093	399.741	399.741
Notes payable	156.336	156.336	46.679	46.679
	<b>4.966.491</b>	<b>4.966.491</b>	<b>4.915.026</b>	<b>4.915.026</b>

***b.2) Liquidity risk management***

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. On the other hand, derivative financial liabilities are presented based on their gross cash inflows and outflows which have not been discounted. Derivative instruments are settled and realized on a net basis based on their respective gross cash inflows and outflows which have not been discounted. When the receivables and payables are not fixed, the amount disclosed is calculated via an interest rate derived from yield curves as of the reporting date.



**İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**

Notes to the Condensed Financial Statements For the Year Ended December 31, 2021

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

**26. Nature and level of risks arising from financial instruments (continued)*****b.2) Liquidity risk management (continued)***

<b><u>December 31, 2021</u></b>						
<b><u>Contractual maturities</u></b>	<b>Carrying Value</b>	<b>Total cash outflows according to contract (I+II+III+IV)</b>	<b>Less than 3 months (I)</b>	<b>3-12 months (II)</b>	<b>1-5 years (III)</b>	<b>More than 5 years (IV)</b>
<b>Non derivative financial liabilities</b>						
Loans and borrowings	1.043.235.341	1.200.194.427	118.068.595	941.958.369	140.167.463	--
Trade payables	10.550.029	10.550.029	10.550.029	--	--	--
Other payables	16.137.729	16.137.729	16.137.729	--	--	--
<b>Total liabilities</b>	<b>1.069.923.099</b>	<b>1.226.882.185</b>	<b>144.756.353</b>	<b>941.958.369</b>	<b>140.167.463</b>	<b>--</b>
<b><u>December 31, 2020</u></b>						
<b><u>Contractual maturities</u></b>	<b>Carrying Value</b>	<b>Total cash outflows according to contract (I+II+III+IV)</b>	<b>Less than 3 months (I)</b>	<b>3-12 months (II)</b>	<b>1-5 years (III)</b>	<b>More than 5 years (IV)</b>
<b>Non derivative financial liabilities</b>						
Loans and borrowings	1.012.978.906	1.059.202.016	568.654.352	353.583.027	136.964.637	--
Trade payables	8.041.258	8.041.258	8.041.258	--	--	--
Other payables	11.374.522	11.374.522	11.374.522	--	--	--
<b>Total liabilities</b>	<b>1.032.394.686</b>	<b>1.078.617.796</b>	<b>588.070.132</b>	<b>353.583.027</b>	<b>136.964.637</b>	<b>--</b>

**İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**

Notes to the Condensed Financial Statements For the Year Ended December 31, 2021

*(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)***26. Nature and level of risks arising from financial instruments (continued)****b.3) Market risk management****b.3.1) 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 December 31, 2021 and 2020 are as follows:

<b>Currency</b>	<b>December 31, 2021</b>		<b>December 31, 2020</b>	
	<b>Buying Rates</b>	<b>Selling Rates</b>	<b>Buying Rates</b>	<b>Selling Rates</b>
US Dollar	13,3290	13,353	7,3405	7,3537
Euro	15,0867	15,1139	9,0079	9,0241

**İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**

Notes to the Condensed Financial Statements For the Year Ended December 31, 2021

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

**26. Nature and level of risks arising from financial instruments (continued)****b.3) Market risk management (continued)****b.3.1) Foreign currency risk management (continued)**

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

<b>December 31, 2021</b>			
	<b>TL Equivalent (Functional currency)</b>	<b>US Dollar</b>	<b>Euro</b>
1. Trade Receivables	--	--	--
2a. Monetary Financial Assets	63.127.476	1.828.058	2.569.236
2b. Non-Monetary Financial Assets	--	--	--
3. Other	--	--	--
<b>4. CURRENT ASSETS</b>	<b>63.127.476</b>	<b>1.828.058</b>	<b>2.569.236</b>
5. Trade Receivables	--	--	--
6a. Monetary Financial Assets	--	--	--
6b. Non-Monetary Financial Assets	--	--	--
7. Other	--	--	--
<b>8. NON CURRENT ASSETS</b>	--	--	--
<b>9. TOTAL ASSET</b>	<b>63.127.476</b>	<b>1.828.058</b>	<b>2.569.236</b>
10. Trade Payables	--	--	--
11. Financial Liabilities	--	--	--
12a. Other Monetary Liabilities	--	--	--
12b. Other Non-Monetary Liabilities	6.155.050	228.196	205.635
<b>13. SHORT TERM LIABILITIES</b>	<b>6.155.050</b>	<b>228.196</b>	<b>205.635</b>
14. Trade Payables	--	--	--
15. Financial Liabilities	--	--	--
16a. Other Monetary Liabilities	--	--	--
16b. Other Non-Monetary Liabilities	--	--	--
<b>17. LONG TERM LIABILITIES</b>	--	--	--
<b>18. TOTAL LIABILITIES</b>	<b>6.155.050</b>	<b>228.196</b>	<b>205.635</b>
19. Net asset/liability position of off balance sheet derivatives (19a-19b)	--	--	--
19.a Off-balance sheet foreign currency derivative assets	--	--	--
19b. Off-balance sheet foreign currency derivative liabilities	--	--	--
20. Net foreign currency asset / liability position	56.972.426	1.599.862	2.363.601
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	63.127.476	1.828.058	2.569.236
22. Fair Value of foreign currency hedged Financial asset	--	--	--
23. Hedged foreign currency assets	--	--	--
24. Hedged foreign currency liabilities	--	--	--

**İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**

Notes to the Condensed Financial Statements For the Year Ended December 31, 2021

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

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

**b.3) Market risk management (continued)**

**b.3.1) Foreign currency risk management (continued)**

December 31, 2020			
	TL Equivalent (Functional currency)	US Dollar	Euro
1. Trade Receivables	--	--	--
2a. Monetary Financial Assets	41.195.583	5.305.073	250.191
2b. Non-Monetary Financial Assets	--	--	--
3. Other	--	--	--
<b>4. CURRENT ASSETS</b>	<b>41.195.583</b>	<b>5.305.073</b>	<b>250.191</b>
5. Trade Receivables	--	--	--
6a. Monetary Financial Assets	--	--	--
6b. Non-Monetary Financial Assets	--	--	--
7. Other	--	--	--
<b>8. NON CURRENT ASSETS</b>	--	--	--
<b>9. TOTAL ASSET</b>	<b>41.195.583</b>	<b>5.305.073</b>	<b>250.191</b>
10. Trade Payables	84.515	11.513	--
11. Financial Liabilities	64.769.118	8.823.529	--
12a. Other Monetary Liabilities	--	--	--
12b. Other Non-Monetary Liabilities	3.555.014	324.211	130.457
<b>13. SHORT TERM LIABILITIES</b>	<b>68.408.647</b>	<b>9.159.253</b>	<b>130.457</b>
14. Trade Payables	--	--	--
15. Financial Liabilities	129.538.235	17.647.059	--
16a. Other Monetary Liabilities	--	--	--
16b. Other Non-Monetary Liabilities	--	--	--
<b>17. LONG TERM LIABILITIES</b>	<b>129.538.235</b>	<b>17.647.059</b>	--
<b>18. TOTAL LIABILITIES</b>	<b>197.946.882</b>	<b>26.806.312</b>	<b>130.457</b>
19. Net asset/liability position of off balance sheet derivatives (19a-19b)	194.307.353	26.470.588	--
19.a Off-balance sheet foreign currency derivative assets	194.307.353	26.470.588	--
19b. Off-balance sheet foreign currency derivative liabilities	--	--	--
20. Net foreign currency asset / liability position	37.556.054	4.969.349	119.734
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(153.196.285)	(21.177.028)	250.191
22. Fair Value of foreign currency hedged Financial asset	33.617.110	4.579.676	--
23. Hedged foreign currency assets	--	--	--
24. Hedged foreign currency liabilities	--	--	--

**İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**

Notes to the Condensed Financial Statements For the Year Ended December 31, 2021

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

**26. Nature and level of risks arising from financial instruments (continued)****b.3) Market risk management (continued)****b.3.1) Foreign currency risk management (continued)****Foreign currency sensitivity**

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

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

<b>December 31, 2021</b>		
	<b>Appreciation of foreign currency</b>	<b>Devaluation of foreign currency</b>
<b>If US Dollar changes against TL by 10%</b>		
US Dollar net asset / liability	2.436.618	(2.436.618)
Portion hedged against US Dollar risk (-)	--	--
<b>US Dollar net effect</b>	<b>2.436.618</b>	<b>(2.436.618)</b>
<b>If Euro changes against TL by 10%</b>		
Euro net asset / liability	3.876.129	(3.876.129)
Portion hedged against Euro risk (-)	--	--
<b>Euro net effect</b>	<b>3.876.129</b>	<b>(3.876.129)</b>
<b>December 31, 2020</b>		
	<b>Appreciation of foreign currency</b>	<b>Devaluation of foreign currency</b>
<b>If US Dollar changes against TL by 10%</b>		
US Dollar net asset / liability	(15.544.999)	15.544.999
Portion hedged against US Dollar risk (-)	19.430.735	(19.430.735)
<b>US Dollar net effect</b>	<b>3.885.736</b>	<b>(3.885.736)</b>
<b>If Euro changes against TL by 10%</b>		
Euro net asset/liability	225.370	(225.370)
Portion hedged against Euro risk (-)	--	--
<b>Euro net effect</b>	<b>225.370</b>	<b>(225.370)</b>

## İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Year Ended December 31, 2021

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

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

#### **b.3) Market risk management (continued)**

##### **b.3.2) Interest rate risk management**

Interest rate risk represents the risk of fair value decrease in the Company's interest rate sensitive assets due to market fluctuations.

Mutual funds classified as financial asset at fair value through profit or loss in accompanying financial statements is subject to price risk depending on price changes.

There are no debt securities of the Company classified as financial asset at fair value through profit or loss in accompanying financial statements as of December 31, 2021 and 2020.

The sensitivity analyses have been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period at 1%. If interest rates increase or decrease by 1% as of December 31, 2021, the Company has no financial liabilities with variable interest rates. (December 31, 2020: TL 133.436 decrease or increase ).

Interest Rate Table		December 31, 2021	December 31, 2020
<b>Fixed Rate Financial Instruments</b>			
	Financial assets classified at fair value through profit or loss	--	--
Financial Assets	Time deposits at banks	118.732.252	56.249.377
	Receivables from reverse repo transactions	--	--
Financial Liabilities		1.043.235.341	613.266.162
<b>Floating Interest Rate Financial Instruments</b>			
Investment Funds		2.656.690	2.088.207
Financial Liabilities		--	399.712.745

##### **b.3.3) Equity price risk**

As of December 31, 2021, company has no equity in their portfolio. Therefore, there is no equity price risk. (December 31, 2020: None)

## İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Year Ended December 31, 2021

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

### 27. Fair value of financial assets and liabilities

#### Financial assets

Financial investments recognized in financial statements are reflected at fair values. The Company assumes that the carrying values of the cash and cash equivalents are close to their fair value because of their short-term nature.

#### Financial liabilities

The Company assumes that the carrying values of the trade payables and other financial liabilities are close to their fair value because of their short-term nature.

Financial liabilities are recognized with their acquisition costs including transaction costs and evaluated through amortized costs depending on the method of active interest rate.

The Company assumes that the carrying values of the floating interest rate banks loans are close to their fair value, since floating interest rate banks loans are re-priced recently. The Company assumes that the carrying values of the fixed interest rate banks loans are close to their fair value, since the opening date of the bank loan is close to the reporting period and there is no significant change in the market interest rates. The estimated fair value of fixed rate financial liabilities is calculated by using discounted cash flows using current market interest rates. As of December 31, 2021, net book value of fixed rate loan is TL 1.043.235.340 and fair value of those loans are TL 1.043.734.364.

	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Financial liabilities at amortized cost	Carrying value	Note
<b>December 31, 2021</b>					
<b><u>Financial Assets</u></b>					
Cash and cash equivalents	135.906.264	2.656.690	--	138.562.954	5
Financial investments	--	272.785.497	--	272.785.497	6
Trade receivables	110.251.170	--	--	110.251.170	8
Due from related parties	2.369.667	--	--	2.369.667	25
Other financial assets	5.560.768	--	--	5.560.768	9
Derivative instruments	--	28.049.500	--	28.049.500	6
<b><u>Financial Liabilities</u></b>					
Loans and borrowings	--	--	477.995.145	477.995.145	7
Loans and borrowings from related parties	--	--	565.240.196	565.240.196	7
Trade payables	--	--	6.239.195	6.239.195	8
Trade payables to related parties	--	--	4.310.834	4.310.834	25
Other payables	--	--	16.137.729	16.137.729	9
Derivative instruments	--	--	--	--	
<b>December 31, 2020</b>					
<b><u>Financial Assets</u></b>					
Cash and cash equivalents	57.067.882	2.088.207	--	59.156.089	5
Financial investments	--	230.571.960	--	230.571.960	6
Trade receivables	136.664.049	--	--	136.664.049	8
Due from related parties	2.183.477	--	--	2.183.477	25
Other financial assets	6.374.055	--	--	6.374.055	9
Derivative instruments	--	33.617.110	--	33.617.110	6
<b><u>Financial Liabilities</u></b>					
Loans and borrowings	--	--	424.902.584	424.902.584	7
Loans and borrowings from related parties	--	--	588.076.322	588.076.322	7
Trade payables	--	--	5.144.392	5.144.392	8
Trade payables to related parties	--	--	2.896.866	2.896.866	25
Other payables	--	--	11.374.522	11.374.522	9
Derivative instruments	--	9.907.650	--	9.907.650	6

## İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Year Ended December 31, 2021

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

### 27. Fair value of financial instruments (continued)

#### Fair Value of Financial Instruments

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

Level I: Financial assets and liabilities are carried at quoted prices in an active market which are used for similar financial assets and liabilities.

Level II: Other than quoted prices specified in Level I, financial assets and liabilities are carried at inputs used to determine direct or indirect observable market prices.

Level III: Financial assets and liabilities are carried at inputs which are used in determining fair value of financial assets and liabilities but not based on any observable market data.

The levels of the financial assets and liabilities presented in fair values are as follows:

Assets at fair value	December 31, 2021	Level I	Level II	Level III
Investment properties	5.454.111.022	--	5.454.111.022	--
Tangible assets	55.492.519	--	55.492.519	--
Financial assets held for trading	275.442.187	--	275.442.187	--
Derivatives held for trading	28.049.500	--	28.049.500	--
	<b>5.813.095.228</b>	<b>--</b>	<b>5.813.095.228</b>	<b>--</b>

  

Assets at fair value	December 31, 2020	Level I	Level II	Level III
Investment properties	4.261.194.436	--	4.261.194.436	--
Tangible assets	41.395.040	--	41.395.040	--
Financial assets held for trading	232.660.167	--	232.660.167	--
Derivatives held for trading	33.617.110	--	33.617.110	--
	<b>4.568.866.753</b>	<b>--</b>	<b>4.568.866.753</b>	<b>--</b>

### 28. Fees for services received from independent auditor/independent audit firm

As of 31 December 2021, the Company's independent audit fee for the reporting period is 107.610 TL (31 December 2020: 109.000 TL)

### 29. Events after the reporting period

On January 6, 2022, the Company has issued a financing bill with a nominal value of TL 135.000.000 and a maturity of 60 days.

The Board of Directors has decided to purchase the land with 130 Million TL, 72.609 m2 land and located in İstanbul, Ömerli owned by Anadolu Hayat Emeklilik A.Ş. A housing project is planned as a continuation of the Ömerli Town Project, which is being developed at the same locations on the said real estates.



## İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Year Ended December 31, 2021

(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	December 31, 2021	December 31, 2020
<b>A</b> Capital and money market instruments	III-48.1. Md. 24 / (b)	138.562.954	59.156.089
<b>B</b> Real estates, rights supported by real estates and real estate projects. Real estate investment fund of the first paragraph of article 28, in which they have 100% participation in their participation shares and capital.	III-48.1. Md. 24 / (a)	6.248.006.075	4.926.492.769
<b>C</b> Affiliates (*)	III-48.1. Md. 24 / (b)	5.768.402	4.285.294
Due from related parties (other receivables) (**)	III-48.1. Md. 23 / (f)	--	1.175.000
Other assets		283.983.867	234.296.315
<b>D Total assets</b>	III-48.1. Md. 3 / (k)	<b>6.676.321.298</b>	<b>5.225.405.467</b>
<b>E</b> Loans and borrowings	III-48.1. Md. 31	1.043.235.341	1.012.978.906
<b>F</b> Other financial liabilities	III-48.1. Md. 31	6.020.969	6.748.121
<b>G</b> Financial lease obligations	III-48.1. Md. 31	--	--
<b>H</b> Due to related parties (other payables)	III-48.1. Md. 23 / (f)	--	--
<b>I</b> Equity	III-48.1. Md. 31	5.475.662.879	4.130.953.807
Other liabilities		151.402.109	74.724.633
<b>D Total liabilities and equity</b>	III-48.1. Md. 3 / (k)	<b>6.676.321.298</b>	<b>5.225.405.467</b>
Other separate financial information	Related regulation	December 31, 2021	December 31, 2020
<b>A1</b> Capital and money market instruments amount held for 3-year real estate payments	III-48.1. Md. 24 / (b)	--	--
<b>A2</b> Foreign Currency Time Deposit / Special Current-Participation Account and TL Time Deposit / Participation Account		135.906.264	57.067.882
<b>A3</b> Foreign capital market instruments	III-48.1. Md. 24 / (b)	--	--
<b>B1</b> Foreign real estates, rights supported by real estates and real estate projects	III-48.1. Md. 24 / (d)	--	--
<b>B2</b> Inactive land	III-48.1. Md. 24 / (c)	8.333.022	77.744.989
<b>C1</b> Foreign affiliates	III-48.1. Md. 24 / (d)	--	--
<b>C2</b> Participating to operating company	III-48.1. Md. 28	5.768.402	4.285.294
<b>J</b> Non-cash loans	III-48.1. Md. 31	35.266.684	43.731.304
<b>K</b> Mortgage amounts of the mortgaged lands that the project will be developed on without ownership	III-48.1. Md. 22 / (e)	--	--
<b>L</b> The sum of investments in money and capital market instruments in a single company	III-48.1 Md. 22 / (1)	138.562.935	59.156.089

(\*) 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 December 31, 2021, the Company's participation in Kanyon is TL 500.000 and does not exceed 10% of the total assets.

(\*\*) The amount consist of dividend receivables from Kanyon Yön. İŞl. Paz A.Ş..

**İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**

Notes to the Condensed Financial Statements For the Year Ended December 31, 2021

*(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)***Additional Note: Control of compliance with restrictions on the investment portfolio (continued)**

<b>Portfolio restrictions</b>		<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>Min/Max ratio</b>
<b>1</b>	Mortgage amounts of the mortgaged lands that the project will be developed on without ownership	0%	0%	Max %10
<b>2</b>	Real estates, rights supported by real estates and real estate projects. Real estate investment fund of the first paragraph of article 28, in which they have 100% participation in their participation shares and capital.	94%	94%	Min %51
<b>3</b>	Capital and money market instruments and subsidiaries	2%	1%	Max %49
<b>4</b>	Foreign real estates, rights supported by real estates and real estate projects, affiliates and capital market instruments	0%	0%	Max %49
<b>5</b>	Inactive land	0%	1%	Max %20
<b>6</b>	Participating to operating company	0%	0%	Max %10
<b>7</b>	Borrowings limits	20%	26%	Max %500
<b>8</b>	Time balances / demand balances TL / foreign currency	2%	1%	Max %10
<b>9</b>	The sum of investments in money and capital market instruments in a single company	2%	1%	Max %10