

iş GYO



# STRONG GROWTH

ANNUAL REPORT 2015



İş REIC  
> Investor Relations  
> Financial Data & Reports  
> Annual Reports

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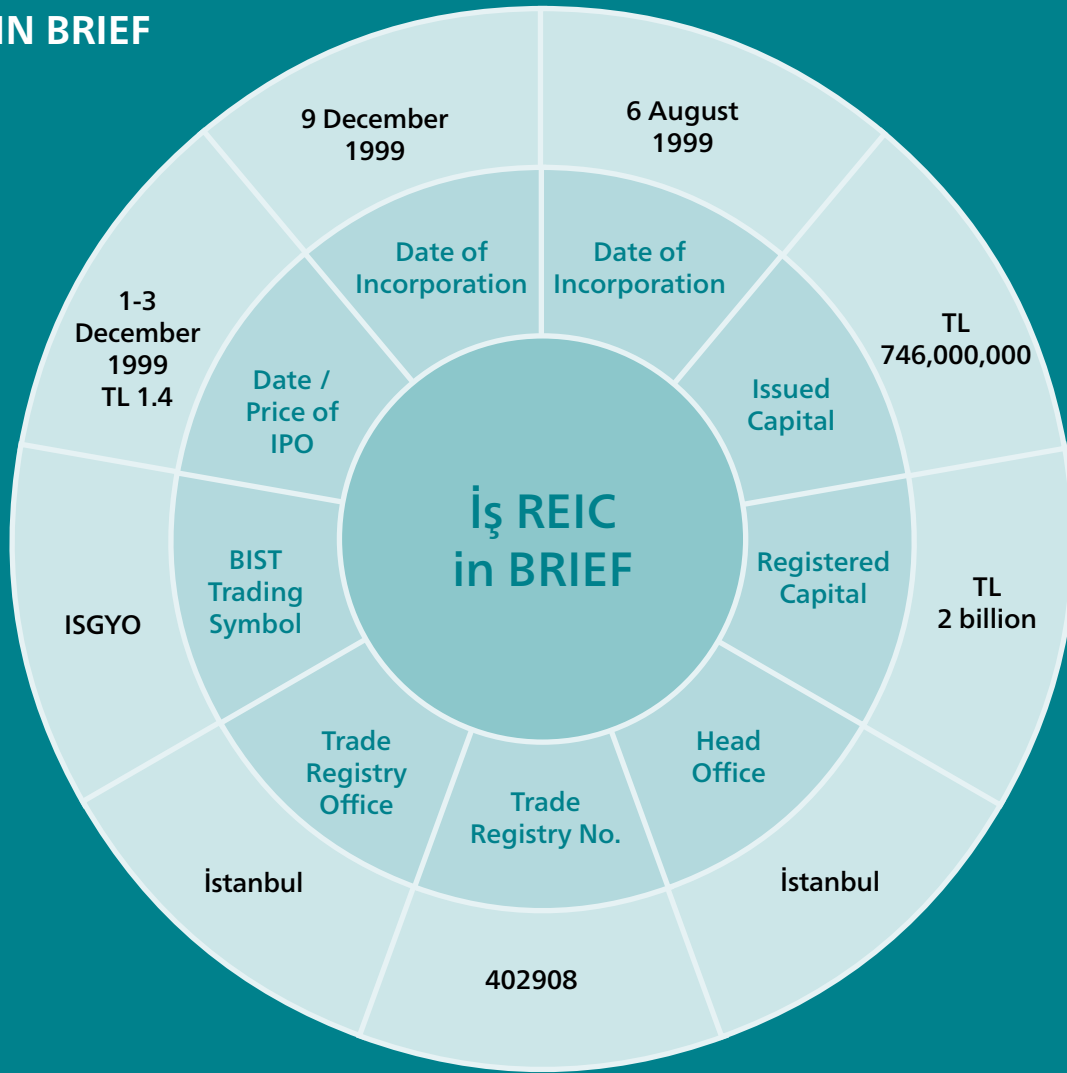
### Financial Information

- 109 Financial Statements as of and for the Year Ended 31 December 2015 with Independent Auditors' Report Thereon



İş REIC possesses a diversified portfolio covering various elements including land, offices, shopping malls, hotels and projects. Within this scope, the Company maintains its stable growth target by capitalizing on all investment opportunities and thus enriching its portfolio.

## İŞ REIC IN BRIEF



İş Gayrimenkul Yatırım Ortaklığı A.Ş. (İş REIC) was founded on 6 August 1999 as a result of the takeover of Merkez Gayrimenkul Yatırım ve Proje Değerlendirme A.Ş. by İş Gayrimenkul Yatırım ve Proje Değerlendirme A.Ş., which was then transformed into a real estate investment trust.

Boasting a healthy growth process since the day it was founded, İş REIC consolidates its market prestige, backed by the deep-rooted corporate principles and financial strength of the İşbank Group of which it is a member, with

its sectoral vision and distinguished projects of its own.

With a portfolio structure that is well-diversified and balanced, İş REIC focuses on providing its investors with an optimal possible risk-return trade-off.

Enjoying the capability to finance an uninterrupted series of new investments through sustainable rental income generated by its high-quality portfolio, its own solid equity resources, and convenient access to external funding, İş REIC aims to further

accelerate its growth and advance its position in the sector.

İş REIC is one of the leading firms in the sector with its solid portfolio and sound financial structure.

İş REIC, which invests in real estate properties and real estate projects, carry out its activities in compliance with the requirements of the Capital Markets Board of Turkey (CMB) laws and regulations.

## VISION

- To set a global corporate example not only by the projects it undertakes, but also with the way it conducts business, by its organizational structure, corporate values and management approach.
- To achieve a stable portfolio growth over the years and to maintain sustainable growth.

## MISSION

- To create desirable spaces for contemporary people and contemporary cities.
- To maximize the collective value of the portfolio for the shareholders through sustainable growth and high profitability by utilizing our investments and resources effectively.

## OBJECTIVES

- To closely monitor opportunities for generating the highest possible returns for the shareholders.
- To maintain and strengthen the leading position in the market.

# STRONG CAPITAL

As at year-end 2015, the nominal value of İş REIC's publicly-traded shares was TL 365.3 million, which corresponds to 49% of the Company's capital.

### Capital Structure

İş REIC's issued capital amounts to TL 746,000,000, 42.23% of which is held by T. İş Bankası A.Ş. (İşbank). İşbank, the Company's shareholder, has management control over the Company; there are no non-corporate shareholders holding more than 5% in the capital of the shareholder that has management control over the Company.

The Company's issued capital is divided into 746,000,000 shares, each with a nominal value of TL 1; out of these shares, the portion corresponding to TL 1,065,714.29 make up Group A shares and the portion corresponding to TL 744,934,285.71 make up Group B shares. Group A shares are entitled to specific preferential rights with respect to their representation on the Company's Board of Directors: only one seat on the board is filled from among candidates designated by Group B shareholders while all the remaining seats are filled from among candidates designated by Group A shareholders.

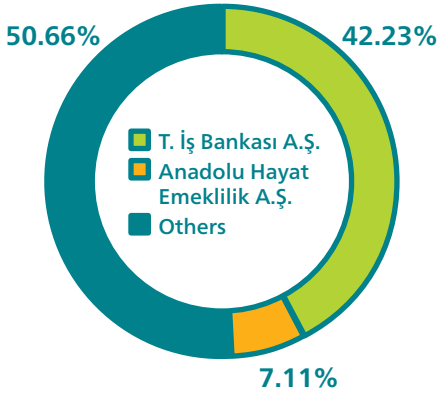
The shares issued for raising the Company's issued capital by TL 65,600,000 to TL 746,000,000 so as to remain within the registered capital of TL 2,000,000,000, which incremental amount will be covered from 2014 profit share as per the Board of Directors' decision dated 8 April 2015, have been registered with the CMB, and the process for the exercise of rights in relation to the issued shares have been completed on 22 May 2015. Following the capital increase, the CMB approved the new version of "Article 7 – Capital and Share Certificates" of the Company's articles of association that shows the issued capital after the capital increase. The new capital that has been registered by Istanbul Trade Registry on 2 June 2015 has been promulgated in the Turkish Trade Registry Gazette issue 8836 dated 8 June 2015.

During the reporting period, the Company did not carry out a capital increase through rights issues. Under the current Turkish Commercial Code (TCC) and Capital Markets Board (CMB) rules and regulations, companies

are allowed to acquire shareholding interests in themselves provided that they comply with a previously prepared and publicly disclosed share-repurchase program. During the 2015 reporting period, İş REIC neither announced such a program nor bought back any of its own shares.

Article 14 of the CMB Communiqué (III-48.1) on the Principles Regarding Real Estate Investment Companies sets out that real estate investment trusts may issue shares that incorporate the privilege to nominate candidates for election of board of directors members. REICs are not allowed to issue any instrument that incorporates any preferential right other than shares that allow their holders to designate candidates for seats on their boards of directors. In such cases, the majority shareholder makes suggestions regarding Board Member nominees and the Members of the Board of Directors are elected by the General Assembly of Shareholders. The Company's articles of association contain no provisions pertaining to special voting rights.

## Shareholder Structure



Capital and Shareholder Structure	TL	Share (%)
T. İş Bankası A.Ş.	315,073,304.03	42.23
Anadolu Hayat Emeklilik A.Ş.	53,028,605.40	7.11
Others	377,898,090.57	50.66
<b>Total</b>	<b>746,000,000.00</b>	<b>100.00</b>

## Shareholder Structure

Of the Company's TL 746,000,000 in issued capital, 42.23% belongs to İşbank. There were no significant changes in the Company's shareholder structure during the reporting period.

According to MKK's 31 December 2015 report, the nominal value of the Company's publicly-traded shares was TL 365.3 million, which corresponds to 49% of the Company's capital. The Company's publicly-traded shares held by international (non-resident) investors correspond to about 15% of the Company's capital.

On the other hand, İşbank, the principal shareholder in the Company, acquired a total of 8,921,140 shares in the Company as at 31 December 2015 based on the former's Board of Directors decision of 25 December 2015, whereby İşbank's share in the Company's capital after the reporting period reached 43.43%.

## Subsidiaries

Currently, the Company has only one subsidiary: Kanyon Yönetim İşletim ve Pazarlama A.Ş.

### Kanyon Yönetim İşletim ve Pazarlama A.Ş.

Kanyon, set up on 6 October 2004 as a limited liability company in which İş REIC and Eczacıbaşı Holding each controlled a 50% stake, was transformed into a joint stock company status on 1 July 2015. This jointly-controlled company was created primarily to manage the residence, commercial, and office buildings, to provide the complex's cleaning, security, maintenance & repair, and grounds maintenance services, and to undertake the promotion and marketing of all real estate properties in the complex and to mediate their rental and sale.

# ORDINARY GENERAL ASSEMBLY MEETING OF SHAREHOLDERS AGENDA

## **Agenda for the Ordinary General Assembly Meeting of Shareholders of İş Gayrimenkul Yatırım Ortaklığı A.Ş. to be held on 24 March 2016**

1. Opening, establishment of the Chairmanship Council,
2. Reading and discussion of the Board of Directors' Annual Report on 2015 activities and reading the Auditor's Report on activities in 2015,
3. Reading, discussion and approval of the financial statements of the year 2015,
4. Discharge of the Board Members for their activities in 2015,
5. Discussion and decision of the Board of Directors' proposal on the distribution of the operating profit in 2015,
6. Election of the Board Members and determining the terms of their office,
7. Determining the remuneration of the Board Members,
8. Election of the Auditor,
9. Authorization of the Board Members to conduct the transactions provided under the Articles 395 and 396 of the Turkish Commercial Law,
10. Providing information to the General Assembly of Shareholders within the frame of principle numbered 1.3.6 of the Corporate Governance Principles,
11. Informing the shareholders on the Company's donations made in 2015, and setting the limit for the donations to be made in 2016,
12. Wishes and suggestions.

## GENERAL ASSEMBLY MEETING AND ATTENDANCE

The Company's general assembly of shareholders convenes in ordinary (annual) and extraordinary sessions and makes decisions subject to the provisions of the Turkish Commercial Code (TCC), of applicable capital market laws and regulations, and the Company's internal directive on working principles and procedures of the general assembly. An ordinary session of the general assembly must be convened within three months of the closing of the Company's fiscal year, at which time the issues set forth in an agenda drawn up according to the provisions of article 409 of the TCC are to be discussed and decided upon. Extraordinary sessions of the general assembly are convened for any of the reasons set forth in articles 410 et sequitur of the TCC, at which time decisions are made as required.

Invitations to attend annual general assembly meetings are made by the Board of Directors within the framework of principles set forth in article 29 of the Capital Market Law. General meeting announcements are published on the Company's website, Public Disclosure Platform (KAP), and such other places as determined by the Capital Markets Board (CMB) regulations and other related legislation. Such announcements are published at least three weeks before the meeting date excluding the dates of the announcement and of the meeting.

Without prejudice to article 438 of the TCC, matters not included in the agenda may not be discussed and decided at a general assembly. However, shareholders' rights to add items to the agenda are reserved within the frame of the Corporate Governance Communiqué.

General assembly meetings are held at the Company's headquarters, except that when circumstances dictate, the

Board of Directors may summon a general assembly to convene at some other address in the same city as the Company's headquarters or in some other city.

Only shareholders whose names are on an attendance roster drawn up based on a list of company shareholders obtained by the Board of Directors from Central Registry Agency (MKK) may attend general meetings. Shareholders may have themselves represented at general meetings in accordance with the pertinent articles of the TCC. Article 30 of the Capital Markets Law will remain valid.

Beneficiaries who are entitled to take part in general meetings may do so online pursuant to article 1527 of the TCC via MKK's Electronic General Meeting System (e-GEM). As stipulated in the Company's articles of association, beneficiaries and their representatives are allowed to exercise their rights as specified in regulations pertaining to general meetings via the system that has been established at any general meeting of the Company that may take place.

When entering the meeting venue, non-corporate shareholders and their representatives appointed via e-GEM must present identification; the proxies of non-corporate shareholders must present identification together with evidence of their proxy status, whereas proxies of corporate shareholders must present their certificates of authorization. Everyone entering the meeting venue must sign the attendance roster in the space provided for their signature.

Shareholders who will lodge the shares followed up in dematerialized form must act in accordance with the provisions of the Regulation on the Principles and Procedures for General

Assembly Meetings of Joint Stock Companies and Ministry of Customs and Trade Representatives who will Attend These Meetings.

The regulations of the CMB and the requirements of the TCC will be adhered to when voting at a general assembly meeting. The right to attend the general assembly meeting and to vote cannot be linked to the requisite of a shareholder's depositing his/her shares with an entity.

At the Company, each nominal value of TL 0.01 gives entitlement to one vote, and shareholders vote at general assembly meetings pro rata the total nominal value of the shares they hold, pursuant to article 434 of the TCC. The Company's articles of association grant no privileges in relation to voting.

Votes in relation to matters discussed at a meeting may be cast by raise of hands or using certain electronic equipment facilitating the casting and counting of the votes. The manner of voting is determined by the meeting chair before the meeting begins.

The principles and procedures specified under the said article and subparagraphs shall apply to voting by shareholders or their representatives electronically attending the general assembly meeting pursuant to article 1527 of the TCC.

General assembly meeting and decision quorums are subject to articles 418 and 421 of the TCC and to relevant provisions of the Capital Market Law.

The regulations of CMB and the Ministry of Customs and Trade, along with the applicable articles of the TCC are adhered to in all matters related to the General Assembly.



At the Sign of the City Awards, İnistanbul project was a finalist in the “Best High-Rise Residence”, “Best Marketing Campaign” and “Best Architectural Design Concept” categories and was awarded in the “Best Architectural Design Concept” category.





## KEY FINANCIAL HIGHLIGHTS

Balance Sheet (TL million)	31.12.2013	31.12.2014	31.12.2015
Current Assets	233.0	251.6	459.9
Non-current Assets	2,243.1	2,657.3	3,665.3
Total Assets	2,476.1	2,908.9	4,125.2

Short-term Liabilities	162.0	67.1	556.0
Long-term Liabilities	350.6	581.3	778.6
Shareholders' Equity	1,963.5	2,260.6	2,790.6
Net Profit	247.9	328.4	555.9

Financial Indicators (TL million)	31.12.2013	31.12.2014	31.12.2015
Sales Revenue	371.2	234.1	222.0
Cost of Sales	225.1	119.3	62.1
Gross Profit/Loss	146.1	114.7	159.9
Return on Assets	10.0%	11.3%	13.5%
Return on Equity	12.6%	14.5%	19.9%

Financial Structure (TL million)	31.12.2013	31.12.2014	31.12.2015
Total Liabilities	512.6	648.4	1,334.6
Shareholders' Equity	1,963.5	2,260.6	2,790.6
Financial Liabilities	350.6	477.5	710.6
Equity Ratio (%)	79	78	68
Total Liabilities/Shareholders' Equity (%)	26	29	48
Financial Leverage Ratio (%)	21	22	32
Financial Liabilities/Total Assets (%)	14	16	17
Financial Liabilities/Shareholders' Equity (%)	18	21	25

### Summary of Reporting Period Results

- Total assets of İş REIC increased by 42% year-to-year and reached TL 4,125 million in the reporting period.
- 2014 sales revenues were somewhat higher than they were in the current period due to deliveries in the Çınarlı Bahçe Residential project and sales of properties held for investment.
- İş REIC has a current ratio of 0.83.
- Every possible financing option for the investments is explored and the most suitable debt instruments and structures are chosen at the time of borrowing. The Company's year-end financial leverage ratio is 32%.
- The advances which İş REIC receives for its ongoing projects comprise about 37% of the Company's total liabilities.
- 17% of İş REIC's assets are financed by means of borrowing in the current period and there's no difficulty in financing the debts if there's any need of additional borrowing.

# SUSTAIN VALUE

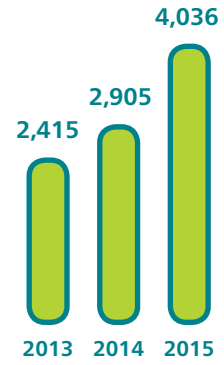
## The Real Estate Investment Sector

Market Capitalization of the REICs	TL million	% Share
İş REIC	1,313	6.1
Other REICs	20,152	93.9
<b>Market Total</b>	<b>21,465</b>	<b>100</b>

Portfolio Breakdown (%)	TL million	% Share
Offices	2,050	50
Projects	1,045	26
Shopping Malls and Hypermarket	759	19
Land	34	1
Hotel	23	1
Money & Capital Market Instruments	124	3
<b>Total</b>	<b>4,036</b>	<b>100</b>

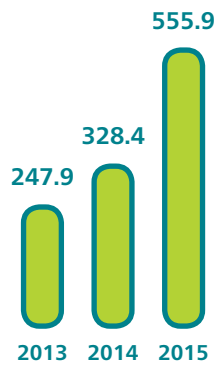
Development of the Portfolio (TL million)	2013	2014	2015
Real Estate Portfolio	2,309	2,766	3,912
Total Portfolio Value	2,415	2,905	4,036
Total Assets	2,476	2,909	4,125

Total Portfolio Value (TL million)

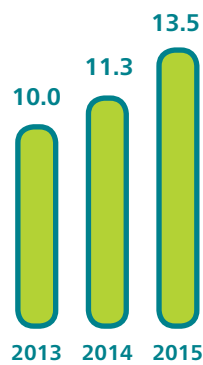


# ABLE

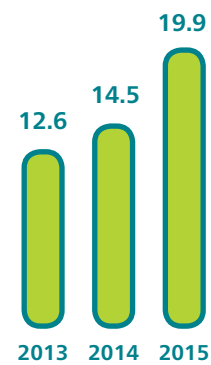
Net Profit (TL million)



Return on Assets (%)

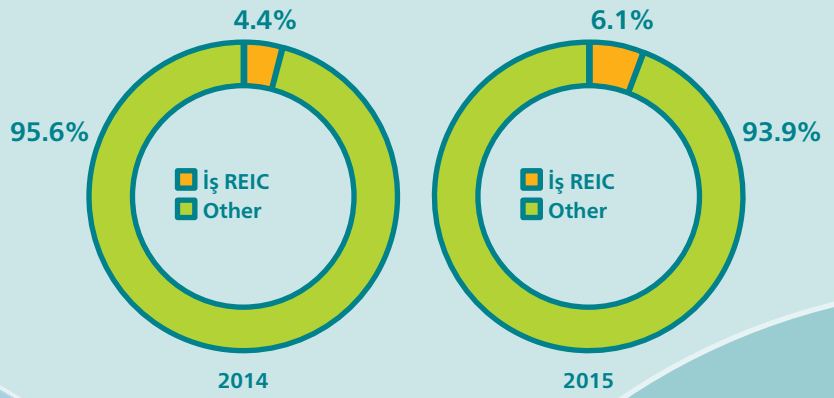


Return on Equity (%)



# TARGETS - ACHIEVEMENTS

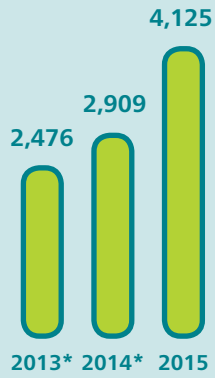
Market Capitalization of the REICs



Rental Income (TL million)

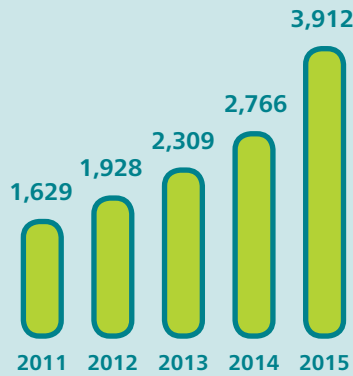


Total Assets (TL million)



\* Readjusted

Real Estate Portfolio (TL million)



a stronger  
EIC

Achieving stable growth

Utilization of investment and resources effectively

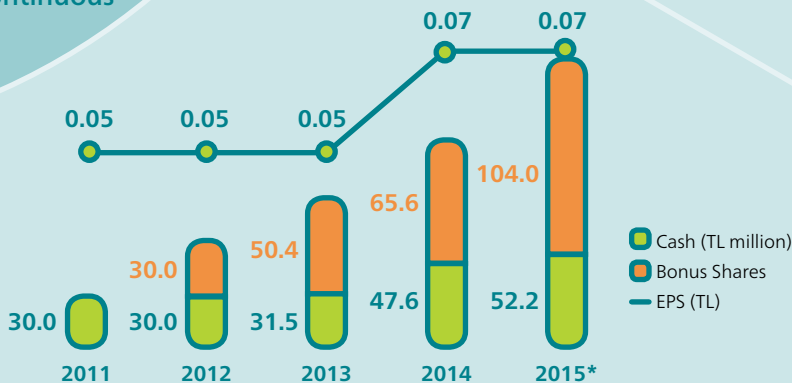
Visionary and rational strategies

Leveraging the high performance

High-profitability principle

Rendering the shareholder value continuous

Dividends



\* Subject to the approval of the shareholders in the 2015 Annual General Meeting that will be held on 24 March 2016.

# STOCK PERFORMANCE

Stock Performance	31.12.2013	31.12.2014	31.12.2015
Market Capitalization (TL million)	882	966	1,313
Market Share (%)	5.0	4.4	6.1
Earnings per Share (TL)	0.39	0.48	0.75
P/E Ratio	3.59	2.96	2.35
P/BV	0.45	0.43	0.47

\* Readjusted.

With a market capitalization of TL 1,313 million as at 31 December 2015, the Company represents approximately 6.1% of the real estate investments sector.

In 2015, BIST 100 Index lost value by 16%, whereas BIST REIC Index gained value by 1%. İŞ REIC stock, on the other hand, outperformed both BIST 100 and BIST REIC indices and secured a value gain of 42%.

The daily trading volume of the Company stock traded on the Collective Investment Products and Structured Products Market was worth TL 5.6 million in 2015.

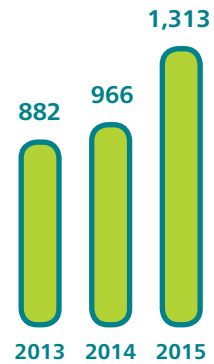
Owing to its increased market capitalization and higher trading volume, İŞ REIC was included in the BIST 50 Index from 1 July 2015.

In 2015, foreign investors tended to channel their portfolios to markets they deemed to be more secure.

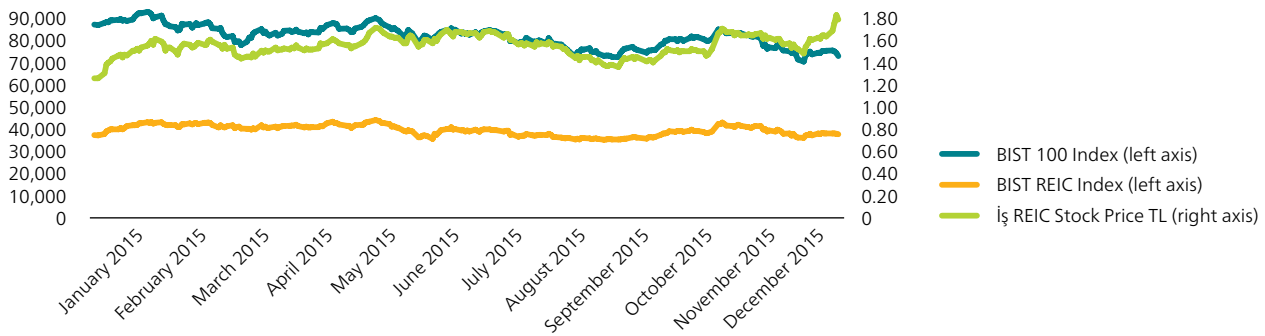
Based on BIST's monthly data on "transactions realized on behalf and account of foreign banks/brokerage houses or individuals", foreign investors' net sales in the real estate sector amounted to USD 18.4 million and that on the National Market amounted to USD 2.5 billion during the year.

Purchases of İŞ REIC stock, on the other hand, totaled USD 99.6 million and sales of the same amounted to USD 114.4 million during the year. Total net sales balance of the stock was USD 14.8 million.

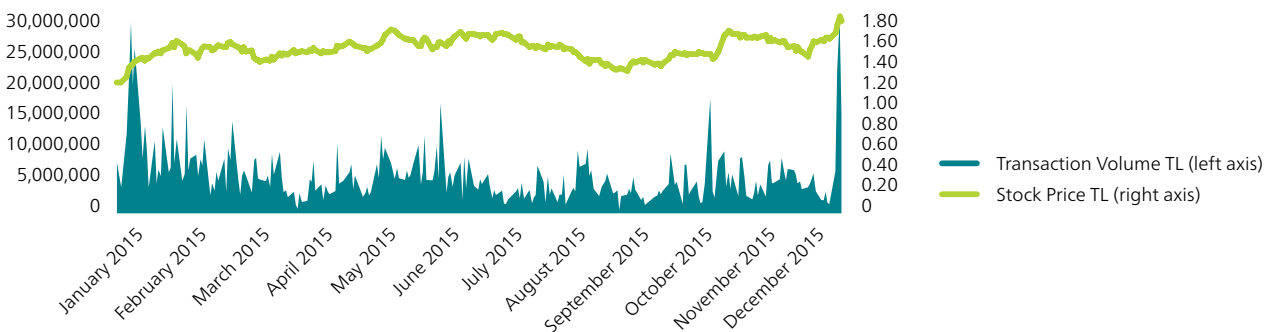
Market Capitalization (TL million)



## BIST 100, BIST REIC Index and İŞGYO Stock Price



## Stock Price-Transaction Volume



# MILESTONES IN İŞ REIC'S HISTORY

## 1998

- The Ankara İş Tower and İstanbul İş Towers Complex are added to the portfolio.

## 1999

- The Company's IPO took place on 1 December through 3 December, and the Company's shares began to be traded on the stock exchange on 9 December 1999.

## 2001

- The Maslak Office Building is added to the portfolio.
- The Antalya Seven Seas Hotel is added to the portfolio.
- The Muğla Marmaris Mallmarine Shopping Mall (Solaris Plaza) is added to the portfolio.
- A 50,000 m<sup>2</sup> project land encompassing the Tatilya Theme Park and its immediate vicinity is added to the portfolio.

## 2004

- The Ankara Ulus Office Building is added to the portfolio.
- The Ankara Kızılay Office Building is added to the portfolio.
- The Antalya Office Building is added to the portfolio.
- Construction work begins on the Kanyon project, a complex consisting of a shopping mall, offices and residences.

## 2005

- İş REIC was granted "Best Developer in Turkey" award by Euromoney magazine.

## 2006

- The İstanbul Üsküdar land with an area of 32,081 m<sup>2</sup> is added to the portfolio.
- Kanyon, Turkey's first semi-open air shopping mall, opens its doors.
- Kanyon Shopping Mall's success is acknowledged by its receiving the "2006 Cityscape Architectural Review Award", the international "Oscar" for architecture.

## 2007

- Real Hypermarket, a project undertaken for the Germany-based Metro Group on a turnkey-delivery basis, opens its doors to the public.

## 2008

- The Sirkeci Office Building is added to the portfolio.
- The Güneşli Office Building is added to the portfolio.
- A 77,327 m<sup>2</sup> project land is purchased in the Kartal district of İstanbul.

## 2009

- An independent and permanent superficies right was established for the property located in Esenyurt, İstanbul (site of the former Tatilya Theme Park), on behalf of ECE Turkey.
- A plot of land with an area of 53,200 m<sup>2</sup>, located in Tuzla, İstanbul and the immovable located on it, is purchased for future project development.

## 2010

- The property on which İstanbul Taksim Office Lamartine project will be developed is added to the portfolio.
- The Kapadokya Lodge Hotel is added to the portfolio.
- The Club Magic Life Kemer Imperial Hotel is added to the portfolio.
- Two plots of land measuring 44,393.35 m<sup>2</sup> and 21,305.22 m<sup>2</sup> in the Tuzla district of İstanbul are purchased for future project development.

## 2011

- Pre-sales and construction work begin on the İstanbul Tuzla Çınarlı Bahçe Residential Project.
- Construction work begins on the Taksim Office Lamartine project.

## 2012

- Building permits are obtained for the İstanbul Tuzla Technology and Operation Center project and for the Tuzla mixed-use project and construction work begins on both.
- A 9,590 m<sup>2</sup> land is purchased for project development in the İstanbul International Financial Center.
- The Marmara Park Shopping Mall opens to the public.
- After necessary ground improvement permits are received, construction work begins on the İzmir Ege Perla project.
- Sales activities start for the Ege Perla project.

## 2013

- Seven Seas Hotel and Club Magic Life Kemer Imperial Hotel are sold.
- Life starts in the Çınarlı Bahçe project. Out of the 476 housing units in total, 426 are surrendered to their owners.
- Nearly 60% of the units up for sale in the İzmir Ege Perla project are sold.
- Construction is completed in the Taksim Office Lamartine project.
- Topkapı property is purchased for developing a joint project, which was paid for by İş REIC by 75% and by Timur Gayrimenkul Geliştirme Yapı ve Yatırım A.Ş. (NEF) by 25%.

## 2014

- As a result of the sales of title share in Topkapı property, İş REIC and NEF now each has 50% share in the real estate.
- İş REIC was assigned a corporate governance rating score of 9.09 on a scale of 10.
- İstanbul Kartal Manzara Adalar project launch took place.

## 2015

- Construction tender for İstanbul Kartal Manzara Adalar project was finalized and the contract was awarded to ANT Yapı Sanayi ve Ticaret A.Ş.
- İstanbul project launch took place and sales activities began. The project ranked among the fastest-selling housing projects with its high sales performance.
- Building permit was obtained for the mixed-use project to be developed within the scope of the İstanbul International Financial Center Project. As a result of the tender, the contract for the rough construction works of the project was awarded to Perspektif Yapı İnşaat Sanayi ve Tic. A.Ş.
- Güneşli Office Building was sold.
- Sera Yapı Endüstrisi ve Ticaret A.Ş. earned the tender put out for the contractor company for projects 1 and 2 within the scope of İstanbul project.
- Following the annual review, the previous year's Corporate Governance Rating of 9.09 was revised upwards to 9.27.
- İstanbul Kartal Manzara Adalar project advertising film was awarded bronze at the Crystal Apple Turkey Advertising Awards Competition.
- İstanbul Kartal Manzara Adalar project was elected the "Premium Project" in the "Best Marketing Campaign" category at the Sign of the City Awards.
- İstanbul project was a finalist in the "Best High-Rise Residence", "Best Marketing Campaign" and "Best Architectural Design Concept" categories and was awarded in the "Best Architectural Design Concept" category at the Sign of the City Awards.
- İşbank Technology and Operation Center project and Tuzla Mixed-Use Project were awarded in the "Best Office" category at the Sign of the City Awards.



# THRIVING PORTFOLIO

We are carrying on with our investments remaining committed to broadening our portfolio with a well-balanced project composition. In doing that, we are making maximum use of our experience and vision for building a more livable future.

### **The slowdown in global economy stemming from emerging economies persisted through 2015.**

Emerging economies are in the grip of slow growth due to reasons varying from one country to the other. Although failure to activate the growth dynamics owing to structural issues underlies the decelerated growth tendencies in these countries, the situation was further aggravated by other causes including significant capital flights from these countries due to a number of reasons including the uncertainties created by the Fed's policies, volatile financial markets and interest rates and political risks in 2015, combined with the pressure on local currencies.

### **The Fed's lift-off: A long-awaited step**

The Fed's lift-off came in December 2015 in line with the markets' anticipations. The timing of the rate hike was in parallel to the continued recovery in the US economy and the improved labor market data despite the low inflation that floated below 2% on one hand, and to the monetary policies

of the world's ten developed economies that followed quite harmonious courses for a long time, on the other. The markets responded positively to this development because the rate hike was pre-priced and also because the future raises will be gradual, as underlined specifically. Emerging countries are expected to bear the outcomes of the raise in interest rates at a limited extent for the time being.

### **The deceleration in the Chinese economy became pronounced.**

Having attained rapid growth in the past decade, China is undergoing rebalancing of market economy. Demand that declined in China in connection with decelerated growth reflected negatively on commodity markets, and in turn, on global growth. On the other hand, the bubble in the Chinese capital markets burst towards fall, causing a wave that impinged on the stock markets all over the world. The issues that the housing sector and the banking industry are confronted with fuel the concerns towards this country.



### Looking at developed economies...

While the US led the growth in the developed economies community, the euro area is showing signs of recovery, although very slightly. Japan is unable to grow due to weak domestic and external demand.

While there was a rise in the production of capital goods and durable consumer goods in the euro area, the manufacturing PMI in December was above the projections. The anticipated revision of the European Central Bank, e.g. expanding the scope and extending the duration of the asset buying program that it launched by early 2015 and scheduled to continue until September 2016, will serve as a significant leverage for the region's growth momentum.

### Turkey is on growth track.

The Turkish economy succeeded in growing by 3.4% in the first 9 months of 2015 despite the stagnation in her trading partners led by the EU, financial volatilities, the political uncertainties resulting from two general elections, and aggravated geopolitical tensions. The domestic consumption-driven composition of growth and reduced exports should be regarded as significant signs of the need to adopt structural measures.

High food prices and the constant depreciation of the Turkish lira resulted in an inflation rate of 8.81%, much above the 5% target.

Maintaining the tight stance in its monetary policy during 2015, the CBRT backed these policies with macroprudential measures and adjustments in FX liquidity. The CBRT continued to use the wide interest rate corridor in conjunction with an active liquidity policy, and after making measured cuts in interest rates in January and February 2015, kept the rates constant in the following months.

The continued decline in energy prices and the slumped commodity prices in 2015 supported the decrease in imports, thus contributing to the narrowing of foreign trade deficit. In connection with these developments, the current deficit that was tending downwards is estimated to have fallen below 5% at the end of 2015.

In the period ahead, increased geopolitical concerns and the negative impact of the tension with Russia upon foreign trade indicators and tourism revenues, and the course of the short-term net FX debt of the private sector will arise as potential factors that will restrain the improvement in current deficit.

The real estate sector preserved its positive performance defying the negative macroeconomic and political events of 2015.

The depreciation of the Turkish currency against the US dollar and the ongoing volatilities in exchange rates throughout 2015 negatively affected not only land purchases that represent the basis of investment particularly in the real estate sector, but also feasibilities because of decisions in the same direction. Movements of exchange rates were visible also with respect to leases in the office and retail subsectors. On another front, high rates on housing loans emerged as a deterrent to home purchases. Adding to these factors were the elections and the political uncertainties that followed in 2015.

Despite this picture that dominated the whole year, the real estate sector carried on with its growth thanks to its dynamics. Sales in the housing market reached their highest of the past three years, acquiring 10.6% expansion. Housing sales to non-nationals on the other hand went up by 20%. Class-A stock supply kept rising in the office market, while vacancy rates picked up in line with the increased rents on the demand side. The retail market, on the other hand, captured a significant success in terms of turnover, productivity and the number of visitors.

### We are undergoing change in alignment with our growth plans.

Within the frame of our growth plans, the composition and assortment of İŞ REIC's investments are changing in favor of larger housing and mixed-use projects from boutique projects. Manzara Adalar and İstanbul projects provide the most effective manifestation of our orientation to this end.

Being a REIC that creates "win-win" situations for all involved, generating and consistently increasing sustainable rental income makes our most important foothold for regular dividend distribution. We carry on with our investments based on our commitment to expand our portfolio with this motive with a well-balanced project mix; in doing that, we are making maximum use of our experience and vision for building a more livable future.

I would like to extend my thanks to our shareholders, colleagues and investors for their support and trust as we move ahead as a company that grows while attaining profitability.



**Levent Korba**  
Chairman



# SUCCESSFUL RESULTS

Total assets of İş REIC shot up by 42% year-to-year and exceeded TL 4 billion at the end of 2015. The Company's net profit for the period was up by 69% to TL 556 million.

**We preserved our market share and position based on our successful performance in 2015.**

İş REIC had a successful year in 2015 in terms of its revenues and profitability, and the progress achieved in its projects.

While we made headway in our existing real estate projects in 2015, we also lived the thrill of starting our new housing project through which we aim to reach a broader audience.

Rental income that represents one of our key competitive edges sustained its stable growth in line with the rise in average rental fees in the valuable locations where our office spaces and shopping malls are situated, and amounted to TL 138.7 million. Out of our rental income, 60% was derived on our assets in the office segment and the remaining 40% on our assets in the retail segment.

After deriving 62% of its total revenues that amounted to TL 222 million in 2015 on rental income from real estate, our Company posted TL 556 million in net profit for the period at the end of the year, translating into an annual rise by 69%.

Total assets of İş REIC shot up by 42% year-to-year and exceeded TL 4 billion at the end of 2015.

Total portfolio value of İş REIC was up by 38.9% on an annual basis to TL 4,036 million in the reporting period.

With a market capitalization of TL 1,313 million as at 31 December 2015, our Company represents 6.1% of the real estate investment trust sector.

While BIST 100 Index was down by 16.3% in 2015, BIST REIC Index continued to gain value by 1%, and İş REIC stock outperformed both indices and gained value by 42%.

**Our existing investments move ahead as planned.**

In line with our Company's 5-year goals set in 2012, it was intended to double our rental revenues as well as our sales of housing projects. In consecutively launched projects which are in different phases, İş REIC is currently handling an investment worth USD 700-800 million. This indicates at a challenging 5-year period for putting these projects into life and reaching the targeted level of rental revenues.

As at the end of 2015, the first three years of this 5-year period had gone according to plans. The key factors that will mainly shape our future plans will be the completion and letting of a substantial portion of our ongoing projects and financing our new projects after attaining the targeted rental revenue in the remaining two-year period.

In 2015;

- Sales were fully completed for Çınarlı Bahçe project.
- Letting activities were fully completed for Technology and Operation Center and for Tuzla Mixed-Use projects.
- Letting activities were completed by 80% for Ofis Lamartine project.
- Sales were completed by 50% for Manzara Adalar project.
- İstanbul project co-developed with Nef was launched and a high sales performance was captured.

2016 plans include;

- Carrying on with the sales of Manzara Adalar and İstanbul projects;
- Delivering the housing units in the Ege Perla project;
- Opening Ege Perla Shopping Mall.

### Urban renewal and sales to non-nationals act as major propellants of the sector's growth.

It bears importance to launch the urban renewal projects that lend momentum to the sector's development on the islands. Holistic planning is essential for avoiding architecturally incongruent and infrastructurally inadequate zones. Only through holistic planning can we achieve better, more efficient and faster solutions.

Another important driver behind the sector's growth besides urban renewal is the real estate purchases by non-nationals, a phenomenon that picked up in 2015 and will presumably continue at the same speed in 2016. Sales to non-nationals can be regarded as an alternative market that businesses turn to at times of stagnation in the domestic market or as a tool they use to diversify their markets. However, an annual volume of 22-23 thousand housing unit sales to non-nationals

is not sufficient for a country with a vibrant real estate sector such as in Turkey. Incentives need to be introduced to boost annual sales to non-nationals. In this respect, granting residence permits and treating sales to non-nationals as net exports involving government incentives can serve as key tools for boosting the sales tendency.

### The sector started talking about new products.

Another matter of significance is the rapid introduction of new investment instruments, for which regulatory framework has been completed, in a bid to add momentum to the real estate sector. Real estate certificates are among the first products launched in this context. The inception of the attempts to obtain the incorporation licenses for real estate investment funds in 2016 will be among the main agenda items for the real estate sector.

Securing money inflow into the real estate sector particularly from international qualified investors, and thereby, purchasing finished real estate properties for the portfolios of asset management companies and of real estate trusts will be among the key factors that may add some action to the sector.

This implementation could pave the way for the establishment of trusts targeting personal/small investors besides international qualified investors in the future, and would allow individuals to directly invest in large-scale real estates through these trusts.

### The year ahead...

The existing trend in the real estate sector is anticipated to persist in 2016. No declines are expected in interest rates on housing loans or in other cost items. Accordingly, the growth rate in the order of 10% will be maintained barring an extraordinary change in other factors.

At İŞ REIC, our primary goal in the period ahead is to carry out our ongoing large-scale projects by utilizing financing when necessary, without disrupting our investment policy.

Our motto with regard to new project development is to make our investments in areas we deem profitable, rather than focusing on a specific investment area such as residential properties, offices or commercial properties. Based on our in-depth experience in the sector, we believe that determining the roadmap depending on the conjuncture and the opportunities that come along leads to healthier results.

Our growth strategy is based in the formation of an efficient, consistent and diversified portfolio that will be able to generate regular cash flow and serve to distribute a greater amount of dividends to our shareholders. We are guided by this motivation in all our operations. When we think of the positive impact our projects created so far in conjunction with our workforce, our financial resource and the means available to our principal shareholder, we see the distance we have taken towards expanding our portfolio and increasing our rental income, and we once again confirm our commitment to move ahead sure-footedly along this path.

We will keep working with the goal of carrying our Company to an increasingly stronger position every year in line with our principles of creating shareholder value and assuring sustainability. I would like to thank all our investors, stakeholders and employees with whom we share a confident outlook for the future.



**Turgay Tanes**  
CEO

## BOARD OF DIRECTORS



**Levent Korba**  
Chairman



**M. Kemal Fettahođlu**  
Vice Chairman



**H. Cemal Karaođlu**  
Independent Board Member



**D. Sevdil Yıldırım**  
Independent Board Member



**Mete Uluyurt**  
Board Member



**Süleyman H. Özcan**  
Board Member



**Murat Doğan**  
Board Member



**Turgay Tanes**  
CEO

# BOARD OF DIRECTORS

## **Levent Korba**

### **Chairman**

23.03.2015-24.03.2016

Levent Korba received his degree in English language from Buca Faculty of Education at Dokuz Eylül University in 1984. He joined İşbank in 1986 as a Candidate Officer in İzmir Branch. He became an Assistant Section Head in Bornova Branch in 1990, and a Sub-Manager and then Assistant Manager in Karabağlar Branch in 1995 and 1998, respectively. He was brought to the position of Manager of the Samsun Branch in 2002, Çukurova Regional Manager in 2004 and the Head of Branch Network Development Division in 2007. Holding an in-group position in addition to his office as the Chairman of the Board at İş REIC, Mr. Korba serves as Deputy Chief Executive of İşbank since 13 April 2011.

## **M. Kemal Fettahoğlu**

### **Vice Chairman**

23.03.2015-24.03.2016

M. Kemal Fettahoğlu got his degree in economics from the Middle East Technical University in 1990 and joined İşbank the same year as an assistant specialist in the Strategic Planning Department. After pursuing graduate studies in finance in London in 1997-1998, he worked as the Finance Manager and Capital Markets and Asset Management Manager at Petrol Ofisi from 2000 through 2003. He also assumed the responsibility of unit manager of İşbank's Economic Research, Enterprise Architecture and Branch Network Development divisions. Holding an in-group position in addition to his office as the Vice Chairman of the Board at İş REIC, Mr. Fettahoğlu has been serving as the head of İşbank's Construction and Real Estate Management Division since October 2011. Having been a member of İş REIC's Board of Directors since 2012, Mr. Fettahoğlu also holds a seat on the Board of Directors of Altınhas.

## **H. Cemal Karaoğlu**

### **Independent Board Member**

23.03.2015-24.03.2016

H. Cemal Karaoğlu got his bachelor's degree in 1987 and his master's degree in 1991 in civil engineering from the Faculty of Engineering at the Middle East Technical University. He started his career under a research program at Imperial College in 1988. He worked as a project engineer at Yüksel Proje Uluslararası A.Ş. from 1989 to 1993. He was a board member at Başarı Yatırımlar Sanayi ve Ticaret A.Ş. from 1993 to 2003 and at Yüksel Proje Uluslararası A.Ş. from 2003 to 2008. He functioned as an engineer and executive in various fields, including constructional drawings, control services, and investment consultancy. He does not hold an in-group position apart from his seat on the Board of Directors at İş REIC. Serving as Deputy Chairman at Yüksel Proje Uluslararası A.Ş. since 2008, he is also on the Board of Directors of Başarı Yatırımlar San. ve Ticaret A.Ş. Holding a seat on İş REIC's Board of Directors since 2010, Mr. Karaoğlu also heads the Committee for Audit and the Committee for Early Detection of Risk.

## **D. Sevdil Yıldırım**

### **Independent Board Member**

23.03.2015-24.03.2016

D. Sevdil Yıldırım received her degree in business administration from the Middle East Technical University in 1988. She also has master's degrees in economics from the Middle East Technical University and in business administration from the London Business School. She worked at Capital Markets Board (CMB) in Research and Development and Auditing and Supervision departments in 1988 and 1999. In 1999, she joined Yapı Kredi Invest in order to set up the International Capital Markets Department, where she was promoted to Assistant General Manager in 2003. She joined Turkish Yatırım and BGC Partners as an assistant general manager in 2006 and 2007 respectively. She transferred to Yıldız Holding A.Ş. in 2009 to set up the Corporate Finance and Capital Markets Department. Mrs. Yıldırım was also involved in the establishment of Gözde Girişim Sermayesi Yatırım Ortaklığı A.Ş., the publicly held participation of Yıldız Holding, where she served as an Assistant General Manager and also on the Investment Committee Member until February 2012. She held vice president positions for several councils at DEİK (Foreign Economic Relations Board) from 2002 to 2012. In tandem with her seat as an independent member of the Board of Directors at İş REIC, she serves as an independent board member at TAV Havalimanları Holding A.Ş., a non-group position, and at Denizli Cam ve Sanayi A.Ş., an in-group position. Mrs. Yıldırım has been holding a seat on the Board of Directors of İş REIC since 2012 and she is also the head of Corporate Governance Committee as well as the member of the Committee for Audit.

**Mete Uluurt**  
**Board Member**

23.03.2015-24.03.2016

Mete Uluurt graduated from Tarsus American High School in 1989 and from the Department of Economics at Bilkent University in 1994. He started his career on the Board of Internal Auditors of İşbank in 1996. Mr. Uluurt was appointed as an Assistant Manager to the Budget and Planning Department in 2004. Having pursued his master's studies in business administration at Boğaziçi University in 2005, he worked as Vice Chairman of the Board of Internal Auditors, as Unit Manager in Change Management Department and as Unit Manager in the Department of Strategy and Corporate Performance Management. Holding an in-group position in addition to his seat on the Board of Directors at İş REIC, Mr. Uluurt is currently working as Manager of Balmumcu Branch, to which position he was appointed in 2011.

**Süleyman H. Özcan**  
**Board Member**

23.03.2015-24.03.2016

Süleyman H. Özcan got his degree in economics at Boğaziçi University, and started his career as an assistant internal auditor on the Board of Internal Auditors of İşbank in 1993. He was appointed as Assistant Manager in Treasurers Department in 2001 and then as manager in the same department. He also worked as Unit Manager in Project and Change Management Department and Department of Strategy and Corporate Performance Management respectively and served in various positions at some İşbank subsidiary companies. Holding an in-group position in addition to his seat on the Board of Directors of İş REIC, he has been working as Department Manager in Investor Relations Department since 26 March 2009. Mr. Özcan has been serving as a Member of the Board of Directors at İş REIC since 8 December 2014.

**Murat Doğan**  
**Board Member**

23.03.2015-24.03.2016

Murat Doğan got his degree in industrial engineering from İstanbul Technical University in 2000, and joined İşbank as an assistant specialist in İşbank's Subsidiaries Division. He currently serves as Unit Manager for Property Development and Healthcare Companies in the division. Holding in-group positions in addition to his seat on the Board of Directors of İş REIC, Mr. Doğan is a Board member at Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş., İş Merkezleri Yönetim ve İşletim A.Ş., Erişim Müşteri Hizmetleri A.Ş., İş-Altınhas İnşaat Taahhüt ve Tic. A.Ş., and Camış Yatırım Holding A.Ş. Having served as a member of the Company's Committee for Audit from 2010 to 2012, Mr. Doğan has been holding a seat on İş REIC's Board Of Directors since 8 December 2014. He is also a member of the Corporate Governance Committee and the Committee for Early Detection of Risk.

### Changes in Management during the Reporting Period

At the General Assembly meeting held on 23 March 2015, all of the Board of Directors members who were holding seats in the previous term were re-elected and no changes occurred in the structure of the Board of Directors during the reporting period.

### Duties and Responsibilities of the Board of Directors

The duties and responsibilities of members of the Board of Directors are spelled out in the Company's articles of association. The Board of Directors is ultimately responsible for the management of the Company and for representing the Company before outside parties. The Board of Directors fulfills the duties incumbent upon it in compliance with the requirements of the Turkish Commercial Law, the Capital Markets Law, and other applicable laws, regulations, and administrative provisions. The Board consists of seven members, two of whom are independent board members.

### Operating Principles of the Board of Directors

The Board of Directors conducts its activities within the framework of publicly disclosed operating principles. The Board convenes on such occasions as deemed to be made necessary by the Company's business and affairs upon an invitation by its chairman or his deputy. Under article 13 of the Company's articles of association, it is possible for other members to summon the Board to convene as well.

### Board Meetings

A Board of Directors Secretariat has been set up at the Company. This unit is now responsible for and actively involved in organizing Board meetings, preparing and recording reports, documentation, and Board decision, coordinating communication among Board members, and performing similar functions.

The agendas for Board meetings are prepared as recommended by the CEO and with the knowledge of the Board's chairman.

During the reporting period, the Board of Directors convened ten times and passed 67 decisions. All Board members attended all of the Board meetings but one during the year. Save for twelve decisions, all decisions taken by the Board were passed unanimously. No dissenting opinions were expressed in any of the decisions taken during Board meetings. Inasmuch

as no votes were cast against any of the decisions that were taken, it was not necessary to make note of any opposition to them in meetings' minutes.

No Board member enjoys any special voting rights or has the power to exercise a veto.

### Board of Directors Committees

As required both by the Capital Markets Board's corporate governance principles and by the Company's Board of Directors operating principles, there are three committees within the Board: a Corporate Governance Committee, a Committee for Early Detection of Risk, and a Committee for Audit. Each of these committees is headed by an independent board member. As required by law, all of the members of the Committee for Audit are independent Board members. The names and positions of those who serve as heads and members of these committees are presented below.

Corporate Governance Committee	
Head	Members
D. Sevdil Yıldırım Independent Board Member	Murat Doğan Ayşegül Şahin Kocameşe

Committee for Early Detection of Risk	
Head	Members
H. Cemal Karaoğlu Independent Board Member	Murat Doğan

Committee for Audit	
Head	Members
H. Cemal Karaoğlu Independent Board Member	D. Sevdil Yıldırım Independent Board Member

The Board of Directors consists of seven members, two of whom are independent. Owing to the present structure of the Board of Directors, a Board member may serve on more than one committee. All due consideration is given to the requirements of Corporate Governance Principles when selecting committee members.

Operating principles have been defined and publicly disclosed for each committee. Committees perform their functions within the frame of those principles. During the reporting period and after the conduct of the Company's annual meeting, the duties and responsibilities of Board members were assigned and elections to committee seats were held as required by

CMB Corporate Governance Communiqué, which were then publicly announced.

Neither a Nominating Committee nor a Remuneration Committee has been set up under the Board of Directors. The functions of these committees are performed by the Corporate Governance Committee.

### External Positions Held by the Members of the Board of Directors

Although there are no set rules on Board members' undertaking other duties outside the Company, if they take on an executive role or hold a seat on the board of directors on, or offers consultancy service to, another company, this must not cause a conflict of interest. Also, as a basic principle, independent Board members must act so as to maintain the independence criteria described in the Principles. The in-group/non-group positions held by Board members outside the Company, their years of service in the Company and distribution of positions are provided in the members' résumés.

### Disclosure of Company Board Members' Dealings Related to Company's Principal Business Activities or Involving Either the Company or Capital Market Instruments Belonging to the Company

During the reporting period, no member of the Board of Directors was involved in any commercial or financial transaction related to the Company's principal business activities, or entered into any debt relationship with the Company, or was involved in any dealings that involved any capital market instruments belonging to the Company.

### Remuneration of the Members of the Board of Directors

Pursuant to Corporate Governance Principles, the remuneration principles for the Board members and executives with administrative responsibility are put into writing and presented for the information of shareholders at the General Assembly.

The Corporate Governance Committee makes recommendations regarding remuneration of the members of the Board of Directors, which is then determined by the General Assembly of Shareholders. All benefits provided to Board members are publicly disclosed in the Company's quarterly financials. The gross value of all remuneration provided to members of the Board of Directors during the reporting period was TL 568 thousand.



Besides the remuneration decided upon by the General Assembly of shareholders, members of the Board of Directors receive no other benefits under such rubrics as "honoraria" or "bonuses" or any similar entitlements. None of the remuneration provided to independent Board members involves any company stock options or any forms of payment linked to the Company's performance.

During the reporting period, the Company did not lend any sums or extend any credit, or made available any loans under the name personal loan through a third party to its Board members or senior managers, nor did it stand guarantee for them such as providing suretyship in their favor.

### Board of Directors' Assessment of the Efficiency of Board of Directors Committees and the Company's Internal Systems

As required by the capital market legislation and other applicable regulations and laws, there are three committees at İş Gayrimenkul Yatırım Ortaklığı A.Ş. (İş REIC): Corporate Governance Committee, Committee for Early Detection of Risk, and Committee for Audit. The Corporate Governance Committee fulfills the functions of the Nominating Committee and Remuneration Committee, which need to be set up under Corporate Governance Principles.

When the reports submitted by the Committees to the Board of Directors and advisory decisions passed are examined, it is observed that all of the Committees have efficiently carried out their activities in 2015 within the frame of the espoused operating principles; they have fulfilled their duties and responsibilities set out in the Corporate Governance Principles, and accordingly, the Company's internal systems function efficiently. Through their activities, the committees contributed to the activities of the Board of Directors, and the Company furthered its compliance with corporate governance practices.

### Corporate Governance Committee

Corporate Governance Committee, which regularly reviews the Company's corporate governance practices, paid attention to meet prior to each Board meeting in principle. The Committee met 14 times during the reporting period. While priority is given to discussing the topics on the agenda in the Committee meetings, the Investor Relations Department's activities during the year, its determinations and evaluations were also addressed, and as such, the Committee fulfilled its function

as a bridge between shareholders and the Board of Directors. Decisions adopted in Committee meetings, and the presentations on the topics discussed in meetings were shared with the Board of Directors after the Committee meetings.

The Corporate Governance Committee closely monitors the regulations and requirements regarding corporate governance principles. Within the scope of the activities during the reporting period aimed at furthering the Company's compliance with the principles, the Committee:

- Took the necessary steps to make sure that the Company is in compliance with the applicable requirements, and especially with the Corporate Governance Principles Communiqué,
- Fulfilled the functions of the Nominating Committee and Remuneration Committee,
- Actively engaged in the corporate governance rating process of the Company together with the Investor Relations Department and Corporate Compliance Unit.

When carrying out these activities, the Corporate Governance Committee adopted advisory decisions to be presented to the Board of Directors regarding the matters for which the Board of Directors needed to take action.

### Committee for Early Detection of Risk

The Committee for Early Detection of Risk, which has been set up to early detect the risks that may threaten the Company's existence, development and survival, to take necessary action for identified risks, and to manage risks in accordance with the CMB's rules and regulations concerning corporate governance, and the relevant provisions of the TCC, held three meetings during the reporting period.

Within the frame of the review of the Company's risk management systems, the Committee submitted the following to the Board of Directors;

- A quarterly Company Risk Report covering basic risk types in relation to the Company's activities with a particular focus on operational risk, liquidity risk, credit risk and market risk, which is prepared by the Risk Unit within the knowledge of the Committee for Early Detection of Risk,
- A bimonthly Committee for Early Detection of Risk Report, which is

prepared by the Committee for Early Detection of Risk so as to cover risk management and early detection of risk pursuant to article 378 of the TCC.

Through the reports issued and activities carried out during the reporting period, the Committee played an active role in the identification and analysis of important risks inherent in the Company's operations, ensured that necessary information was provided to the Board of Directors with respect to monitoring the risk limits, and increased the efficiency of the Company's risk systems.

### Committee for Audit

The Committee for Audit reports to the Board of Directors and carries out its activities in accordance with the "Operating Principles of the Committee for Audit". The Committee ensures the auditing and supervision of proper execution of financial and operational activities, and carries on with its activities in relation to public disclosure of the Company's financial statements, execution of independent audits, ensuring effective operation of the Company's internal systems, and active supervision of all other aspects of the independent auditors' activities. The Committee held four meetings during the reporting period.

In parallel with its duties set forth in the operating principles, the Committee for Audit, during the reporting period;

- Oversaw the independent audit process including conformity of all aspects of the independent auditor's activities and the interim and annual financial reports drawn up to the accounting principles pursued by the Company, as well as their accuracy and fairness,
- Monitored the determination of the annual activity plan of the Company's Audit Group and execution of audit activities in accordance with the plan, and received information about audit activities in periodic meetings,
- Provided the necessary coordination for sharing the findings identified within the scope of audit activities with the Board of Directors and the Company's senior management, and for ensuring that necessary measures are adopted.

Within this scope, the Committee for Audit reviewed the operation of the Company's internal systems, contributed to the betterment of processes that presented room for improvement, and effectively carried out audit activities.

## SENIOR MANAGEMENT



**Turgay Tanes**  
CEO



**Hülya Demir**  
Senior Head of Project and  
Construction Management  
Coordination



**T. Aydan Ormancı**  
Senior Head of Project Development  
& Feasibilities and Real Estate  
Investments Coordination



**Tuğrul Gürdal**  
Head of Accounting and  
Administrative Affairs Group



**Atty. Pınar Ersin Kollu LL.M.**  
Head of Legal Counseling and Human  
Resources & Education Group



**Ayşegül Şahin Kocameşe**  
Head of Investor Relations &  
Corporate Compliance and Risk  
Management Group



**Gülfem Sena Tandoğan**  
Head of Corporate Communications,  
Sales, Leasing and Marketing Group



**Ömer Barlas Ülkü**  
Head of Financial Management Group



**K. Sertaç Seviner**  
Head of Audit Group



**Bülent Otuz**  
Electrical and Mechanical Projects  
Coordinator



**Gökhan Temel**  
Constructional Projects Coordinator



**Kaan Özsoy**  
Architectural Projects Coordinator

## SENIOR MANAGEMENT

### **Turgay Tanes** **CEO**

Turgay Tanes graduated from the Department of Public Administration of the Faculty of Economics and Administrative Sciences at Gazi University in 1987. He started his career at İşbank as an assistant inspector on the Board of Inspectors in 1988. He became an assistant manager in the Subsidiaries Division in 1996 and worked as a group manager of Real Estate and Glass Sector Companies from 1999 to 2004 in the same division. Serving as the CEO of İş Real Estate Investment Company since 2004, Mr. Tanes also functions as the chairman of one of the subsidiaries of İşbank.

### **Hülya Demir** **Senior Head of Project and Construction Management Coordination**

Hülya Demir graduated from the Faculty of Architecture at İstanbul Technical University in 1982, and received her master's degree from the same faculty in 1984. She started her career in 1983 as a project architect at EPA Architecture and worked as an architect and chief architect for Architectural Project Design and Implementation at İşbank Construction and Real Estate Division from 1985 to 1994. She was in charge of the project and construction management and coordination for İş Towers first as an assistant manager and then as a group head from 1994 until 2001. Hülya Demir joined İş REIC in 2001 as Assistant General Manager and currently functions as the Senior Head of Project and Construction Management Coordination.

### **T. Aydan Ormancı** **Senior Head of Project Development & Feasibilities and Real Estate Investments Coordination**

T. Aydan Ormancı got her degree in civil engineering from the Middle East Technical University in 1990; she also holds a master's degree from the Graduate School of Science Engineering and Technology. Mrs. Ormancı started her career in 1991 as a project engineer at STFA Mühendislik A.Ş. In 1993, she joined 3M İnşaat A.Ş. as Technical Office Assistant Manager. From 1995

to 2000, she worked as an assistant manager and manager at Project and Sales Departments at Gök İnşaat A.Ş. She began functioning as an assistant manager at the Investment and Project Development Department at İş REIC in 2000, where she was promoted to manager in 2001 and to Assistant General Manager in 2007. Mrs. Ormancı currently serves as Senior Head of Project Development & Feasibilities and Real Estate Investments Coordination.

### **Tuğrul Gürdal** **Head of Accounting and Administrative Affairs Group**

Tuğrul Gürdal started working as a reporter with the Ministry of Finance Regular Tax Objection Board in 1975, from which post he resigned in 1980. The same year, he joined İşbank Securities Department. He assumed the position of operations manager at IS Investment Ortaklığı A.Ş. in 1997 and was actively involved in the incorporation and public offering of İş REIC, his current employer, where he has been working since 1999. Having worked under the title of Accounting and Administrative Affairs Manager from 1999, Mr. Gürdal is currently the Head of Accounting and Administrative Affairs Group responsible for Accounting, Financial Affairs, Information Technology, Document Management and Operation, Support Services.

### **Atty. Pınar Ersin Kollu LL.M.** **Head of Legal Counseling and Human Resources & Education Group**

Pınar Ersin Kollu graduated from the Faculty of Law at İstanbul University in 1994 and got her LL.M. degree in Business Law from İstanbul Bilgi University. Ms. Kollu completed her legal internship in 1995 and was enrolled with the İstanbul Bar Association. She began her career as a lawyer at BEDAŞ in 1996, and joined İş REIC in 2000, where she set up the Company's Legal Counseling, Human Resources and Education Departments. She serves as a member of the Board of Directors of Kanyon Yönetim, İşletim ve Pazarlama A.Ş. She speaks English and holds a Human Resources Manager Certificate and Adler

Coaching Certificate Accredited by the International Coaching Federation. Ms. Kollu works as a coach and mentor in various social responsibility projects. Lecturing on the Legal Aspects of Real Estate Investments at GYODER Academy and Bahçeşehir University's MBA in Real Estate Program, Ms. Kollu currently serves as the Head of Legal Counseling and Human Resources & Education Group.

### **Ayşegül Şahin Kocameşe** **Head of Investor Relations & Corporate Compliance and Risk Management Group**

Ayşegül Şahin Kocameşe got her bachelor's degree in political science and public administration from the Middle East Technical University in 1998 and got her Executive MBA degree from İstanbul Technical University. She holds CMA Advanced Level License from the Capital Markets Board, Credit Rating Expert License, and Corporate Governance Rating Expert License, as well as a Real Estate Appraiser License. She began her career as an investment specialist assistant at İşbank in 1998. She joined İş REIC in 1999 and personally worked in the incorporation and IPO of the Company. Upon establishment of the Risk Management and Investor Relations Department in 2005, she was brought to the position of manager in this unit. Ms. Kocameşe currently functions as the head of Investor Relations & Corporate Compliance and Risk Management Group.

### **Gülfem Sena Tandoğan**

#### **Head of Corporate Communications, Sales, Leasing and Marketing Group**

Gülfem Sena Tandoğan got her bachelor's degree in labor economics and industrial relations from the Faculty of Political Sciences at Ankara University in 2001 and Executive MBA from Boğaziçi University. She began her career as an assistant product manager in a pharmaceuticals company in 2001. She started working at the Marketing Department of İş REIC in 2003 and functioned as a specialist at the Risk Management and Investor Relations Department from 2005 until 2007. She was involved in the establishment of the Corporate Communications and Marketing Department in 2007. Ms. Tandoğan is currently the Head of Corporate Communications, Sales, Leasing and Marketing Group.

### **Ömer Barlas Ülkü**

#### **Head of Financial Management Group**

Ömer Barlas Ülkü received his bachelor's degree in civil engineering from the Middle East Technical University in 1995 and his MBA from the Faculty of Economic and Administrative Sciences at the same university. Mr. Ülkü started his career as a research assistant in the Department of Civil Engineering at METU (1995-1997) in tandem with his graduate studies. He functioned as an inspector on İşbank's Board of Inspectors from 2000 to 2008, and as the Internal Audit and Control Manager of our Company from 2008 to 2012, while he was also part of the process to set up the said department. Mr. Ülkü was involved in the establishment of the Financial Management Department in July 2012, and currently serves as the Head of the Financial Management Group.

### **K. Sertaç Seviner**

#### **Head of Audit Group**

K. Sertaç Seviner graduated from the Department of Economics, Faculty of Economic and Administrative Sciences at the Middle East Technical University in 2000. He joined İşbank in 2001 as an assistant inspector trainee on the Board of Inspectors, and was appointed as an assistant manager in the Retail Loans Monitoring and Recovery Division in 2010. Mr. Seviner was brought to the position of the Head of Audit Group of İş REIC in December 2012.

### **Bülent Otuz**

#### **Electrical and Mechanical Projects Coordinator**

Bülent Otuz received his bachelor's degree in 1983 and his master's degree in 1986 in electrical and electronics engineering from the Middle East Technical University. He functioned as a chief engineer at TEK (Turkish Electricity Authority) Power Plants Department from 1984 to 1988. Having worked in İşbank's Construction and Real Estate Management Division from 1988 to 2001, he was in charge of the design and implementation of electrical works in İş Towers from 1996 through 2001. Having joined İş REIC in 2001, Mr. Otuz, who is also a Real Estate Appraiser, currently serves as Electrical and Mechanical Projects Coordinator at İş REIC.

### **Gökhan Temel**

#### **Constructional Projects Coordinator**

Gökhan Temel graduated from the Department of Civil Engineering at İstanbul Technical University in 1988. He started his career in 1988 as a supervising engineer in the construction of the Kınalı-Sakarya Highway undertaken by ENET-ARUP-DCI Joint Venture. He worked as a civil engineer in İşbank's Construction and Real Estate Management Division from 1991 to 1993. He functioned first as a supervising engineer and then as a chief engineer in the construction of İş Bank's Head Office Building from 1993 through 2001. He joined İş REIC in 2001 as a chief engineer, and later assumed the positions of Project Implementation Assistant Manager and then Project Implementation Manager. Mr. Temel, who is also a Real Estate Appraiser, currently serves as the Constructional Projects Coordinator at İş REIC.

### **Kaan Özsoy**

#### **Architectural Projects Coordinator**

Kaan Özsoy received his degree in architecture from the Faculty of Architecture at Yıldız Technical University in 1992. He started his career as an architect in the construction of İşbank Head Office Building in 1994 and functioned as a supervising architect until 2001. Having joined İş REIC as an architect in 2001, Kaan Özsoy was later promoted, in chronological order, to Chief Architect, Project Implementation Assistant Manager and Project Implementation Manager. Mr. Özsoy, who is also a Real Estate Appraiser, currently serves as the Architectural Projects Coordinator at İş REIC.

# DECLARATION OF INTEREST BY INDEPENDENT BOARD MEMBERS

To: Chairman of the Board of Directors of İş Gayrimenkul Yatırım Ortaklığı A.Ş.

Owing to my candidacy for a seat as an Independent Board Member at your Company's ("the Company") General Assembly Meeting, I hereby declare:

a) Neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the second degree, have, within the most recent five years, entered into any employment relationship in an executive capacity involving major duties and responsibilities, collectively or individually held more than 5% of the capital or voting rights or privileged shares in, or established any commercial interest of a significant nature, with the Company, or with any companies in which the Company has management control or material influence, and with any shareholders having management control or material influence over the Company, or with any corporate entity which are controlled by these shareholders;

b) Within the most recent five years, I have neither been a shareholder controlling 5% or higher share, or an employee in an executive position involving major duties and responsibilities nor a board member, in any company from/to which the Company purchases/sells significant amount of services or products under the agreements made during such time when services or products were purchased or sold, and particularly in companies involved in the Company's auditing, rating, or consulting;

c) I possess the professional education, knowledge and experience for due performance of the duties I will assume in connection with being an independent board member;

d) If elected, I shall not work on full-time basis at any public institution or organization during my term of office, apart from serving as a faculty member, provided that the same does not contradict with the legislation governing such institution;

e) I am a resident of Turkey for the purposes of the Income Tax Law;

f) I possess the ethical standards and professional repute and experience sufficient to enable me to make a positive contribution to the Company's affairs, to maintain my impartiality in any conflicts of interest that may arise between the Company and its shareholders, and to come to decisions freely taking into consideration all stakeholders' rights;

g) I am capable of devoting sufficient amount of time to follow-up the conduct of the Company's activities and to fully satisfy the requirements of the duties I will be undertaking;

h) I have not served as a member on the Company's Board of Directors for more than six years within the most recent ten years;

i) I am not serving as an independent board member in more than three of the companies in which the Company, or shareholders having management control over the Company, have management control, or in more than five companies, in the aggregate, traded on the stock exchange;

j) I have not been registered and promulgated on behalf of the corporate entity elected as a member of the Board of Directors.



D. Sevdil Yıldırım  
Independent Board Member

To: Chairman of the Board of Directors of İş Gayrimenkul Yatırım Ortaklığı A.Ş.

Owing to my candidacy for a seat as an Independent Board Member at your Company's ("the Company") General Assembly Meeting, I hereby declare:

a) Neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the second degree, have, within the most recent five years, entered into any employment relationship in an executive capacity involving major duties and responsibilities, collectively or individually held more than 5% of the capital or voting rights or privileged shares in, or established any commercial interest of a significant nature, with the Company, or with any companies in which the Company has management control or material influence, and with any shareholders having management control or material influence over the Company, or with any corporate entity which are controlled by these shareholders;

b) Within the most recent five years, I have neither been a shareholder controlling 5% or higher share, or an employee in an executive position involving major duties and responsibilities nor a board member, in any company from/to which the Company purchases/sells significant amount of services or products under the agreements made during such time when services or products were purchased or sold, and particularly in companies involved in the Company's auditing, rating, or consulting;

c) I possess the professional education, knowledge and experience for due performance of the duties I will assume in connection with being an independent board member;

d) If elected, I shall not work on full-time basis at any public institution or organization during my term of office, apart from serving as a faculty member, provided that the same does not contradict with the legislation governing such institution;

e) I am a resident of Turkey for the purposes of the Income Tax Law;

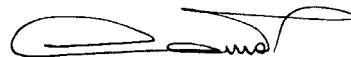
f) I possess the ethical standards and professional repute and experience sufficient to enable me to make a positive contribution to the Company's affairs, to maintain my impartiality in any conflicts of interest that may arise between the Company and its shareholders, and to come to decisions freely taking into consideration all stakeholders' rights;

g) I am capable of devoting sufficient amount of time to follow-up the conduct of the Company's activities and to fully satisfy the requirements of the duties I will be undertaking;

h) I have not served as a member on the Company's Board of Directors for more than six years within the most recent ten years;

i) I am not serving as an independent board member in more than three of the companies in which the Company, or shareholders having management control over the Company, have management control, or in more than five companies, in the aggregate, traded on the stock exchange;

j) I have not been registered and promulgated on behalf of the corporate entity elected as a member of the Board of Directors.



H. Cemal Karaoğlu  
Independent Board Member

# CONSULTANCY, AUDITING, RATING AND APPRAISAL SERVICES

## Tax Consultants

Başaran Nas Yeminli Mali Müşavirlik A.Ş.

## Independent Auditors

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of KPMG International)

## Corporate Governance Principles Compliance Rating Agency

Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş.

## Credit Rating Agency

Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş.

## Real Estate Appraisal Firms from Which Services Were Procured in 2015

- Harmoni Gayrimenkul Değerleme ve Danışmanlık A.Ş.
- Reel Gayrimenkul Değerleme A.Ş.
- Nova Taşınmaz Değerleme ve Danışmanlık A.Ş.

## Disclosure of Any Conflicts of Interest Between the Company and Its Service Providers

In the selection of its service providers, the Company complies with applicable capital market regulations and takes all due care to prevent potential conflicts of interest.

There were no conflicts of interest between the Company and the service providers identified above either during the course of service procurement or subsequently.



# INSPIRAT

Manzara Adalar offering different housing unit options has been designed for an ever-inspiring life within 1.5 kilometers walking distance from the seaside amid lush green.



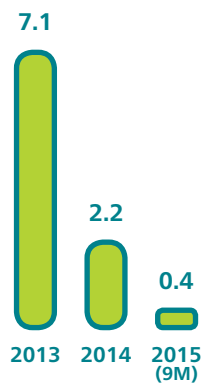


# TIONAL

# HIGH INCREASE

In spite of political uncertainty and economic volatility that tainted 2015, the highest increase of the past three years was achieved, and housing sales went up 10.6% year-to-year to reach 1,289,320 units.

Construction Sector's Growth (%)



## An Overview of the Turkish Real Estate Sector

Having grown 2.2% in 2014, the construction industry slackened in parallel with the economic conjuncture in 2015 and registered a mere growth of 0.4% in the first three quarters of 2015, performing well below the rate of 3.7% that was achieved in the first nine months of 2014.

The expansion in private sector construction outlays continued even if at a limited extent in 2015, whereas public sector construction outlays recaptured growth in the third quarter of 2015 after dropping for seven quarters.

Existing construction projects picked up in the second quarter of the year due to the seasonality effect, before plummeting by a remarkable 12.0 points in the third quarter. The projections bettered in November following the results of the general election, but they declined once again in December, owing particularly to the seasonality effect. New undertakings showed the same tendency, while the level of new orders remained constant in December.

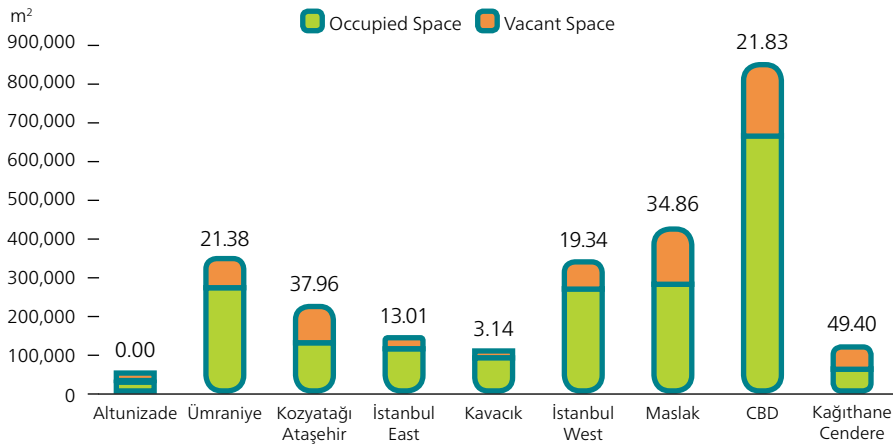
In the last quarter of 2014, the building construction cost index (BCCI) went down by 0.3% over the previous quarter, picked up by 5.4% year-to-year, and by 5.9% on the basis of the average of four quarters.

## Office Market

An overview of the last quarter of 2015 in İstanbul Class-A office market reveals the following:

- Regional distribution of office stocks shows that the areas with the highest Class-A office stock are CBD (34%), Maslak (17%), Ümraniye (13%) and İstanbul West (13%). Total office stock in these four regions corresponds to 77% of the overall stock in İstanbul.
- Average rental fees adopted a downtrend as compared with the second quarter of the year, whereas vacancy rates took an upturn.
- As compared with the second quarter of 2015, average rental fees of Class-A office properties on the European side declined from 33.22 USD/m<sup>2</sup>/month to 31.66 USD/m<sup>2</sup>/month; and of those on the Asian side from USD 22.31 USD/m<sup>2</sup>/month to 22.18 USD /m<sup>2</sup>/month.

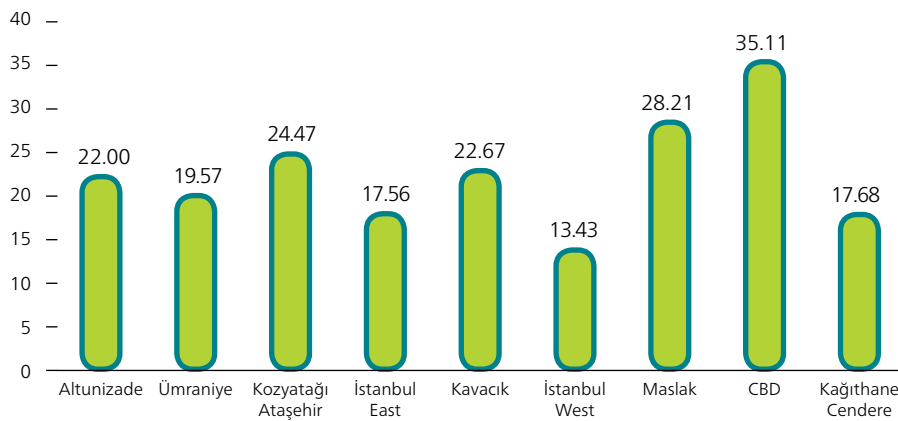
### Istanbul Office Market Average Vacancy Rates (Class A/Q4) (%)



Source: Colliers International

Upon completion of the supply currently under construction on the Asian and European sides, total Class-A office supply will reach 6.6 million m<sup>2</sup> by the end of 2018.

### Average Class A Office Property Rents in İstanbul (USD/m<sup>2</sup>/month)



Source: Colliers International

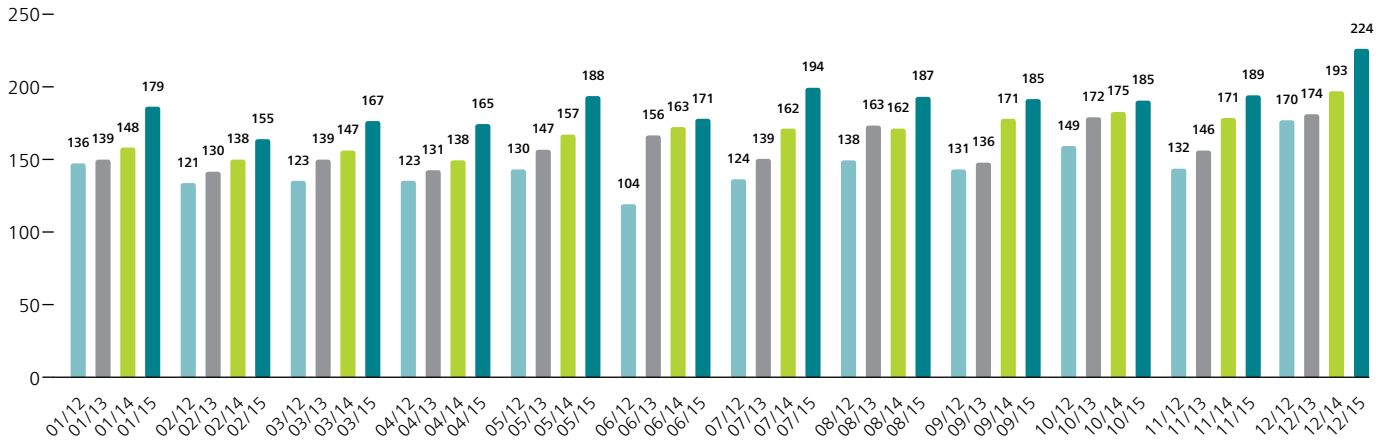
- Again in the same timeframe, average vacancy rates of Class-A offices on the European side increased by 6 percentage points to 26.27% and on the Asian side went up by 2.3 percentage points to 21.66%.
- While the rise in the vacancy rates of Class-A office properties was the highest in CBD, Maslak and Kozyatağı/Ataşehir regions, this was mainly due to new additions to the stock, while the demand that was already limited shifted to areas presenting cheaper alternatives.
- Upon completion of the supply currently under construction on the Asian and European sides, total Class-A office supply will reach 6.6 million m<sup>2</sup> by the end of 2018. A substantial portion of the additional office stock is situated in newly developing regions such as Kozyatağı/Ataşehir and Kağıthane/Cendere. These two alternative regions are followed by the CBD.

### Distribution of Class A and B office stock on the European and Asian Sides of İstanbul

	European Side	Asian Side	Total
A	1,696,781	776,527	2,473,308
B	474,636	275,221	749,857

# REAL ESTATE SECTOR IN 2015

## Turnover Index (General) (updated: 7 January 2016)



Source: Council of Shopping Centers (AYD)

Housing loan volume expanded by 14% in the twelve months to end-2015 and reached TL 143 billion.

### Housing Market

There was a marked decrease in the number of building permits and use and occupancy permits issued in 2015. Total number of building permits issued in the first nine months of the year declined by 23.6% on the basis of the number of flats. During the same period, the number of flats issued with use and occupancy permits dropped by 9.9%.

In spite of political uncertainty and economic volatility that tainted 2015, the highest increase of the past three years was achieved, and housing sales went up 10.6% year-to-year to reach 1,289,320 units.

While İstanbul claimed the highest share out of housing sales with 239,767 units, the fewest sales occurred in Hakkari with 139 units.

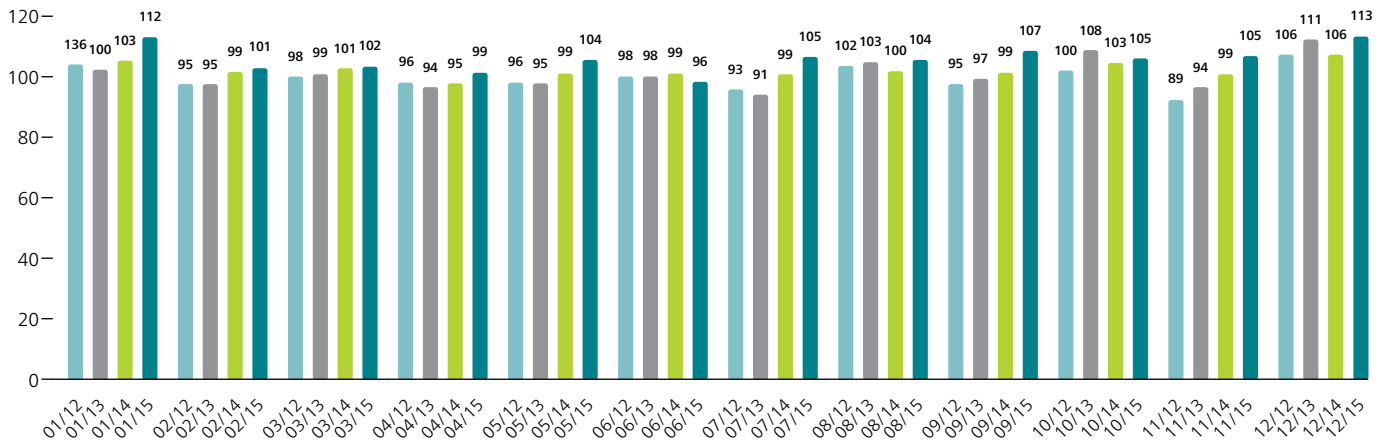
Covering all 30 metropolitan municipalities, the Turkish Composite Residential Price Index (TR-30) was up by 1.95% on a monthly basis in December, and by 17.39% year-to-year. Over the same period, the Turkish Composite Residential Price Index (TR-32) calculated for 32 secondary cities was up by 1.65% on a monthly basis, and by 10.13% year-to-year.

According to the REIDIN-GYODER New Home Price Index, there was a rise by 0.42% in December 2015 on a monthly basis, by 9.38% on a year-to-year basis, and by 66.70% since January 2010 when the index was launched. The highest increase in the new home price index in the past one year occurred in the one-bedroom flat type with 0.87%.

The REIDIN-GYODER New Home Price Index showed 8.5 points higher increase in branded housing projects on the Asian side of the city than on the European side since the start of the index.

One-month average home-financing interest rates, which were below 1% in the first half of 2015, adopted an uptrend at the onset of the last quarter and averaged 1.17% monthly. Although monthly interest rates finished the year above the upper limit of the 1.10% band, housing loan volume expanded by 14% in the twelve months to end-2015 and reached TL 143 billion.

## Visitor Numbers Index (updated: 29 January 2016)



Source: Council of Shopping Centers (AYD)

## Retail Market

The drastic depreciation of the Turkish lira against the US dollar in 2015 has been a key factor that impacted the occupancy rates with respect to retailers due to its effect on rental costs. Nonetheless, the appetite and investments of foreign brands seeking to enter the Turkish market did not change significantly towards the negative.

As at the third quarter of 2015, 331 shopping malls across Turkey presented a gross leasable area (GLA) of 9,891,460m<sup>2</sup>, which is anticipated to go up to 11,037,761m<sup>2</sup> by the end of 2016.

Istanbul ranks first with 272 m<sup>2</sup> based on GLA per 1,000 inhabitants. GLA for 1,000 inhabitants averages 268 m<sup>2</sup> when considered on the basis of all EU countries, and 127 m<sup>2</sup> throughout Turkey.

According to an Oxford Economics projection, Turkey will attain a 5% retail sales growth between 2015 and 2017, which is higher than mature Europe markets.

The SC Turnover Index co-developed by the Turkish Council of Shopping Centers (AYD) and Akademetre Research went

## Current and Future Shopping Mall Stock in İstanbul

Existing		Future supply	
No. of Malls	Total leasable area (m <sup>2</sup> )	No. of Malls	Total leasable area (m <sup>2</sup> )
114	3,910,053	28	1,309,623

up by 13.8% on an annual basis in 2015 and reached 182 points.

2015 marked the first-ever year in which the SC Turnover Index increased every month. Productivity per square meter and category-based turnovers also showed constant rises.

Average turnover per square meter of leasable space in shopping malls increased by 31 points year-to-year in December 2015 and productivity per square meter reached TL 853. While İstanbul broke record with TL 998 productivity per square meter in December, the highest-ever value it has achieved since early 2010 when the index was started to be published, productivity was TL 756 in Anatolia. Productivity per square meter of leasable area in shopping malls was TL 705 in 2015. There was 14.5% rise in productivity per square meter in the reporting period.

The number of SC visitors index was up by 4% in 2015, and reached 104 points annually.

The increase in these data clearly reveals the contribution of shopping malls to the development of retail property and organized retail industry.

Sources: Colliers International, John Lang Lasalle, Association of Turkish Construction Material Producers (IMSAD), Turkish Contractors Association (TMB), TurkSTAT, Propin, REIDIN, Association of Real Estate and Real Estate Investment Companies (GYODER), Council of Shopping Centers-Turkey (AYD)



# ELEGANT EXHILIRANT

Ege Perla presents a blissful living space under the guarantee of İş REIC in the best part of the Gulf of İzmir, in the new city center where a refreshing life will blossom.



# T AND ATING

# STABLE GROWTH

İş REIC maintains its stable growth target by capitalizing on all investment opportunities and thus enriching its portfolio.



### **İstanbul Tuzla Mixed-Use Project and Tuzla Technology and Operation Center**

Its location has turned Tuzla and environs into a very valuable district with respect to living and investing, where numerous companies are relocating their head offices and operations departments. The rapid increase in the investments being made played a big part in the development of the area, transforming it into a field of attraction. The investments that are being made in the area by the private sector and by the local administration alike have lately gained speed.

Having accurately foreseen the area's inherent growth potential years ago and having quickly steered its investments accordingly, İş REIC has a construction area of 277,704m<sup>2</sup> in total on two adjacent plots in the locality, whereon the Company is developing the "Technology and Operation Center" and the "Mixed-Use Project" covering office and commercial spaces. İş REIC carried on with the construction work of its investments in Tuzla, which the Company believes to possess a high growth potential, and brought both projects to completion at year-end.

Designed and constructed to cater to the needs of İşbank, the Technology and Operation Center on parcel I was delivered in November 2015. İşbank, which will be a tenant for 25 years, started operations in the premises the same month. Based on the lease, the Company will generate an annual rental income of TL 61.5 million + VAT on the entirety of the Technology and Operation Center.

Set on parcel II and covering office and commercial spaces, the Mixed-Use Project started to be delivered in December upon receipt of the use and occupancy permit. The decoration phase of the project is now underway. All of the office spaces and part of the commercial spaces are leased to Türkiye Şişe ve Cam Fabrikaları A.Ş., and venue deliveries are slated to begin in the first months of 2016.

The development cost of the two projects totaled approximately USD 955.2 million.

The project received an award in the "Best Office" category at the Sign of the City Awards organized by Hürriyet Newspaper.

### **İstanbul Tuzla Çınarlı Bahçe Residential Project**

Sales of the "Çınarlı Bahçe Tuzla" residential project comprising 476 units were completed during 2015. Introduced with the concept "New Life in İstanbul" and located in Tuzla, İstanbul's up-and-coming district both in residential and commercial investments, the project quickly achieved a high sales ratio, and has redefined the housing concept in the locality. Designated as the operating company in order to ensure high quality and high-standard management of the project following delivery, Kanyon Yönetim İşletim ve Pazarlama A.Ş. carries on with its activities.

### **İzmir Ege Perla Project**

Construction work continued according to schedule in 2015 at Ege Perla, which is a mixed-use project consisting of residential and home-office units and a shopping mall situated in the "New City Center" of İzmir's Konak district. 89% of the project construction was finalized at the end of the year. Accordingly, deliveries are planned to take place during 2016.





Bearing the signature of the worldwide famous architect Emre Arolat, an Aga Khan Award laureate, Ege Perla Project consists of sea view residences, spacious offices and a shopping mall whose semi-open architecture makes it an ideal venue for up-market stores and shops.

The project was conceptually designed both to be an amalgam of traditional İzmir lifestyle and modern architecture, and to become a signature landmark of the city with its architecture that blends in with İzmir.

Efforts for hiring out the shopping mall included in the project via CEFIC, a firm engaged for managing the leasing work, continued during the reporting period. It is targeted to create a tenant mix and concept with a focus on the needs and expectations of İzmir and its local people at the Ege Perla shopping mall, which is a magnet for numerous domestic and international brands as well as the local ones in İzmir. The mall is envisaged as a true city park with its architecture, brand mix and commercial spaces, and a spot frequented by people of all ages as the first representative of innovations in the area. The tower blocks housing residential units and home-offices are targeted to be completed by end-

April 2016, while the shopping mall is intended to go live in the third quarter of 2016.

With its launch carried out on 7 November 2012, about 75% of the units on the market were sold at the end of 2015.

#### **Istanbul International Financial Center Project**

In 2015, building permit has been obtained for the project consisting of office and commercial spaces planned to be developed at the heart of the Istanbul International Financial Center (IFC) that was presented as one of the most remarkable projects of late. Along the line, construction work that started during the reporting period is targeted to be completed in the years ahead, concurrently with the projects taking place in the IFC and undertaken by other companies. The annual rental income to be derived on the project that will have a leasable commercial and office area of approximately 32,000 m<sup>2</sup> is forecasted around TL 40 million.

#### **Istanbul Kartal Manzara Adalar Project**

One of the nicest and most valuable locations on the Asian side, Kartal district enjoys a constantly growing attraction owing to new additions to the urban renewal projects and commercial districts, as well as the availability of transportation means.

Having accurately predicted the district's development potential, İŞ REIC is realizing the Manzara Adalar project in Kartal, which is forecasted to have a total investment value of nearly TL 640 million. The building permit for the project has been obtained in September 2014, and the construction work continued throughout 2015. Comprising a total of five blocks, three of them residential and two of them covering office and commercial units, the project is forecasted to yield a revenue of nearly TL 750 million on the sales of housing units. 8% of the construction work of the project was completed, which was initiated during the reporting period.

Designed by the world-famous architecture firm Perkins Eastman, Manzara Adalar is a mixed-use project comprising three residential blocks, two office blocks and the commercial spaces

## BOARD OF DIRECTORS ACTIVITIES IN 2015



that will complement this life center. The superstructure and infrastructure construction tender for the project was finalized in 2015 and the construction work was undertaken by Ant Yapı Sanayi ve Ticaret A.Ş. Just 1.5 km from the sea, and commanding a gorgeous panoramic view of the islands, 50% of the project was already sold at the end of 2015.

The advertising film for the project's launch campaign released during the reporting period was deemed worthy of bronze award, the only award given out in the "Film – TV and Cinema / Building and Building Materials" category at the 27th Crystal Apple Advertising Awards of Turkey organized annually by the Advertising Association, Turkey's most important advertising awards competition. In addition, it was nominated in the "Best Marketing Campaign" category and was elected the "Premium Project" at the Sign of the City Awards, organized by Hürriyet Newspaper and considered the most prestigious award in the real estate sector.

Manzara Adalar project is situated centrally, at the heart of the road, rail, air and sea transportation networks. Comprising different apartment types ranging from studio apartments to 5+1

flats, the project promises a calm and pleasant life with its indoor/outdoor swimming pool, outdoor kids' pool, walking paths, fitness center and SPA, hobby rooms, kids club and multi-purpose sports complex.

### **İstanbul Project**

Within the scope of the cooperation between İş REIC and Timur Gayrimenkul (Nef), project development began on the plot located in Zeytinburnu district of İstanbul and equally owned by the two companies. An agreement has been reached with the world's leading creative architecture firm Perkins & Will for the project to be developed on the 80,000 m<sup>2</sup> plot. Having collected numerous awards since 1935 with its creative and pioneering designs, the firm is ranked as one of the top 10 global architecture firms.

Inspired by the names of the two companies, the project was given the brand name İstanbul. Conceived as four different projects, İstanbul's first project İstanbul Gala was one of the fastest sellers of the year with the successful sales performance captured within a short period of time. Based on this successful performance, İstanbul Lokal, the second project, was launched six months earlier than planned.

İstanbul project was a finalist in the "Best High-Rise Residence", "Best Marketing Campaign" and "Best Architectural Design Concept" categories and was awarded in the "Best Architectural Design Concept" category at the Sign of the City Awards organized by Hürriyet Newspaper.

Comprising of residential units and a small number of commercial spaces, the project also incorporates Nef's proprietary Foldhome system. Covering different types of flats ranging from 1+1 to 4+1 units, the project has an approximate investment value of TL 1.15 billion. With deliveries scheduled to start within 2018, a total of TL 1.6 billion is forecasted to be generated in revenues on the project.

### **İstanbul Taksim Ofis Lamartine**

At Ofis Lamartine which was developed by İş REIC on its centrally located property specifically to fulfill the demand for class-A office space at high standards in and around Taksim for the purpose of renting out to domestic and foreign companies, the ratio of leased units now reached 80%, a figure that is doubled as compared with the previous year. The occupancy rate is anticipated to be 100% in 2016.

### İş REIC Strategy in 2016

İş REIC diversifies its portfolio by investing in offices, retail sector and real estate projects, and adopts the strategy of capitalizing on investment opportunities arising in areas that will further its ongoing revenues and profitability while also generating maximum benefit for its shareholders. Along the line, the Company aims to capture the ideal balance in parallel with the conjuncture between the real estate investments yielding regular income and those on which development profit will be derived.

To this end, mixed-use project concept covering both residential and commercial units is given emphasis in the projects developed, thus rendering the benefit to be derived continuous thanks to leasing activities, while sales are intended to serve to generate high returns and profitability.

Within the frame of the fundamental strategies described above, the top priority of İş REIC in 2016 is to bring its ongoing investments to completion within the projected timelines, to capture the targeted lease and sales figures, and to carry on with project developments that will result in optimum use and benefits on properties included in its portfolio.

Besides all these activities, a close eye will be kept on investment opportunities relating to projects and real estate properties that will secure the Company's organic and revenue growth.

When planning for 2016 and following years, risks that may stem from the operating environment are also taken into consideration, and the lowest risk / maximum benefit balance is observed in investment and funding decisions.

The Board of Directors regularly monitors the actualizations within the frame of strategic goals, revises the targets as and when called for by new circumstances, and shapes investment and financing decisions accordingly.



# TRANSPARENT AND DYNAMIC

İş REIC has acknowledged its compliance with corporate governance principles, keeps a close watch on changes in the regulatory framework governing such principles, exercises maximum care in its compliance with such issues, and makes necessary improvements to increase the extent of its compliance with corporate governance principles.

The Company's "Investor Relations Department" has been operating since 28 January 2005 within the frame of the CMB's applicable regulations.

The Investor Relations Department regularly and efficiently manages the exercising of shareholder rights, public disclosure and information sharing activities in particular, as well as General Assembly and capital increase formalities.

Prior to each Board meeting, the Department prepares a report to be submitted to the Board of Directors about the Department's activities during the period, investors' and brokerages' remarkable assessments and analyses. The Department manager physically participates in the Board of Directors meetings. Serving as a bridge between the Department and the Board of Directors, the Corporate Governance Committee, which actively oversees the Department's activities, meets prior to each Board meeting, and evaluates the activities carried out by the Department during the reporting period. Following the meeting, presentations about the topics that have been discussed in the Board meetings are shared with the Board of Directors. As indicated in the

operating principles of the committee, the Investor Relations Department also handles the secretarial tasks of the Corporate Governance Committee.

The manager of the Investor Relations Department, being a member of the Corporate Governance Committee, participated in all of the Committee meetings held during the year, provided information to the Committee about the Department's activities and the material developments that took place during the reporting period, and took active part in the improvement and rating of corporate governance practices.

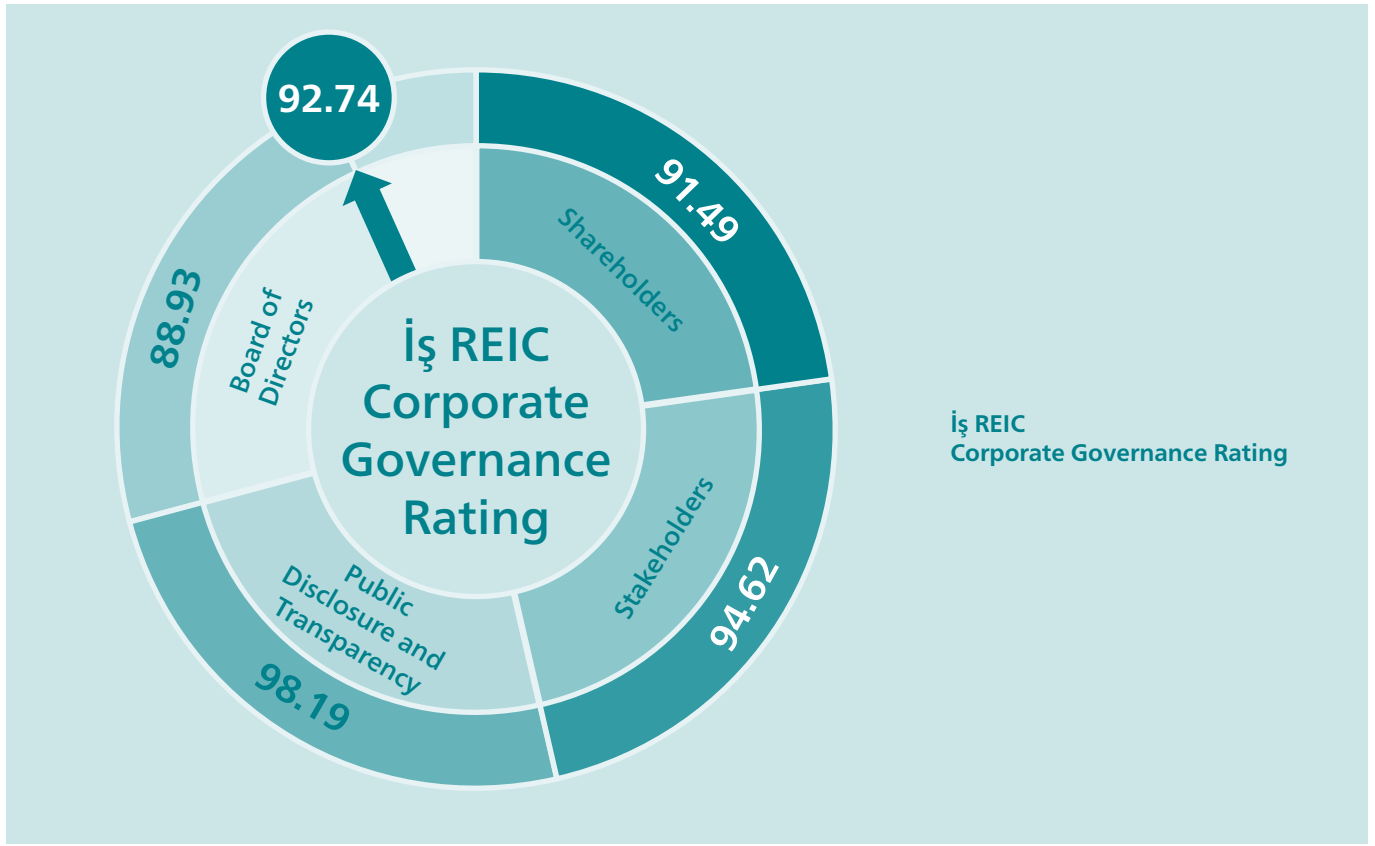
### Public Disclosure and Provision of Information

During the reporting period, the Investor Relations Department held one-on-one meetings with domestic and international investment companies at the Company's headquarters, took part in the investor conference organized in London, UK by brokerages and in the roadshows organized in Warsaw, Poland and in Copenhagen, Denmark, and had contacts with nearly 80 people from more than 60 investment companies.

The majority of parties met with during the reporting period consisted of foreign brokerages' and asset management companies' analysts and fund managers, and the analysts and fund managers of domestic investors.

During the year, the Investor Relations Department responded to more than 400 queries, most of which were received by e-mail. Comprehensive information requests received from local, foreign, individual or institutional investors were responded to with careful observation of all matters with respect to public disclosure, and particularly the legislation and the Company's Information Policy. About 80% of all requests for information were received from institutional investors, while the remaining 20% consisted of individual queries.

Shareholders request information by directly contacting the Investor Relations Department employees, or by sending an email either to the Department's email address or using the communication form available on the website. Shareholders usually contact the Department employees directly or via the Department's email account, and rarely use the contact form on the website.



İş REIC  
Corporate Governance Rating

In addition to investors' queries, support is extended for information requests, surveys and academic studies within the scope of research conducted by universities and various public institutions.

Necessary records in relation to written and oral information requests and the responses provided to them are regularly kept by the Investor Relations Department. Besides the information requests received by the Company, the Department also regularly monitors the reports and bulletins published by brokerages in which any mention of the Company is made, while providing the necessary support to brokerages for their reporting processes.

The Company website is actively used to facilitate public disclosure and exercise of shareholder rights. Quarterly investor presentations in Turkish and English, as well as the balance sheet and income statement drawn up within the scope of financial statements, along with material event disclosures made through the Public Disclosure Platform (KAP) are prepared in Turkish and English and posted on the corporate website the same day; they are also sent via e-mail to those investors who are included in the distribution

list. Moreover, those sections of the Company's corporate website that are subject to updates, particularly the information with a potential impact on the exercise of shareholder rights, are regularly updated. Thereby, accurate and up-to-date information is made available especially to investors and analysts in addition to various individuals or institutions that require information about the Company and its activities.

#### Corporate Governance

İş REIC has acknowledged its compliance with corporate governance principles, keeps a close watch on changes in the regulatory framework governing such principles, exercises maximum care in its compliance with such issues, and makes necessary improvements to increase the extent of its compliance with corporate governance principles.

The Company receives corporate governance rating service from Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA). Following the review conducted by SAHA in 2015, the Company's corporate governance rating was upgraded to 92.74. The Company was

given the following ratings in the four main sections: Shareholders 91.49, Public Disclosure and Transparency 98.19, Stakeholders 94.62, Board of Directors 88.93.

The corporate governance rating assigned to İş REIC is a result of the importance the Company attaches to corporate governance principles, its commitment to execute it as a continuous and dynamic process, and the improvements realized to this end.

With its revised corporate governance score, the Company continues to be traded on the BIST Corporate Governance Index, in which it was included on 28 December 2012.

Detailed information about the Company's corporate governance practices and performance is provided in the "Corporate Governance Principles Compliance Report" section of this annual report.

# INDEPENDENT AND IMPARTIAL

The activities of the Audit Group are intended to establish an audit culture across İş REIT, and to assess efficiency and effectiveness of internal control, risk management and corporate governance systems.

The Audit Group is responsible for monitoring and reviewing all of the business processes and activities of Company departments, for evaluating and reporting its findings, and for making such recommendations pertaining to those findings as the group may deem to be necessary. The group's monitoring and reviewing activities are carried out independently. Their underlying goals are to foster an internal auditing culture throughout the Company and to determine the effectiveness and efficiency of the Company's internal control, risk management, and corporate governance systems.

Audit and control systems at the Company have been structured in accordance with international practices, principles and organization framework. Established in November 2008, the Audit and Control Department was structured separately from and independent of other Company units. The department began reporting directly to the Board of Directors in June 2012. Internal control activities that used to be carried out by the Investor Relations, Corporate Compliance, and Risk Management Group at the Company were started to be handled by the Audit Group based on a decision passed by the Board of Directors in 2015.

The Group, which is responsible for audit activities, carries out its activities under the "İş REIC Audit Guidelines" which sets out the incorporation, operation, and activities of the Company's Audit Group, the duties, powers and responsibilities of the Group employees, along with operating principles and procedures. The Audit Group's activities during the year are executed in accordance with the "Annual Audit Plan" approved by the Committee for Audit. In a bid to further and improve the organization's efficiency in all aspects and to add value to the organization, the audit system is run so as to develop systematic approaches for independent and impartial evaluation and improvement of the risk management, internal control and governance processes, and thus help the organization achieve its targets.

## RISK MANAGEMENT

Risk management functions and activities at İŞ REIC were placed under the responsibility of a separate risk management unit in 2005. This unit's duties consist of managing all risks which are inherent in the Company's activities within the framework of the Company's published Risk Policy and of associated internal rules and regulations. The Risk Management Unit reports to Company senior management.

The Board of Directors and the Committee for Early Detection of Risk are kept informed about the Company's risk exposure by means of a comprehensive "Company Risk Report" that is prepared and submitted every three months. This report includes, among other things, information about the Company's business sector, key financial indicators, and the results of the unit's analysis and assessment of the risks which are inherent in the Company's activities. Detailed information is provided about business environment risk, a category of operational risk that the Company is particularly exposed to.

Furthermore, within the scope of the duties and responsibilities charged to the Committee for Early Detection of Risk and the Board of Directors under article 378 of the Turkish Commercial Code no. 6102, a "Committee for Early Detection of Risk Report" is prepared on a bimonthly basis and submitted to the Board of Directors for its information.

İŞ REIC has published a "Company Risk Catalogue" that identifies all of the risks which are inherent in the Company's activities as dictated by changing market and business conditions. This catalogue is constantly reviewed and kept up to date, new types of risk are defined, potential risks are identified, and risk-mitigation measures are proposed. The goal of all of these activities is to enable senior management to take whatever measures are needed to ensure that the Company's risks are effectively managed.

In the conduct of its portfolio management activities, the Company invests not just in real estate properties but also in money- and capital-market instruments. As of end-2015, real estate investments made up about 97% of the Company's overall investment portfolio. The most serious risk to which the Company is exposed on account of its activities is business environment risk. Risks within this scope include external factors such as changes in legislation/ implementations with a potential impact on Company operations, and the supply and demand in the sector. The Company takes necessary measures to minimize its exposure to business environment risk, makes use of risk control systems and closely watches the effectiveness of these systems.

As of 31 December 2015, money and capital market investments made up 3% of İŞ REIC's overall investment portfolio. These investments are exposed to inherent market risk, which is regularly analyzed and monitored using the methods and principles determined by the management, and the results are reported to senior management.

Credit risk is an expression of the risks to which the Company is exposed on account of the failure of a counterparty to a contract concerning the purchase or sales of goods or services, to which the Company is a party, to fulfill the contractual requirements and/or to timely satisfy its contractual obligations, in part or in whole. The Company complies with internal guidelines in order to minimize its potential credit risk exposure in relation to transactions to which the Company is a party.

Liquidity risk is defined as the possibility of the Company's suffering, on account of imbalances in its cash flow, a loss because there are not enough cash assets available or cash flow sufficient in volume and quality to fulfill all of its cash disbursement obligations in full and on time. İŞ REIC manages its liquidity risk exposure by placing cash resources that it does not use in projects in money- and capital-market instruments whose values and maturities are compatible with its cash-flow needs. The Company's short and long term financing needs are determined through regular cash projections; the maturity and the type of foreign currency relationships between the Company revenues and investment costs are closely watched, and the Company's cash holdings and financing strategies are shaped accordingly. The Company's liquidity is regularly analyzed and monitored using the methods and limits set by the management, and the results are reported to the senior management.

# EXPERIENCED TEAM

İş REIC's recruitment and placement activities are informed by the principle of choosing the best people from among candidates who are compatible with the Company's corporate culture and values, who are professionally competent, who are open to development, and who have strong potential.

İş REIC recognizes the participation of human resources who share common values in the Company and providing such human resources with training and progression opportunities that will support their personal and professional development as essential elements of its corporate culture.

İş REIC's Human Resources & Education Department that takes a proactive, innovative, systematic, and open-communication approach, is aware of its impact on the Company's strategic decisions, and cooperates with all related parties.

Human resources functions at İş REIC consist primarily of employee recruitment, performance management, career planning, compensation and benefits management, training, development, and communication. The Company's human resources practices are carried out with the aims of increasing employee performance and productivity and of improving the quality of the workplace environment. Its recruitment and placement activities are informed by the principle of choosing the best people from among candidates who are compatible with

İş REIC's corporate culture and values, who are professionally competent, and who are open to development, and who have strong potential. Having identified such individuals, the Company then places them in positions that best suit their abilities.

With the support of the Human Resources & Education Department and the cooperation of Company managers, employees who are interested in their own professional progression take part in discussions about how their own career paths are to be managed. This approach is embodied in İş REIC's belief that every employee should be a potential leader.

### Human Resources Policy

The main objective of İş REIC is to recruit qualified personnel in order to carry out Company activities in the most effective manner and to ensure employee motivation so as to maintain constant success, as well as continuously improve financial and social rights of employees, create a fair and professional work environment and determine the training needs of personnel.

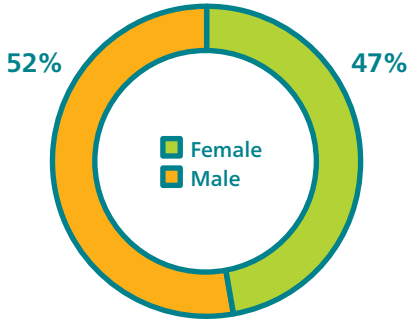
In line with the objectives and strategies specified in the Company's Human Resources Policy, the Company aims to create a shared corporate culture by recruiting the human resource that espouses the same values with the Company, and seeks to create competitive advantage by conducting the necessary training, development and cultivation activities.

Matters such as employment conditions, career path and advancement requirements, monetary arrangements and fringe benefits are clearly detailed in the Company's Human Resources Regulation for the information of employees. The Human Resources and Education Department carries out all decisions made in relation to the employees within the scope of the said regulation.

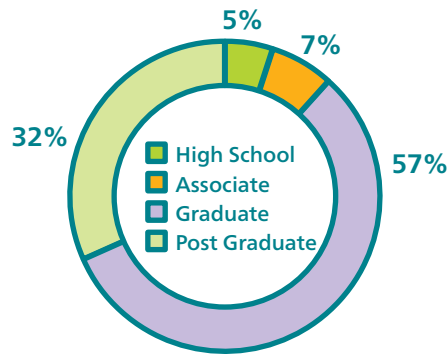
Employees' job descriptions were developed based on business analyses. Number of employees, on the other hand, was determined according to the units' workloads and on the basis of distribution of tasks in line with the demands of the Company's Groups. Employees are expected to embrace the performance-driven management concept and recognize that their



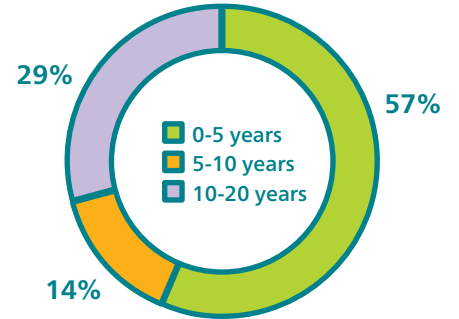
### Number of Employees



### Educational Status



### Work Experience at İş REIC



individual involvement will contribute to customers and shareholders. Therefore, Company Performance Evaluation criteria and their printed results are shared with the employees. Employees who target to add value to their respective jobs are backed by the Human Resources and Education Department, and position themselves, gain access to self-development and manage their career objectives along with their managers.

The personal honor of each employee and all of their legally recognized rights are protected within the framework of the Company's Code of Ethics. All necessary measures have been taken to ensure a safe and healthy working environment.

During the reporting period, the Human Resources and Education Department received no complaints on account of discrimination.

#### Recruiting the right person in the right job

The Human Resources & Education Department fulfills the recruitment and hiring duties at İş REIC that sees every employee as a future leader.

### Training and Development at İş REIC

The training programs designed according to employees' needs are intended to bring about changes in their knowledge, skills and attitudes, to drive their advancement in their careers, to increase their motivation and job satisfaction, and to align corporate goals and personal targets. İş REIC's priority is to make training programs available for all Company employees within the frame of equality of opportunity. In 2015, 36 employees attended 22 different professional training programs. During the reporting period, the Company organized six internal conversation sessions, which tackled different topics with the participation of various guests.

#### Fringe benefits granted to employees

Upon completion of the two-month trial period, the Company pays the employee contribution for those employees who are part of the Private Pension System, and all employees are covered under the corporate health insurance policy. Moreover, subsidized meals and shuttle bus service are provided to all employees. In addition to those, İş REIC pays for the chamber membership dues of its employees who are architects, engineers or lawyers.

### Organizational Structure

Groups and Coordinators within İş REIC's organizational structure are presented below:

- Project & Construction Management Coordination Group
- Project Development & Feasibilities and Real Estate Investments Coordination Group
- Accounting & Administrative Affairs Group
- Legal Counseling & Human Resources and Education Group
- Investor Relations & Corporate Compliance and Risk Management Group
- Financial Management Group
- Corporate Communications, Sales, Leasing, and Marketing Group
- Audit Group

The average seniority of employees at the Company is seven years. Managers are promoted from within. During 2015, four employees were promoted to higher positions.

# CORPORATE SOCIAL RESPONSIBILITY

While headed towards generating high returns for its shareholders, which is a key objective, İŞ REIC also carries out various activities to contribute to the social life and the environment within the scope of its corporate social responsibility concept.

Along the line, the Company extends support to numerous artistic and sports events, in addition to the activities carried out in the sector. The activities carried out with a view to allowing the young generation gain experience in the sector and to socially equip them coincide with our corporate mission that puts human at its core.

Acting upon the conviction that sustainable growth in all areas is crucial, and with its mission of creating desirable spaces for contemporary people and cities, İŞ REIC continued to support the sector's development and social solidarity in 2015.

With the aim of contributing to the development of the sector, the Company was a sponsor of the European Real Estate Sector 22nd Annual Conference hosted by İstanbul Technical University Faculty of Architecture between 24-27 June 2015, and extended a support of EUR 5,000 under the "gold sponsorship" category. A not-for-profit organization constituted by research societies, academic researchers, practitioners and doctoral students engaged in real

estate, the European Real Estate Sector (ERES) is dedicated to promoting and advancing the real estate discipline and specifically property based research, and to creating a communication network between academics and professionals.

İŞ REIC opens the doors of the shopping centers in its portfolio to associations and foundations working to benefit the public by offering them the opportunity to set up stands and carry out publicity activities free-of-charge. The Company extends all necessary cooperation in this area.

İŞ REIC provides gratuitous support to projects in areas that it regards within the scope of its social responsibility such as education, health, culture, law, art, scientific research, environmental protection, and sport. Committed to consistently shaping its approaches, values, and policies within the framework of its corporate social responsibility, the Company will continue to engage in such activities and to provide them with support in the future as well.

In the conduct of all of its activities, İŞ REIC takes pains to be a socially responsible actor who abides by the law and is mindful of environmental values. No lawsuits were brought against the Company on account of environmental damage in 2015.

## Donation Policy

It is the policy of the Company to make charitable donations which are in line with its sense of social responsibility and which comply with applicable principles and procedures laid down by the Capital Markets Board. The Company made no charitable donations in 2014. The Company's publicly disclosed donations policy is presented below.

The Company may make charitable donations which are in line with its sense of social responsibility and which comply with applicable principles and procedures laid down by the Capital Markets Board.

The Company may make charitable donations related to the matters listed below with the aim of contributing favorably towards public perceptions of its sensitivity about the fulfillment of its social responsibilities and on condition that it shall do so without securing any financial or commercial benefit therefrom.

- Education, health, culture, law, art, scientific and scholarly research, environmental protection, sport, and similar social endeavors;
- Natural disasters that have occurred in Turkey or elsewhere.

## ADDITIONAL INFORMATION REQUIRED BY CMB REGULATIONS

### Related Party Transactions

İş REIC regularly engages in related-party transactions with its principal shareholder İşbank and with other members of the İşbank Group. These are ordinary transactions carried out as part of the Company's normal business activities. They consist primarily of:

- Letting properties and accounting for revenues, expenditures, and receivables associated therewith;
- Borrowings, mortgagings, and collateralizations related to the conduct of the Company's ordinary business activities;
- Insurance, banking, and non-banking services procured in the conduct of the Company's ordinary operations;
- Other goods and services procurements.

Rental income makes up a substantial part of İş REIC's business revenues. In 2015, the Company received a total of TL 58,658,658 as rental income from related parties. As of the end of the reporting period (31 December 2015), total cash and cash equivalents belonging to İş REIC and held in accounts with İşbank amounted to TL 93,653,947 in value. As of the same date, İş REIC had received, from İşbank, a letter of guarantee worth TL 14,956,958. İşbank also holds prior liens over some of İş REIC's real estate properties amounting in total to USD 161,500,000 and TL 250,000,000, and a second lien in the amount of TL 185,000,000. At the end of the reporting period, İş REIC's accounts showed a financial liability of TL 483,244,955 to İşbank on account of the loan taken out from that bank. Furthermore, out of the bonds İş REIC issued during 2014, the portion corresponding to TL 33,156,489 was held by İşbank and other group companies as at 31 December 2015.

More detailed information about related party transactions, which İş REIC was involved in during 2015, is provided in footnote 24 ("Related Party Disclosures") to the Company's financial statements provided elsewhere in this annual report.

In the "Conclusions" section of the "Affiliated Companies Report" published in compliance with the requirements of article 199 of the Turkish Commercial Code no. 6102, which went into effect on 1 July 2012, the following statement is made:

"All of the Company's dealings with its principal shareholder İşbank and with other members of the İşbank Group in 2015 are in the nature of ordinary transactions which are carried out on an arm's-length basis as part of the Company's normal business activities. The Company was adequately and appropriately compensated for each and every such transaction that it entered into at the time the transaction occurred. The conclusion reached is that there were no measures taken or refrained from which might have caused the Company to suffer a loss."

### Lawsuits Initiated Against the Company During the Reporting Period

No suits capable of materially affecting either the Company's financial standing or its activities were initiated against the Company during the reporting period.

### Administrative or Judicial Action Initiated Against the Company or the Members of Its Governing Bodies

No administrative or judicial action was initiated against the Company or any member of any of its governing bodies during the reporting period.

### Legal Transactions with the Group of Companies

İş REIC is a member of İşbank group of companies. Both İş REIC and İşbank are publicly-held and publicly-traded companies and are therefore subject to external as well as internal audit. İşbank is also subject to supervision by the Banking Regulation and Supervision Agency and by the Capital Markets Board while İş REIC is additionally subject to Capital Markets Board supervision. On these grounds therefore the actions and dealings of both companies may be deemed to be in compliance with the requirements of law. Currently applicable law prevents a controlling company from making decisions or engaging in acts which are detrimental to the interests of a controlled company. For this reason, no other measures or actions were deemed to be necessary in order to prevent the Company from suffering a loss.

### Transactions Involving Individuals Who Have Privileged Access to Company Information

No shareholder having management control over the Company, nor any Member of the Company's Board or of its senior management with administrative responsibility, nor any other person with privileged access to Company information save for any of their spouses or their relatives by blood or by marriage unto the second degree informed the Board of Directors on any matter for incorporation in the agenda for provision of information at the General Assembly about transactions they were engaged in on their own behalf, which fall within the Company's object and scope.

## CHANGES IN REGULATIONS DURING THE REPORTING PERIOD

No changes that might have a major impact on the Company's operations occurred in regulations during the reporting period.

# PORTFOLIO INFORMATION

## Commercial Properties\*

- İstanbul İş Towers Complex (Tower 2 - Tower 3 - Kule Çarşı Shopping Mall)
- Ankara İş Tower
- İstanbul Maslak Office Building
- Ankara Ulus Office Building
- Ankara Kızılay Office Building
- Antalya Office Building
- İstanbul Kanyon Shopping Mall
- İstanbul Real Hypermarket Building
- İstanbul Sirkeci Office Building
- İstanbul Marmara Park Shopping Mall
- Nevşehir Kapadokya Lodge Hotel
- Muğla Marmaris Mallmarine Shopping Mall

## Real Estate Projects

### Ongoing Projects

- İzmir Ege Perla Project
- İstanbul Kartal Manzara Adalar Project
- İstanbul Financial Center Project
- İstanbul Project

### Completed Projects

- İşbank Technology & Operation Center Project
- İstanbul Tuzla Mixed-Use Project
- İstanbul Tuzla Çınarlı Bahçe Residential Project\*\*

### Lands

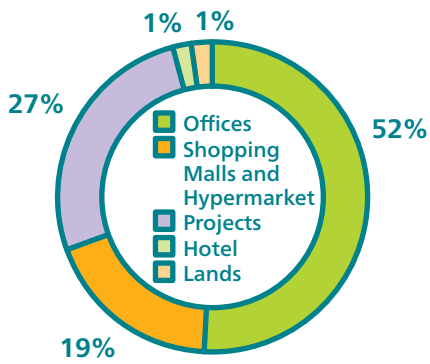
- İstanbul Üsküdar land (32,081 m<sup>2</sup>)
- İstanbul Levent İş Towers vacant land (7,613 m<sup>2</sup>)

\* Güneşli Office Building was removed from the portfolio upon the sales transaction that took place on 3 August 2015. The Company derived a rental income of TL 6,965 thousand on that building during the reporting period.

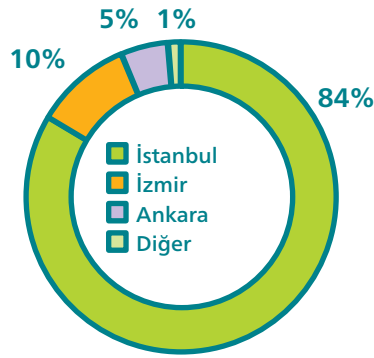
\*\* All of the housing units in Çınarlı Bahçe were sold and the portfolio covers income-generating commercial units only.



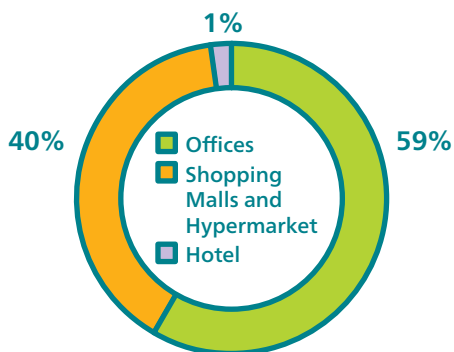
Value of the Portfolio - Breakdown by Type



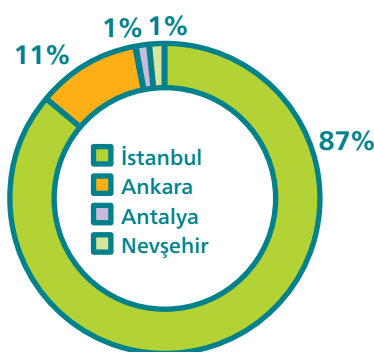
Value of the Portfolio - Breakdown by Region



Rental Income - Breakdown by Type



Rental Income - Breakdown by Region





İş Towers Complex is a sustainable heritage for the future by virtue of its robust infrastructure, state-of-the-art technology, outstanding architectural concept and eco-friendly building properties.

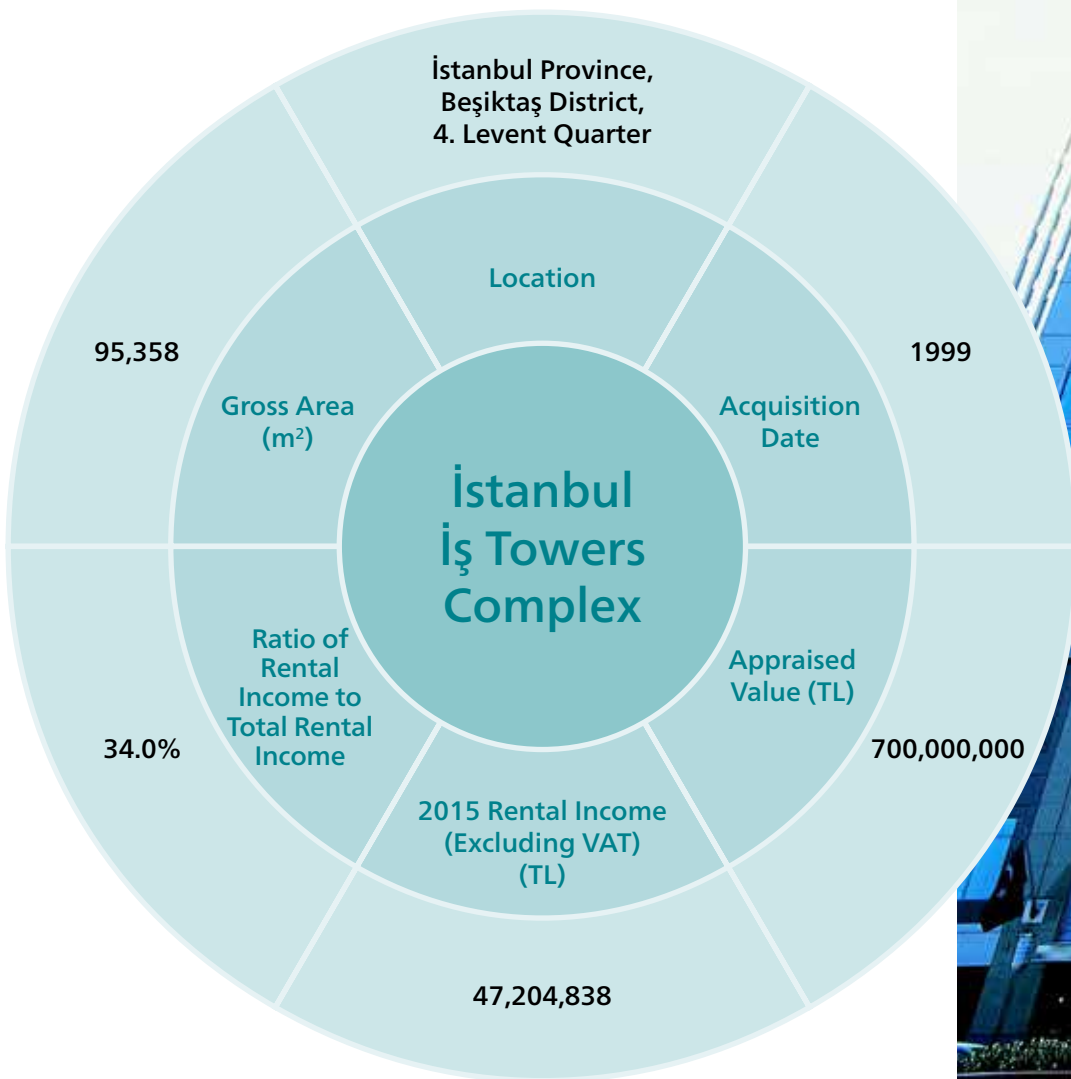
Set right in the middle of the Mecidiyeköy-Maslak axis in İstanbul and comprising two 34-storey office towers with 27 leasable floors in each, and Kule Çarşı, a mall with 48 independent sections, the complex has established itself as one of the city's landmarks.

İş Towers Complex is a sustainable heritage for the future by virtue of its robust infrastructure, state-of-the-art technology, outstanding architectural concept and eco-friendly building properties.

İş Towers, preferred also for availability of convenient transportation means, have become the choice of prestigious and financially sound domestic and foreign companies. The independent sections in the complex are rented out on leases averaging five years.

In addition to Tower 2, Tower 3 and Kule Çarşı Shopping Mall included in İş REIC's portfolio, the Complex is also home to the 52-storey İşbank Head Office building, the 800-seat auditorium of İş Sanat Art and Cultural Center, and a 479-vehicle car park.

The 7,613 m<sup>2</sup> land in front of the İş Towers Complex is also in İş REIC's portfolio. Included in the portfolio in 1999, the land has an appraised value of TL 3,998,919.\*



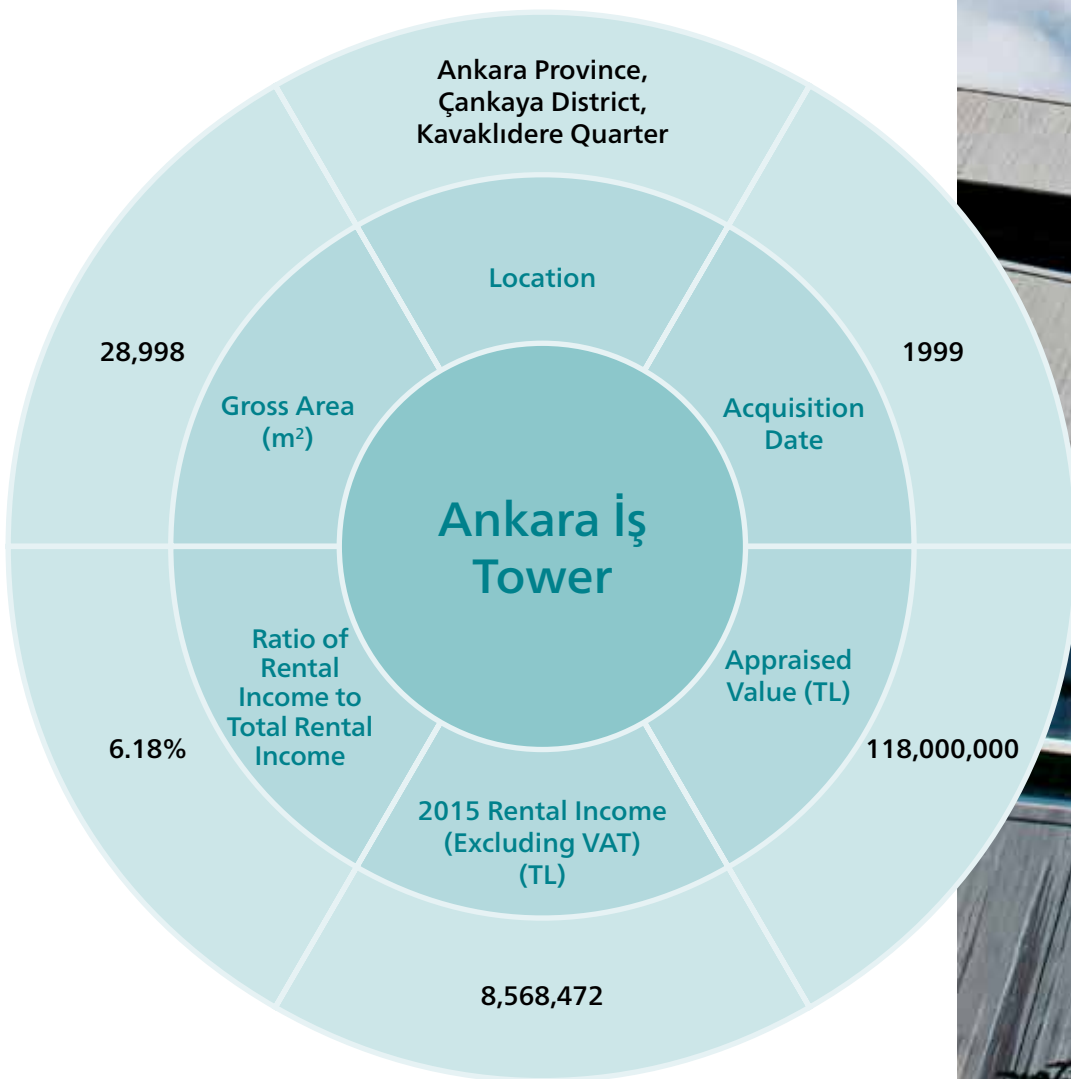
\* Not included in the appraised value of TL 700,000,000 of İş Towers Complex.



## Ankara İş Tower represents a benchmark in the transition to modern structures, a characteristic that made it a landmark.

The tallest skyscraper in our country at the time it was built, Ankara İş Tower represents a benchmark in the transition to modern structures, a characteristic that made it a landmark.

An office building comprising 3 blocks and 29 storeys, Ankara İş Tower stands out with its architectural aesthetics, as well as functionality. Having served as the head office of İşbank for 24 years from 1975 to 1999, Ankara İş Tower is now home to the Banking Regulation and Supervision Agency and İşbank.

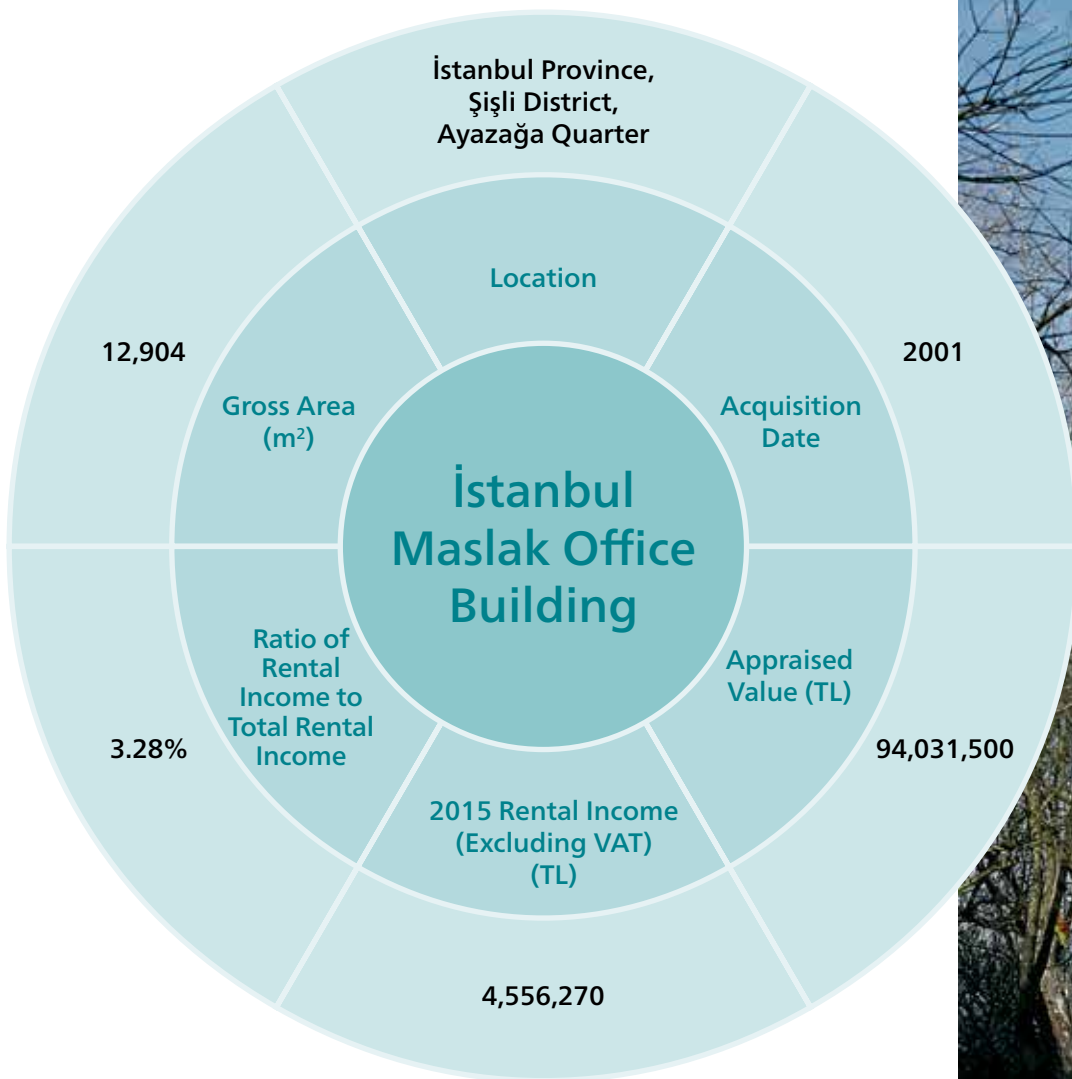






Maslak Office Building boasts an easy access advantage and high commercial potential bestowed upon it by its location.

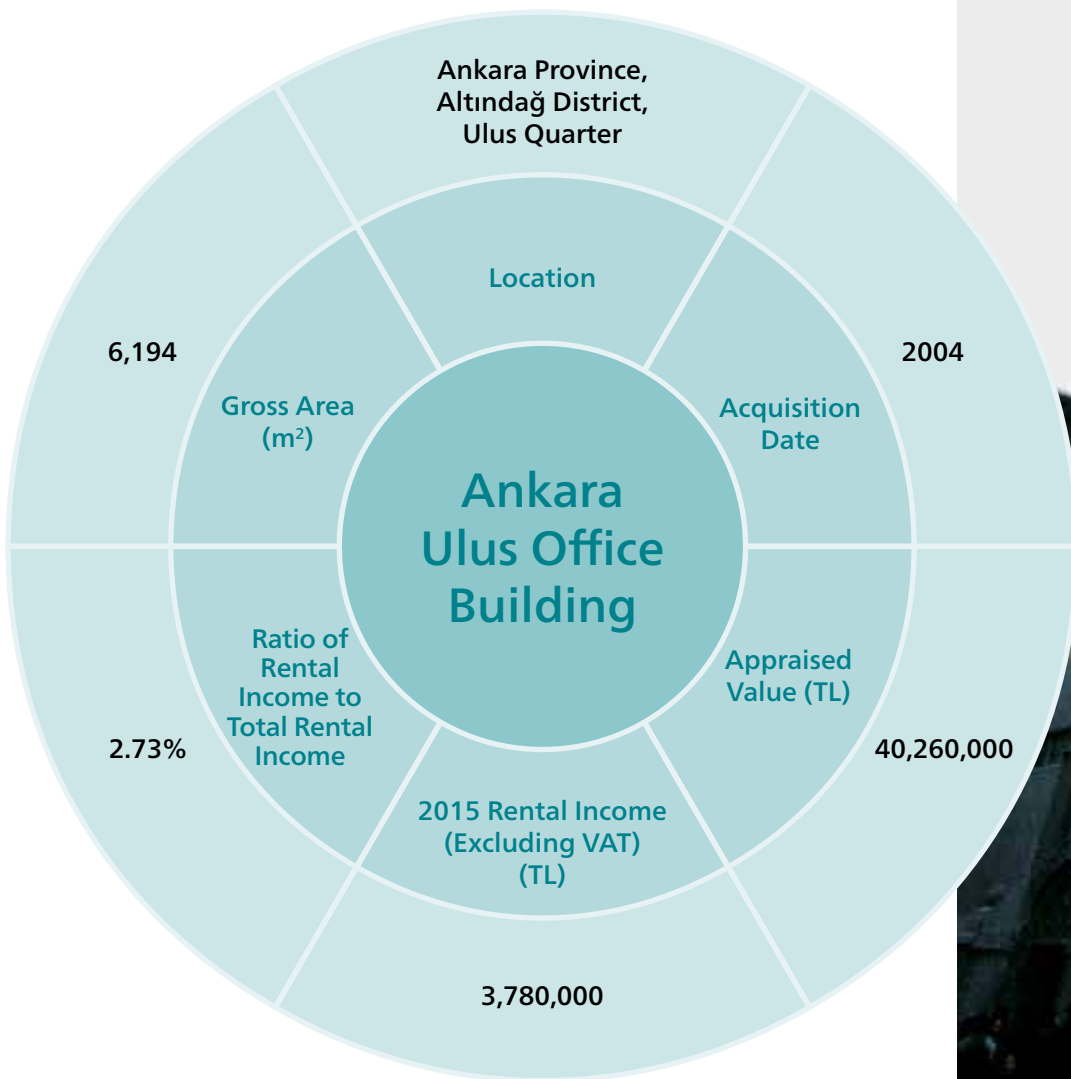
Located along the Levent-Maslak thoroughfare, which is one of İstanbul's most important trade and finance hubs, Maslak Office Building has 12 storeys. The building boasts an easy access advantage and high commercial potential bestowed upon it by its location. The tenants of the building include OMV Petrol Ofisi and İşbank.

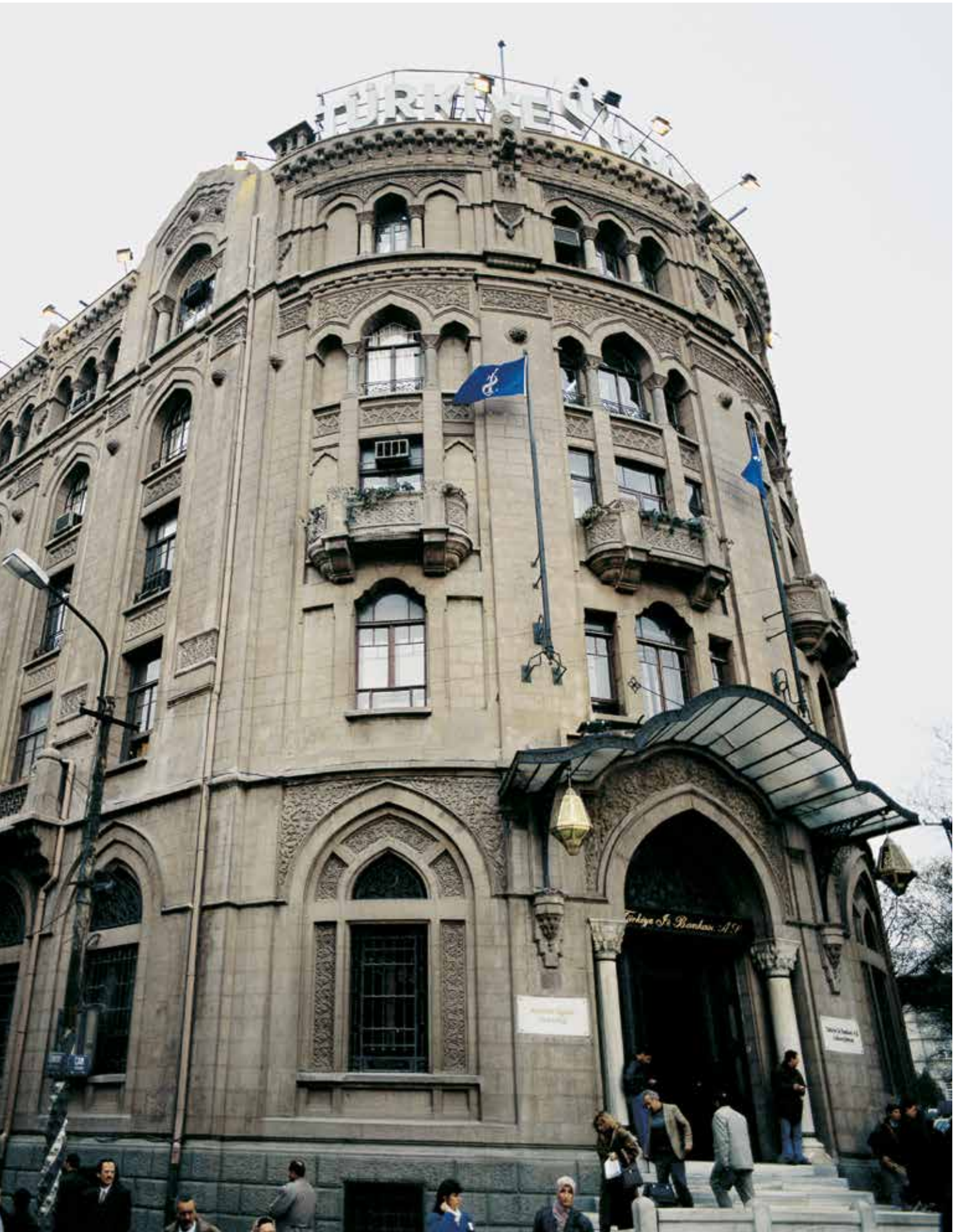




Reflecting the architectural aesthetics of the early Republic era, Ankara Ulus Office Building has a remarkable commercial value owing also to its architectural and historical associations and its location.

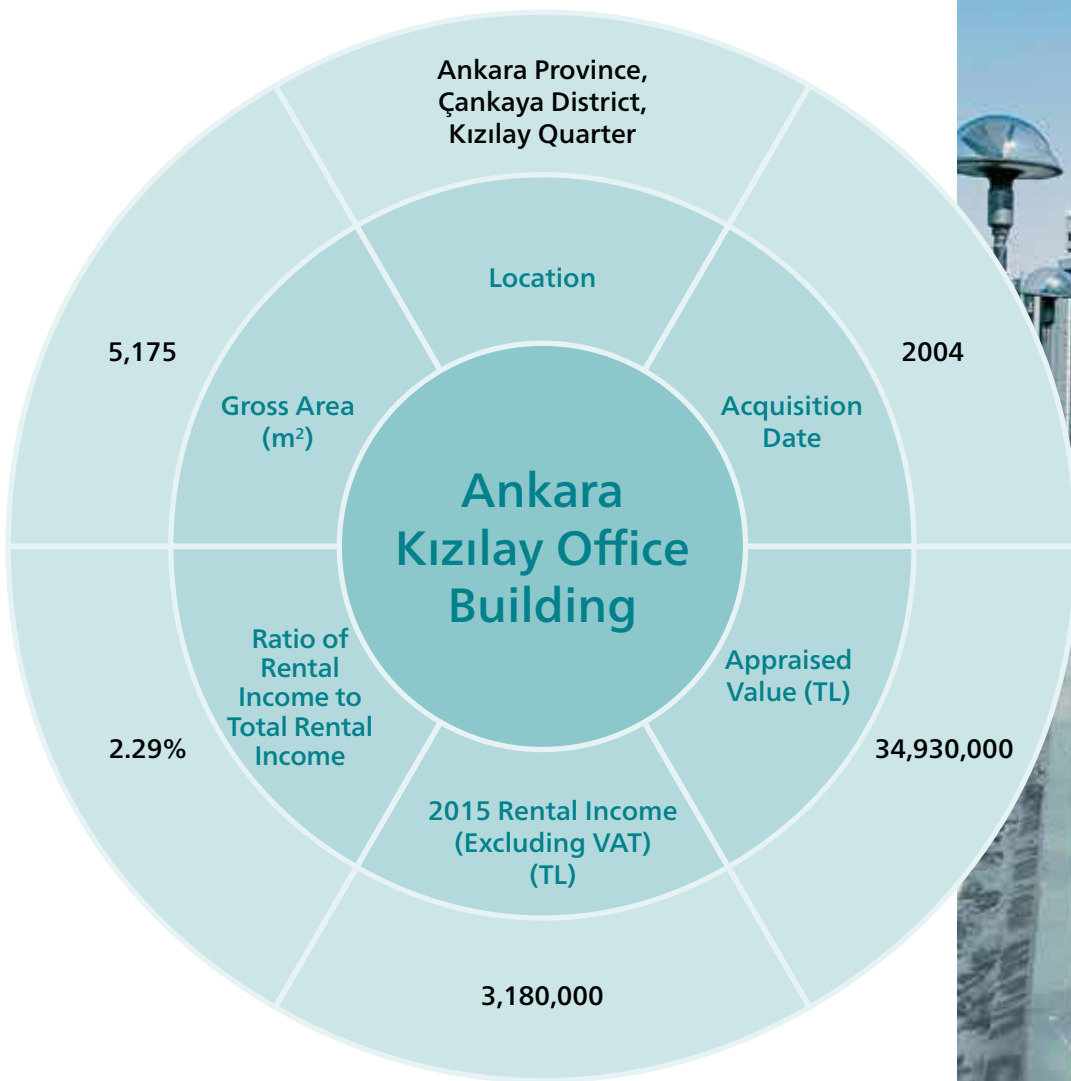
Having served as İşbank's second head office building, Ankara Ulus Office Building reflects the architectural aesthetics of the early Republic era. Having a remarkable commercial value owing also to its architectural and historical associations and its location, Ulus Office Building is let to İşbank on a 15-year lease.





Ankara Kızılay Office Building is located in a central part of the city with commercial development potential.

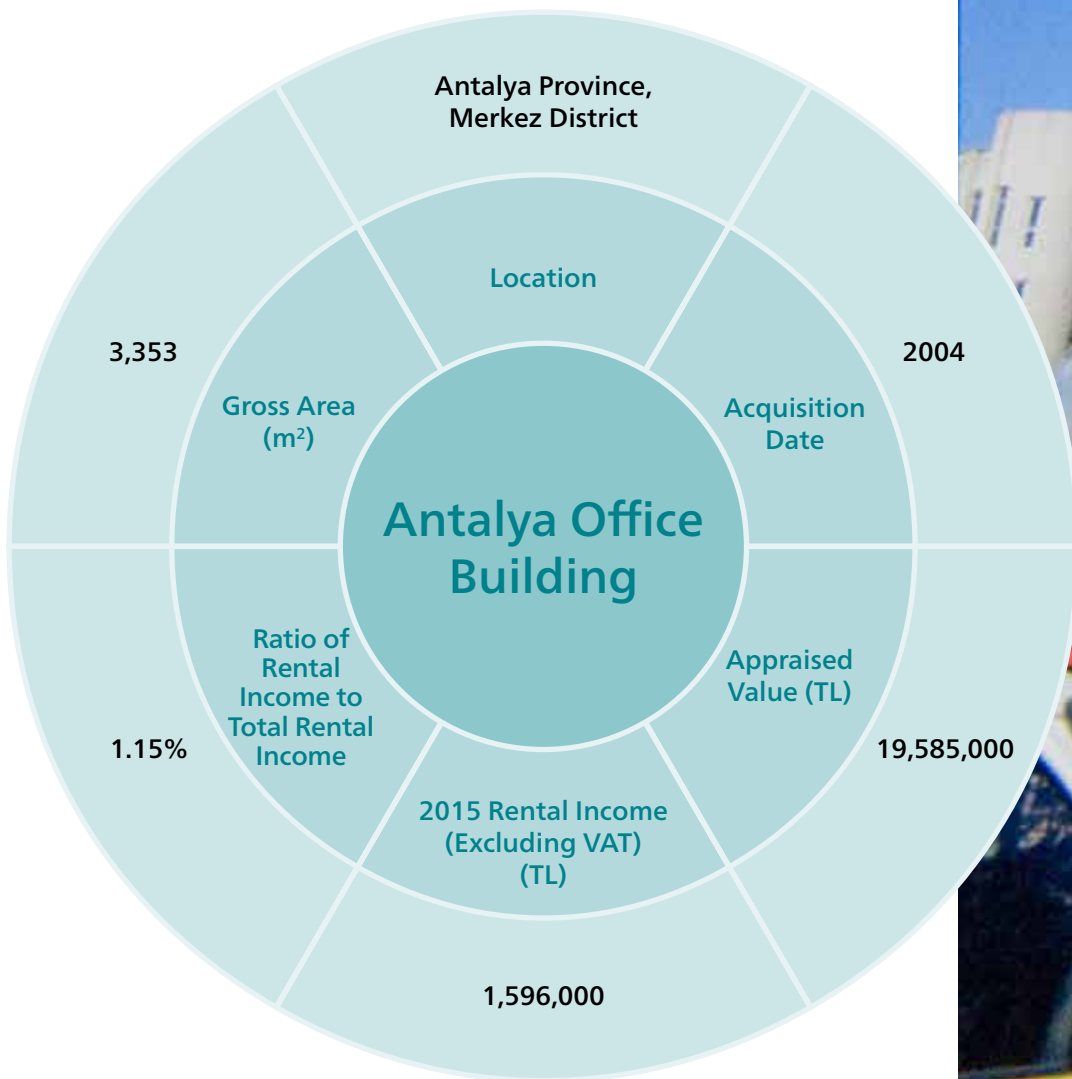
Situated in the Kızılay district, the business and commercial hub of Ankara, the office building possesses a strong commercial potential. Kızılay Office Building is held by İşbank under a 15-year lease.





## Antalya Office Building is erected right in the heart of commercial activity in the Mediterranean Region.

Situated in Antalya, one of Turkey's top tourist cities, the Office Building stands out both with its location and its high commercial potential. The building is held by İşbank under a 15-year lease.

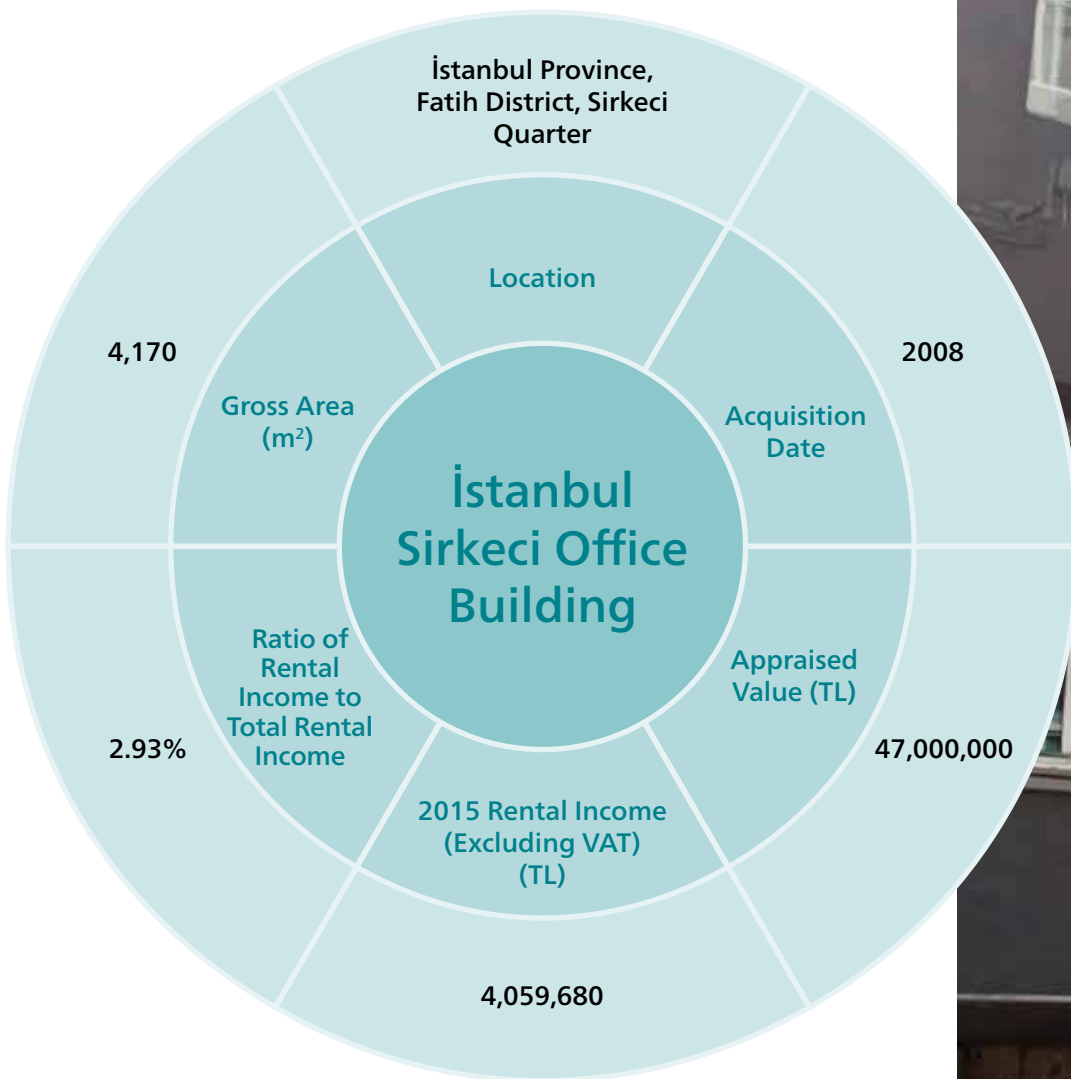






## İstanbul Sirkeci Office Building is located in İstanbul's oldest and financially active area.

Located in Sirkeci, a district that stands out with its historical heritage in İstanbul, İstanbul Sirkeci Office Building enjoys a high commercial value. The building is rented out to İşbank on a 15-year lease.





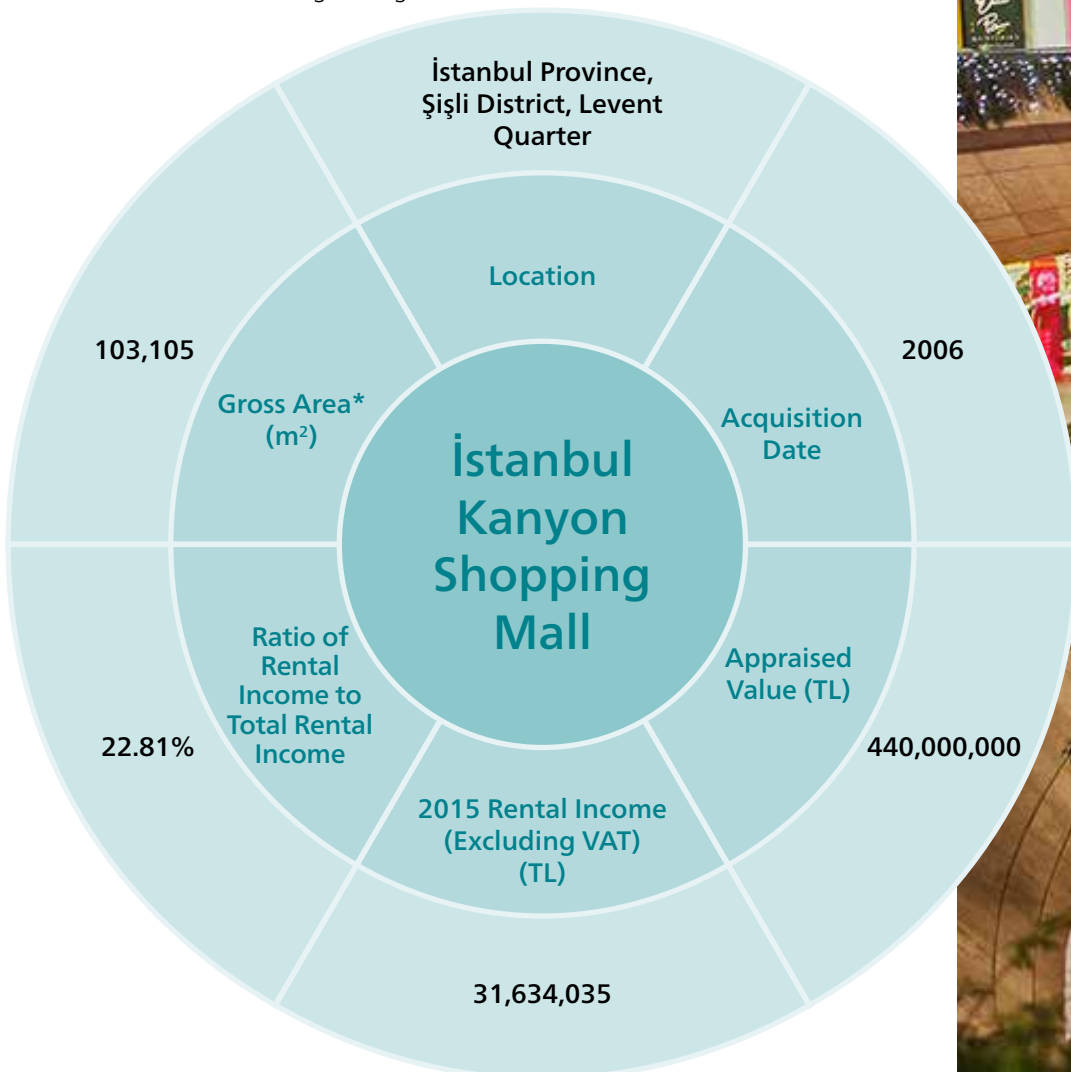
## Istanbul Kanyon Shopping Mall is set apart with the original approach it has brought to shopping, entertainment and retailing, and its modern architecture.

Brought to life by İş REIC and the Eczacıbaşı Group, Kanyon is designed as a whole with its residential flats, shopping center and offices, and offers a festive and lively atmosphere at any moment with the social and cultural activities hosted and blends in seamlessly with the society and its surroundings.

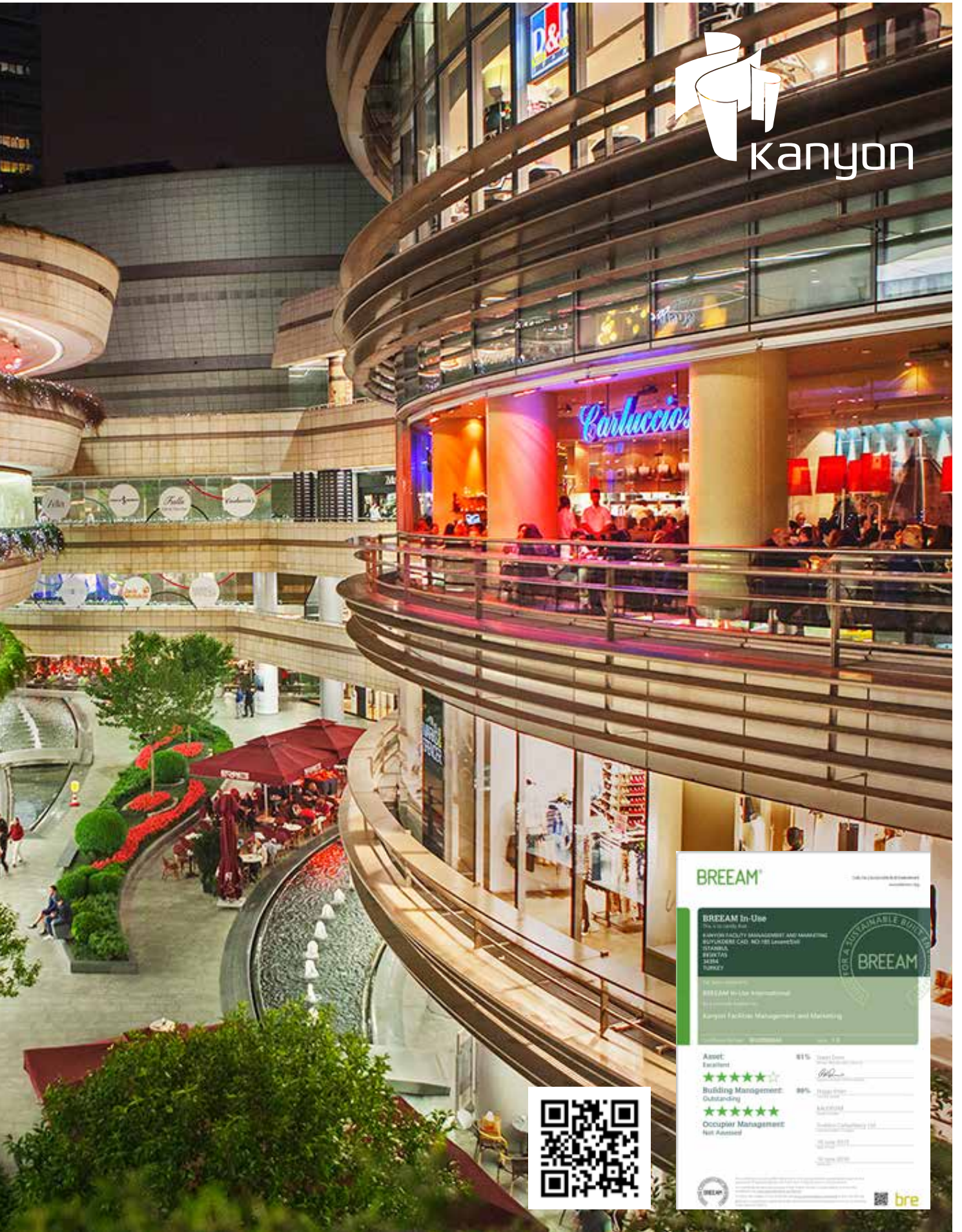
Set apart with its comfortable setting giving a taste of open air shopping, the original approach it has brought to shopping, entertainment and retailing, combined with its modern architecture, Kanyon Mall houses nine cinemas, a gym, a health center, bars, cafés, restaurants, and an indoor/outdoor swimming pool. Sitting on an area of 38,940 m<sup>2</sup>, the shopping center consists of four storeys and 130 stores.

Through the Project V2.0 initiated in 2011 with the goals of enhancing customer comfort and satisfaction, and combining productivity and functionality in leasable area use, the evolving trends of Kanyon visitors were determined, based on which new brands and concepts were welcomed, thus satisfying the guests' expectations to a large extent. Under the V2.0 project, Kanyon increased its property value in line with the rise in rental and advertising income, and sustained its leadership in the sector, remaining the primary choice in shopping, as well as in wining, dining and entertainment based on the mall's positioning as an "Urban Life Center".

After becoming the first company from Turkey to be a certified as "Excellent" in 2012 based on an assessment according to BREEAM criteria, Kanyon added a new link to its achievements in this regard and upgraded its certification to "Extraordinary", the top level in this respect, becoming the first commercial structure in Turkey to earn top level certification in building management.



\* İş REIC holds title to 50% in the shopping mall, and both the appraised value and the estimated rental income are calculated on the basis of this area.



**BREEM**

**BREEM In-Use**  
 The Kanyon Mall  
 Facility Management and Marketing  
 Söğütözü Cad. No:181 Levent/Şişli  
 İstanbul  
 34398  
 Turkey

© Sustainability  
 BREEM In-Use International  
 Largest Facility Management and Marketing

Asset: Excellent	81%	Green Score	81%
Building Management: Outstanding	98%	Triple Zero	98%
Occupier Management: Not Assessed		LEED Platinum	

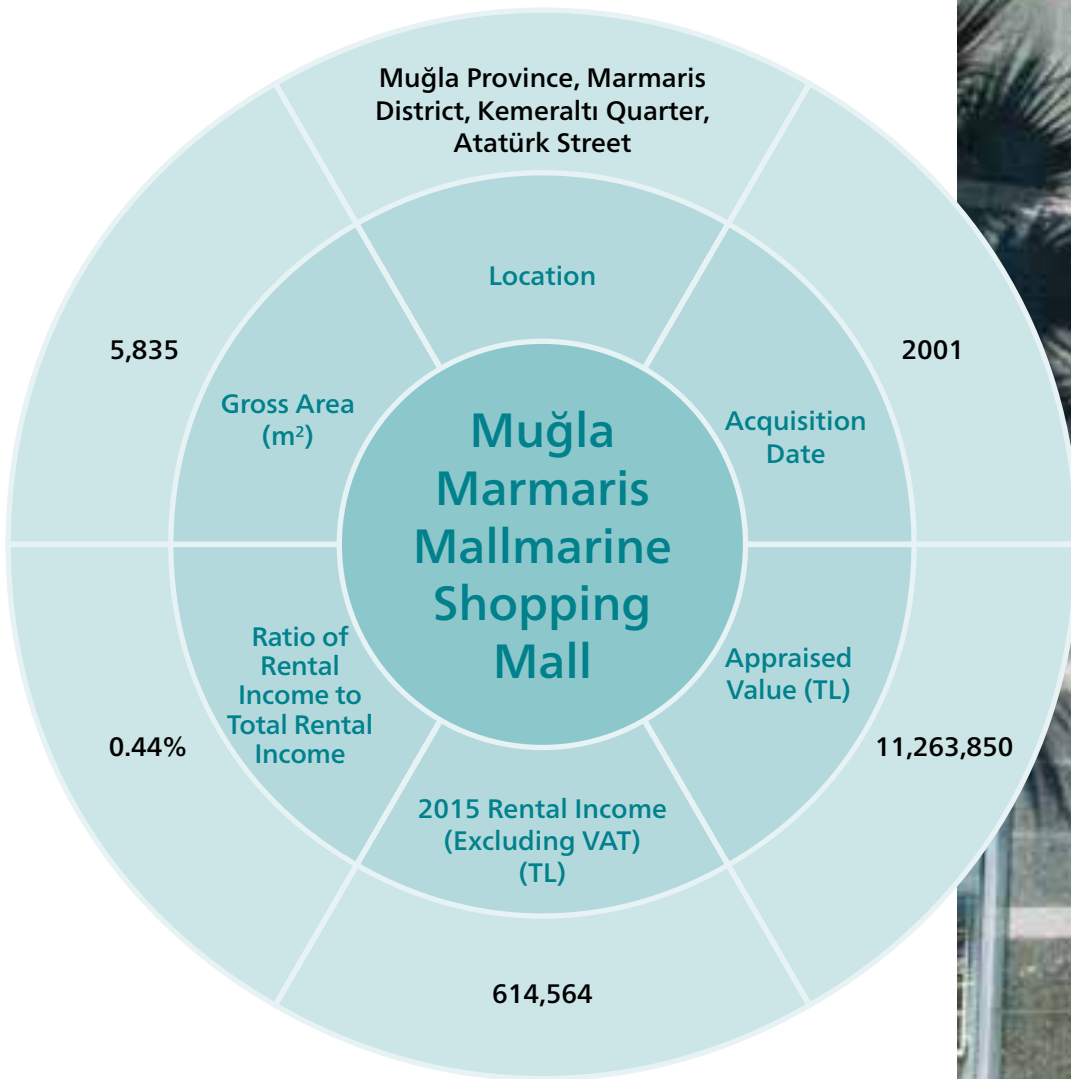
01 June 2015  
 01 June 2016

**bre**



## Mallmarine Shopping Mall has become a center of attraction with its location and shop mix.

Mallmarine Shopping Mall is the first modern mall established in Marmaris, one of Turkey's most important tourist destinations. Mallmarine Shopping Mall is frequented both by the foreign tourists, as well as local visitors.

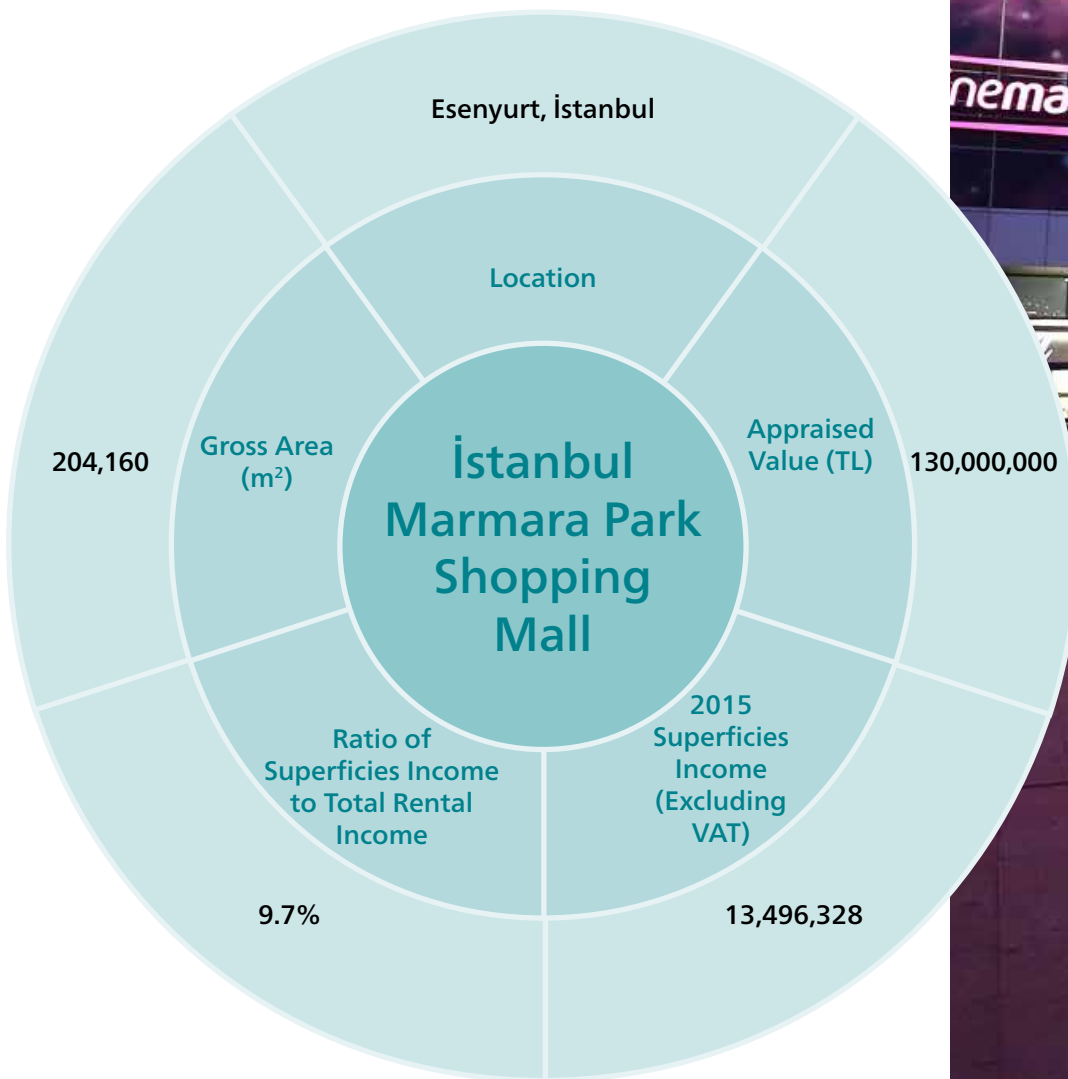




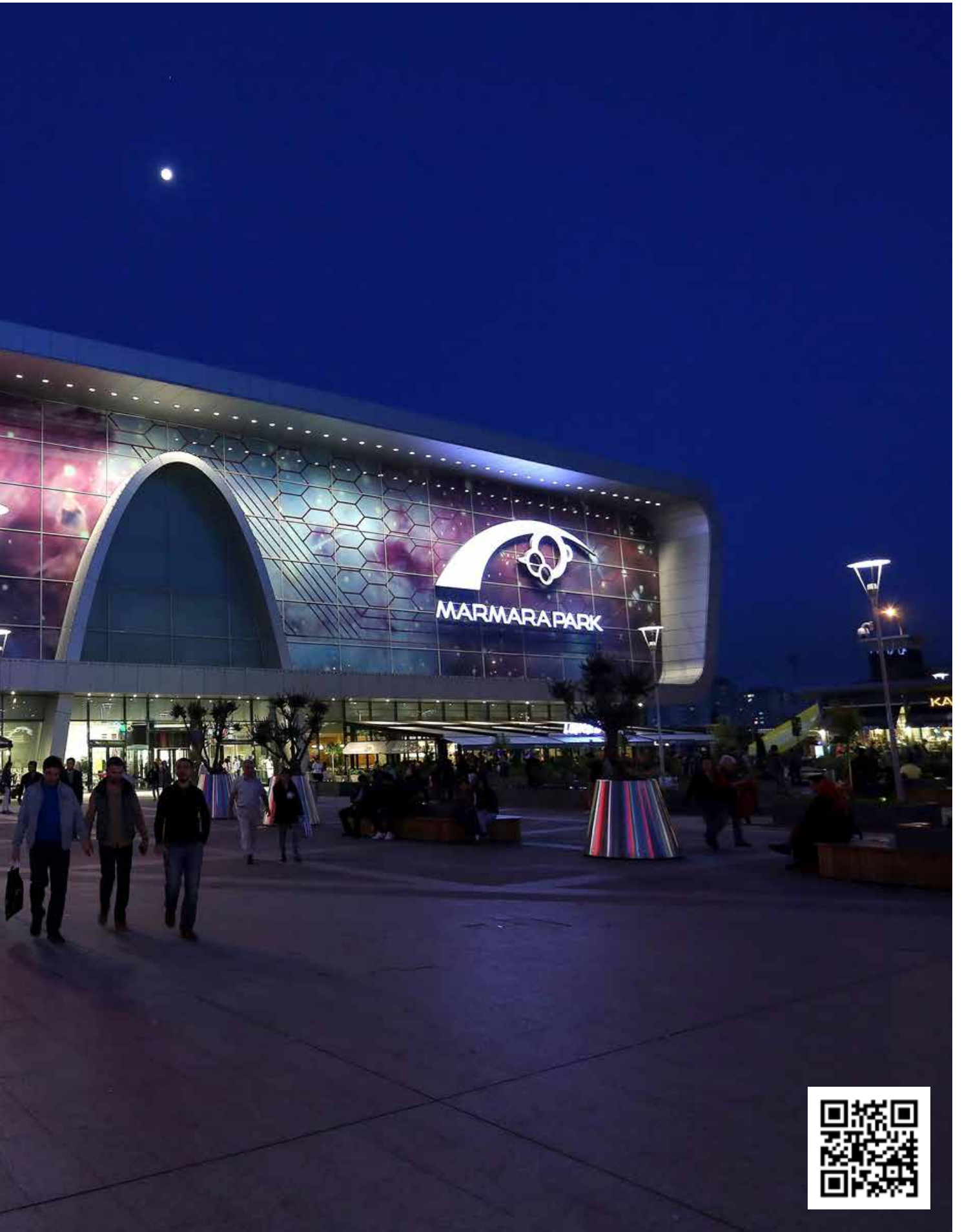
## Istanbul, Marmara Park is one of the biggest shopping centers in Europe.

The first shopping mall in Turkey that has implemented a galaxy design theme and having an investment value of EUR 220 million, Marmara Park Shopping Mall opened its doors in October 2012 with a gross leasable area of approximately 100,000 m<sup>2</sup> and parking space for about 4,000 vehicles.

With more than 250 stores, a vast hypermarket, a DIY center, a huge consumer electronics outlet, cinemas, and an amusement park, İstanbul Marmara Park Shopping Mall offers its visitors a wide variety of options and products to choose from, along with unlimited fun.



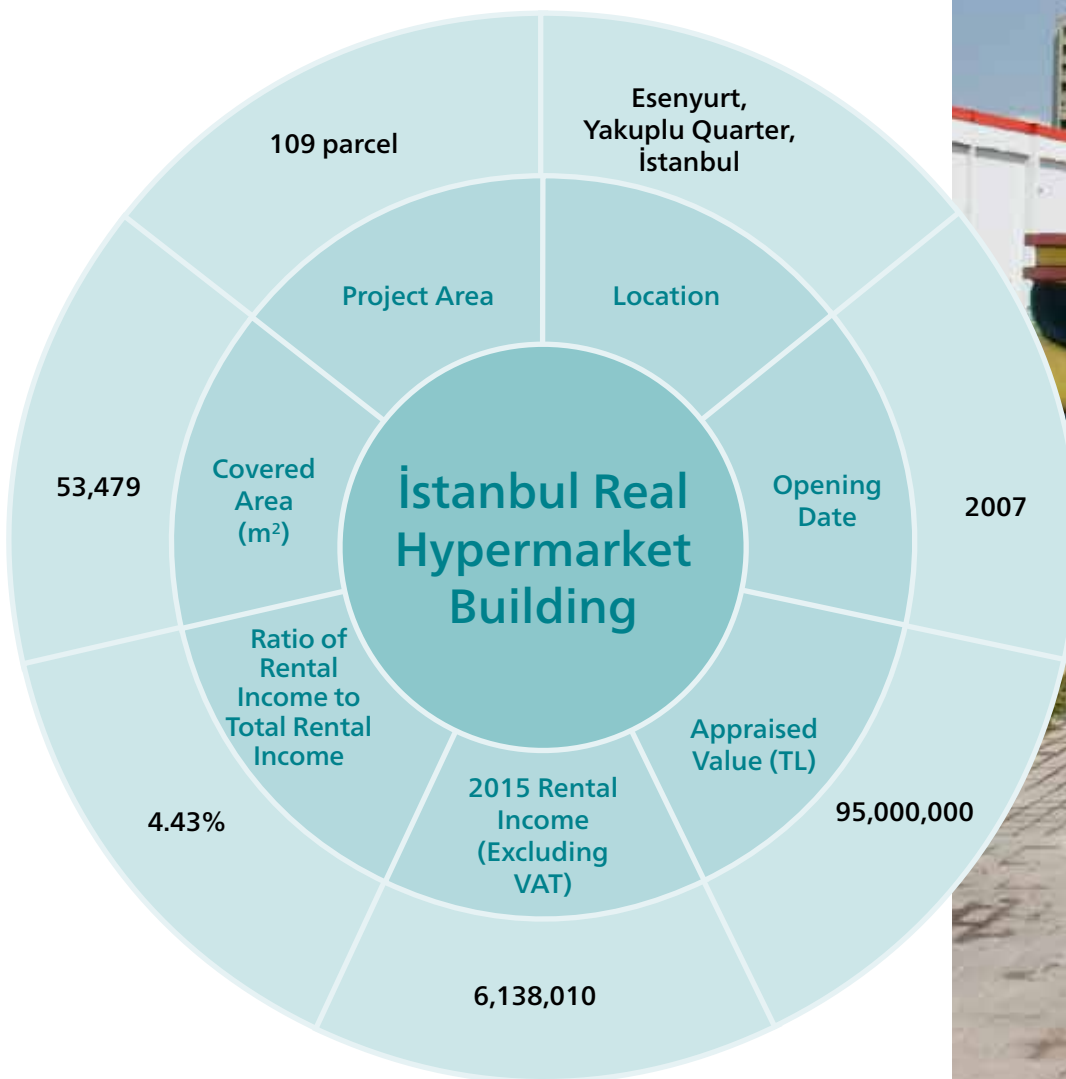




## Located in Esenyurt in İstanbul, the Real Hypermarket Building went into service in 2007.

Developed by İş REIC in Esenyurt that provides the setting for significant, distinctive residential projects, and having a covered area of 53,479 m<sup>2</sup>, Real Hypermarket Building offers its customers a comfortable and enjoyable shopping experience with its 6-meter aisles and 8-meter ceiling, along with more than 40,000 food and non-food products.

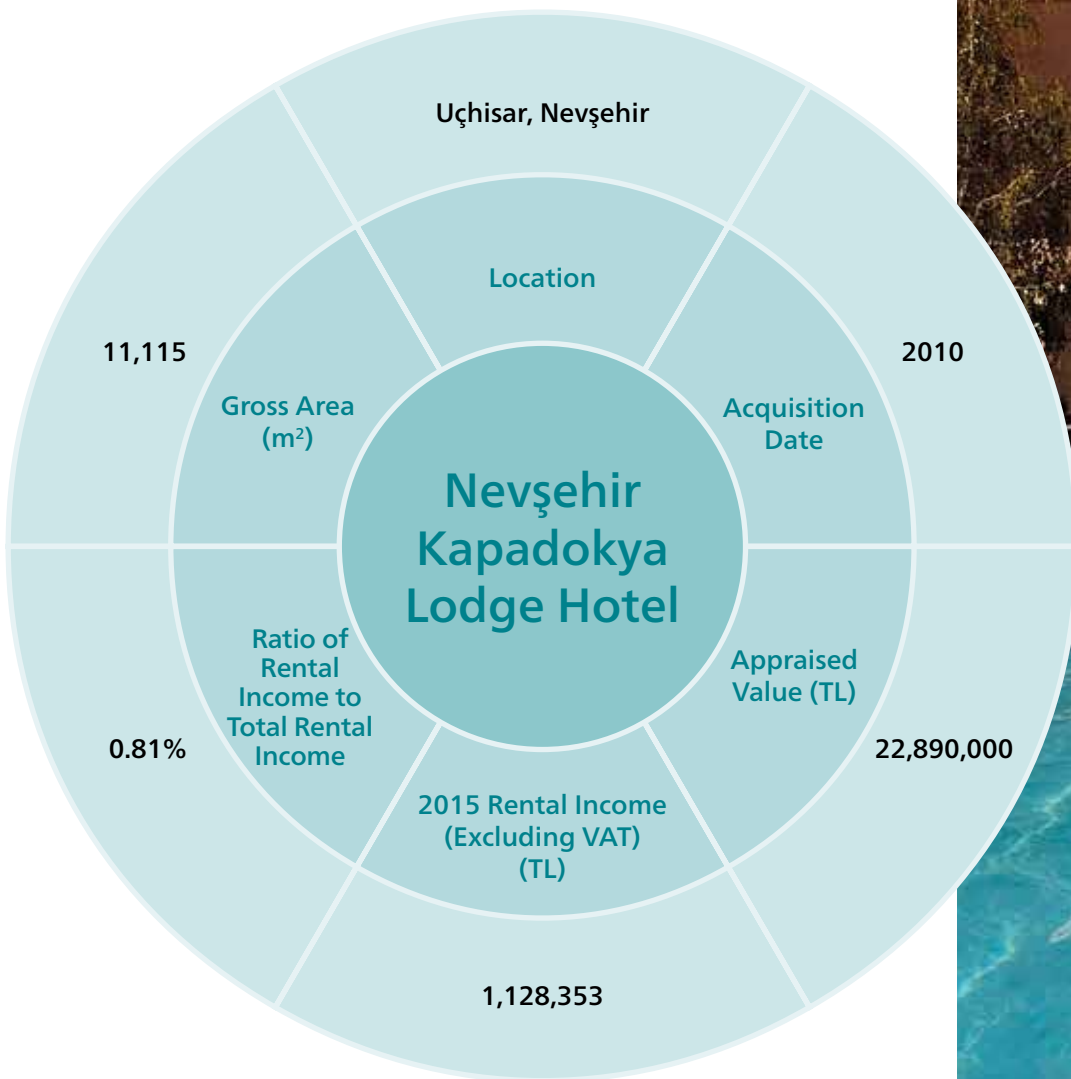
A retailing company and member of the Germany-based Metro Group, Real's investor in Turkey is SB Warenhaus Holding GmbH.





Situated in Nevşehir that boasts fascinating historical and geographical heritage, Kapadokya Lodge Hotel offers its guests an unmatched vacationing experience.

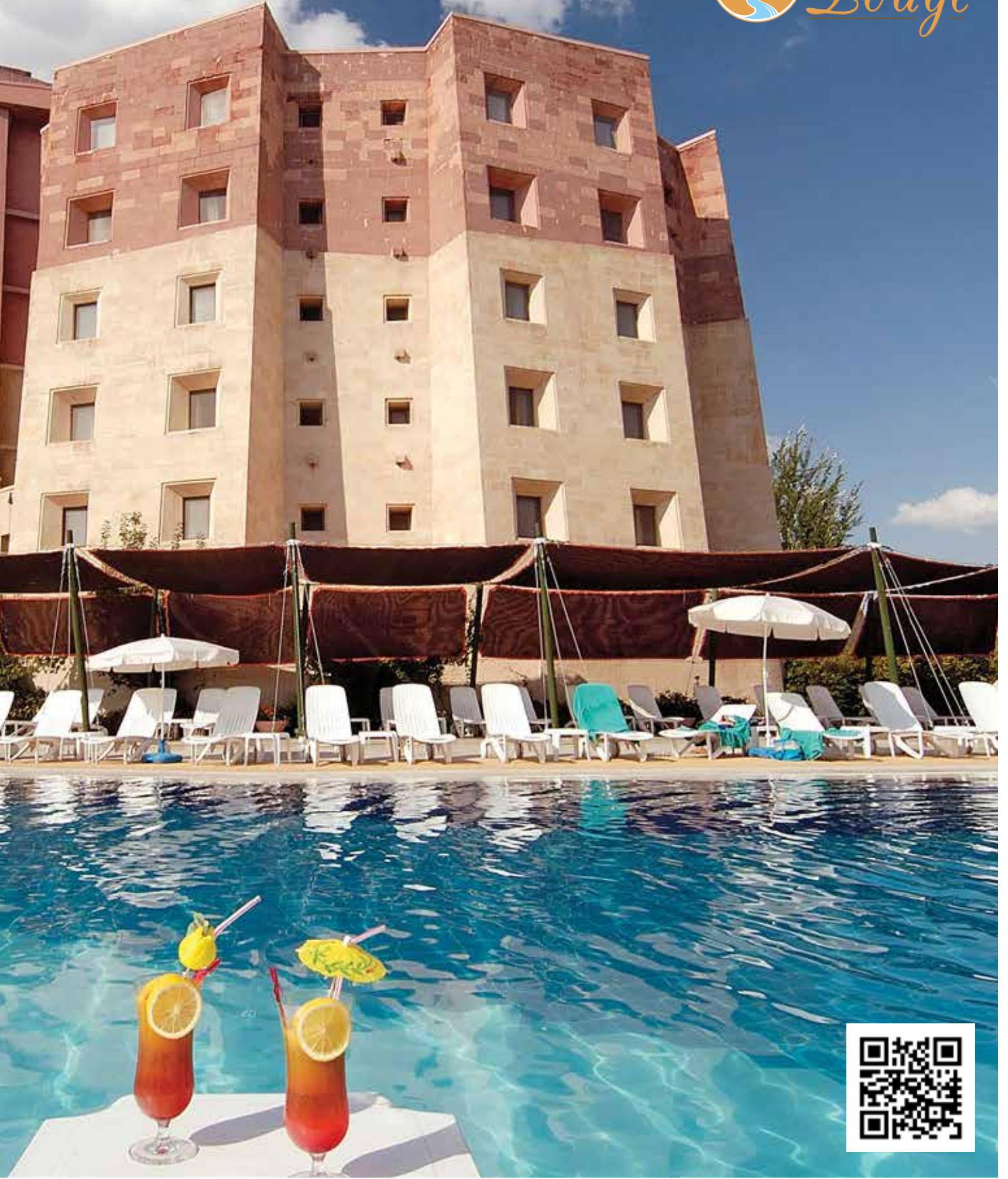
Presenting its guests with a privileged and comfortable stay with its high quality management and service, Kapadokya Lodge Hotel is set in Cappadocia, one of the crossroads of tourism, and stands out for its architecture that represents the geographical texture and historical heritage of the Central Anatolia Region. The four-star Kapadokya Lodge Hotel that is rented out to İş Merkezleri Yönetim ve İşletim A.Ş. has 140 standard and 4 large rooms, along with one accessible room and one 76-m<sup>2</sup> suite. The facility furnishes high quality service to its guests seeking a relaxing, rejuvenating and entertaining vacation with its local cuisine of traditional flavors offered in two indoor and outdoor restaurants, and with sports and amusement activities including basketball, volleyball, tennis on quartz sand court, mini football, billiards, table tennis, swimming pools and orchards.





KAPADOKYA

Lodge



## Çınarlı Bahçe housing project promises a life at high standards.

Putting into life the beauties of a “New Life in İstanbul” in comfortable houses designed in a modern architecture, the project consists of 476 units ranging between 58 to 212 m<sup>2</sup> in size.

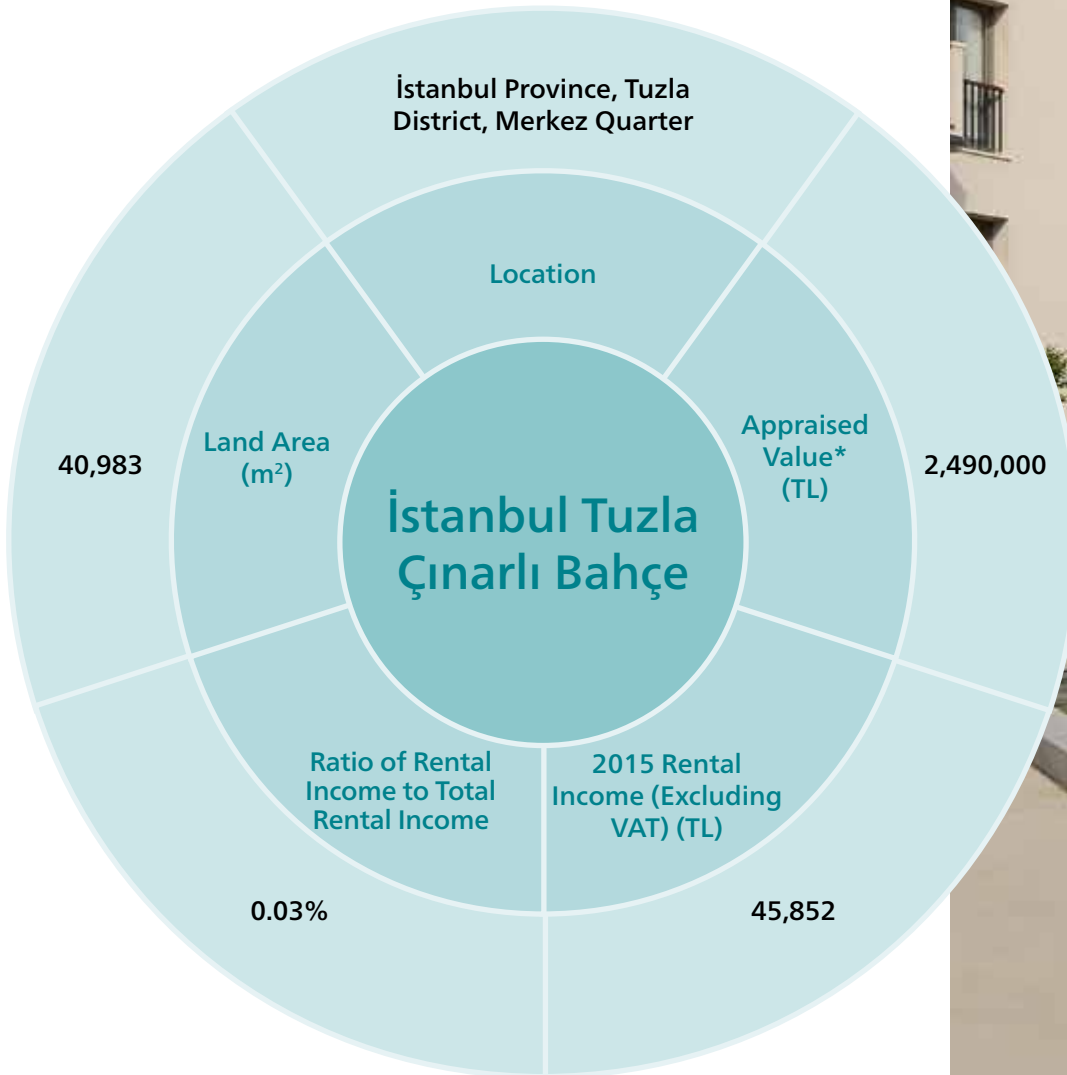
With each detail carefully planned, Çınarlı Bahçe additionally features indoor/ outdoor parking lots, indoor/outdoor swimming pools, a fitness center, a nursery, children’s play grounds, courts, walking paths, indoor/outdoor social facility, supermarket and other commercial service areas.

With its construction contracted out to Mesa Mesken Sanayii A.Ş., sales of the units in the project began by late October 2011. August 2013 marked the commencement of life in the Çınarlı Bahçe project, which provides its residents with a green living space through its rich landscaping and protected woods. With all sales activities completed in 2015, Kanyon Yönetim İşletim ve Pazarlama A.Ş. has been designated as the operating company in order to ensure high-quality and high-standard management of the project following delivery.

Having a total sellable area of approximately 58,000 m<sup>2</sup>, the project’s total development costs amounted to nearly TL 122.5 million, including land.

Çınarlı Bahçe project was honored with the “Best High-Rise Residence” award at the Sign of the City Awards that is set to become one of the most prestigious recognition programs in the real estate sector.

All of the residential units at Çınarlı Bahçe have been sold, and the portfolio covers income-generating commercial units only.



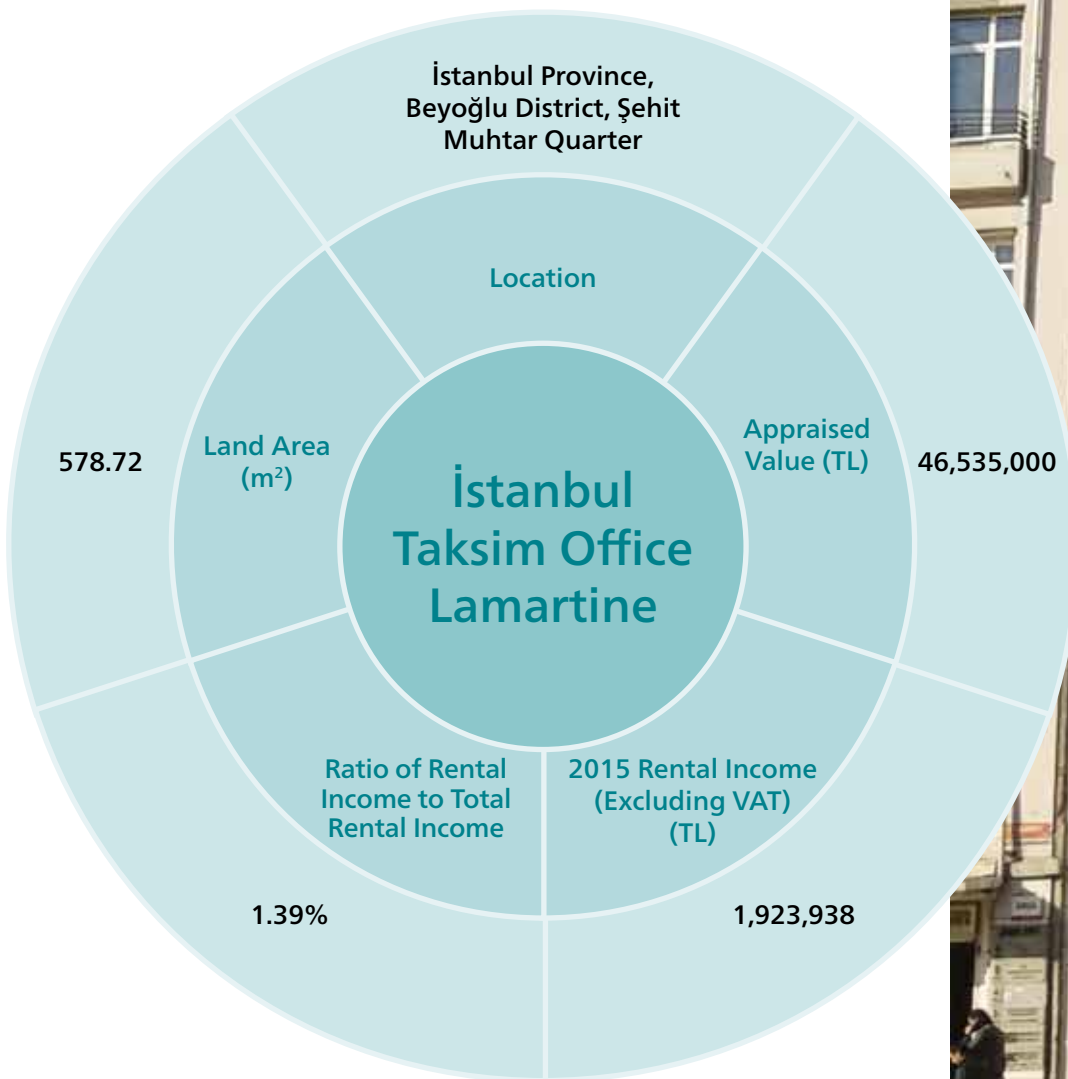
\* Söz konusu ekspertiz değeri ticari bölümlerin ekspertiz değerleridir.

Sign of the City  
Awards 2014  
Kazanan Proje



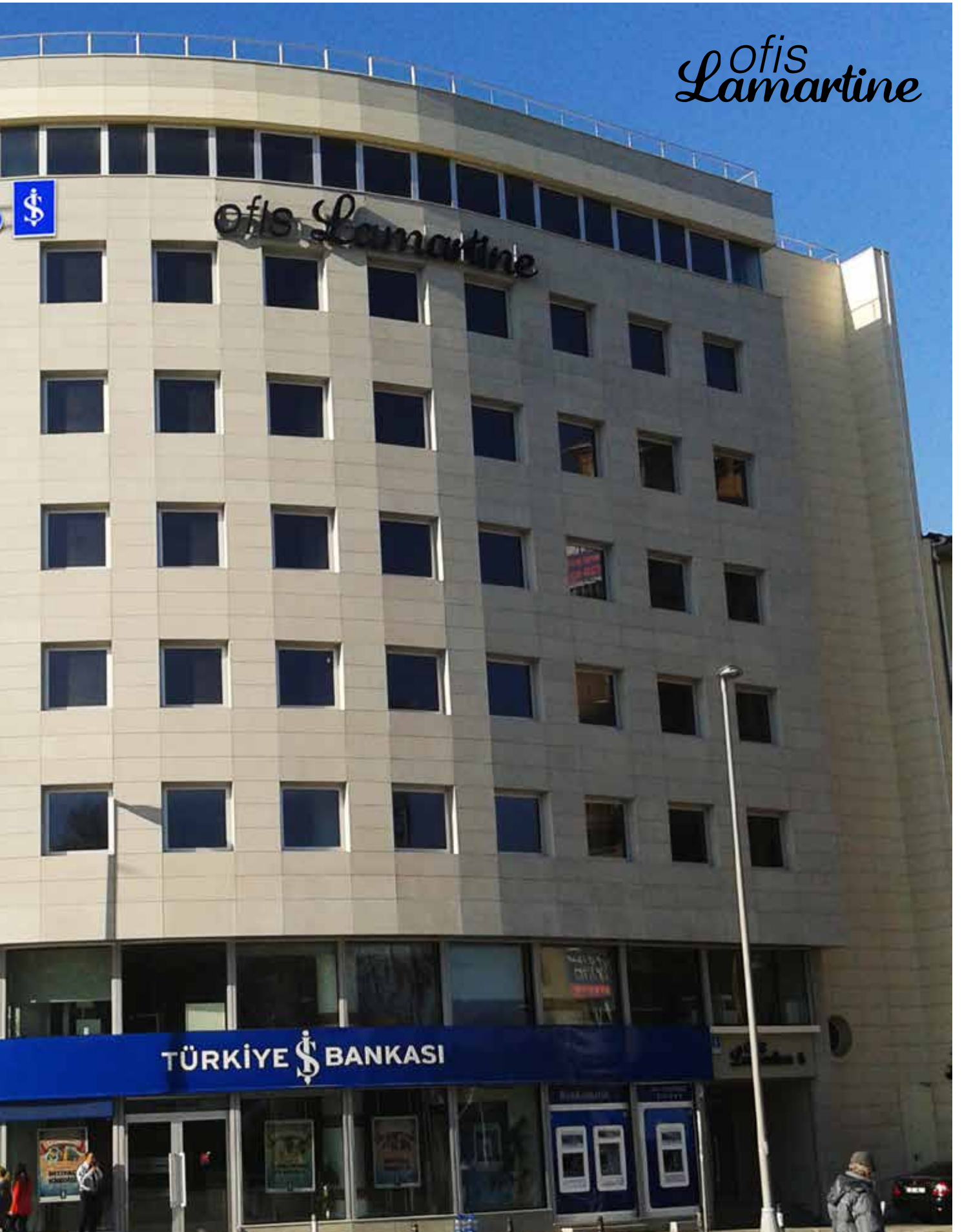
## Office Lamartine project reflects the altered visage of Taksim.

Having a leasable area of 3,856 m<sup>2</sup> and intended to meet the need for office spaces in and around Taksim, the busiest, high-potential spot in İstanbul, Office Lamartine is located at the intersection of Cumhuriyet and Lamartine avenues. The construction of the project was brought to completion in March 2013.





*ofis  
Lamartine*

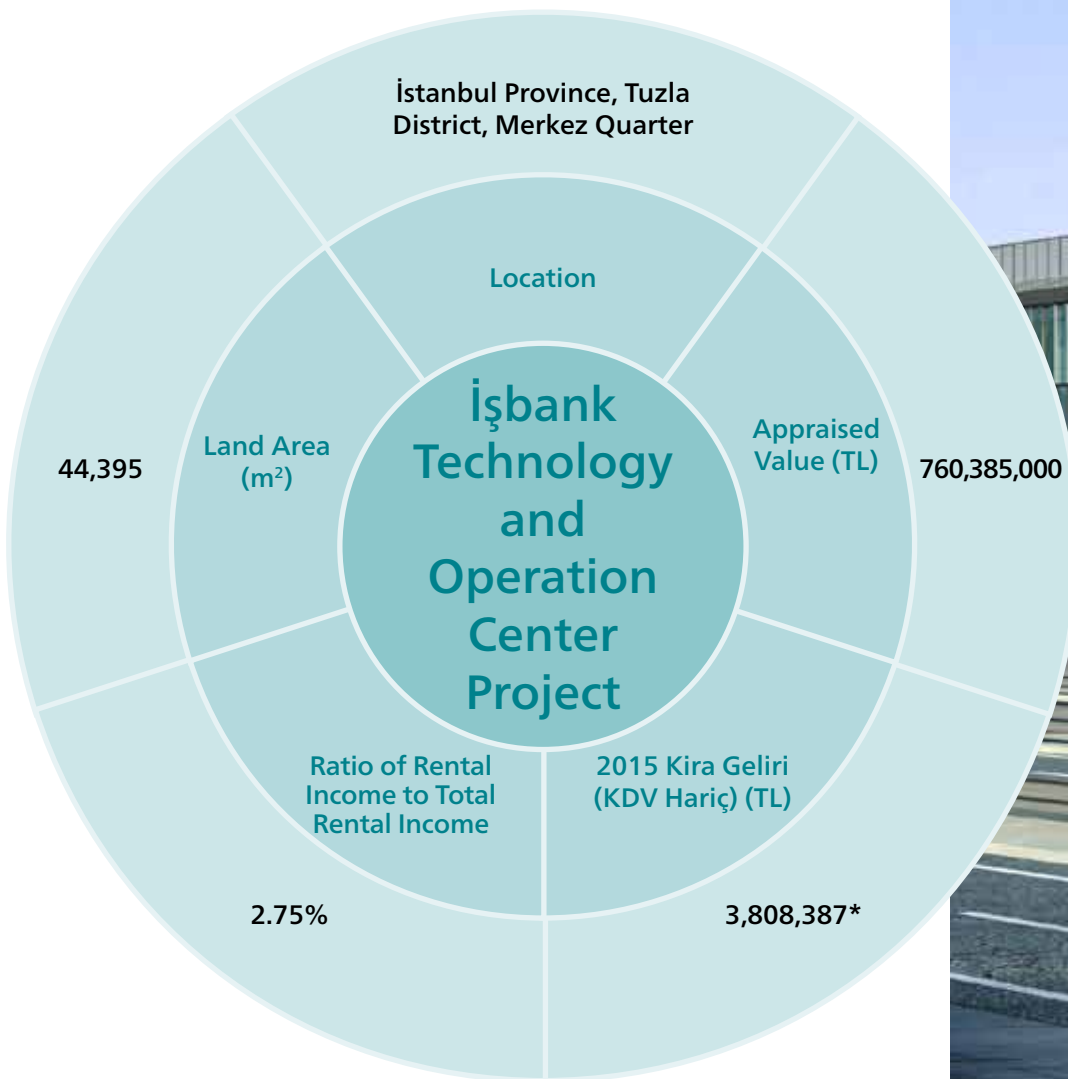


Situated in Tuzla, İstanbul, İşbank Technology and Operation Center project houses the Bank's information technology, data-storage units, training facilities and accommodations for trainees.

Located on a 44,393.35 m<sup>2</sup> property in İstanbul's Tuzla district, which is gradually turning into a field of commercial attraction with the relocation of company head offices and operation departments to this district, Technology and Operation Center project houses the bank's information technology and data-storage units, training facility and accommodations for trainees.

The Technology and Operation Center that was designed and constructed to cater to the needs of İşbank was delivered in November 2015. İşbank, which will be a tenant for 25 years, started operations in the premises the same month.

While the architectural design of the project bears the signature of SOM (Skidmore, Owings & Merrill LLP) and Design Grup, construction was realized by Koray İnşaat.



\* Rental income in a certain part of 2015.

Sign of the City  
Awards 2015  
Kazanan Proje



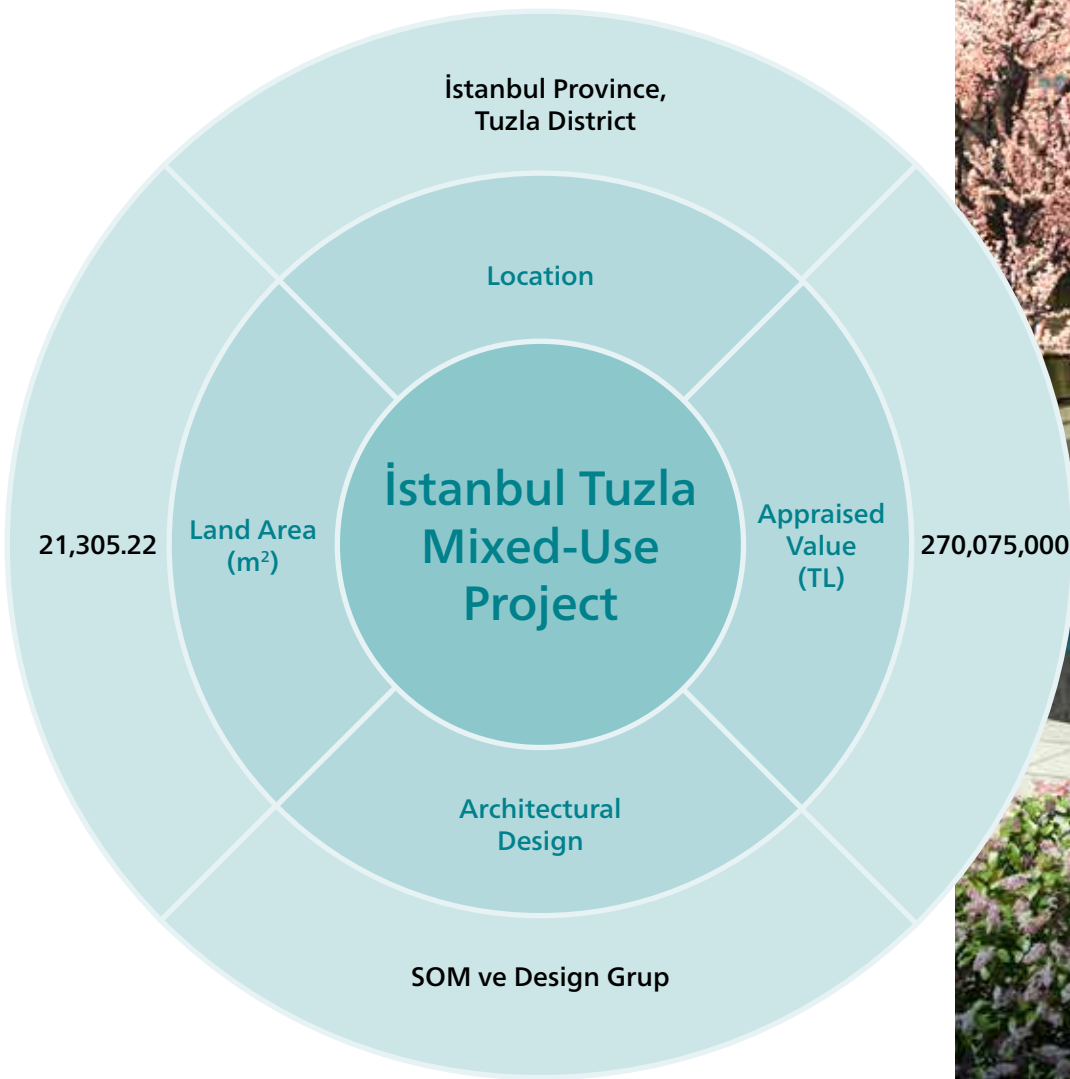
## İstanbul Tuzla Mixed-Use Project is set in a location that is valuable in terms of investing and central in terms of access.

Tuzla mixed-use project is located right next to the Technology and Operation Center in Tuzla, an İstanbul district with high development potential.

Developed on a 21,305.22 m<sup>2</sup> property, the project consists of office and commercial spaces; upon receipt of the use and occupancy permit, delivery of commercial units started in December 2015 and decoration phase was initiated. All of the office spaces and part of the commercial spaces are leased to Türkiye Şişe ve Cam Fabrikaları A.Ş., and venue deliveries are slated to begin in the first months of 2016.

Its location has transformed Tuzla and environs into a very valuable district both with respect to living and investing. These qualities acted as a magnet resulting in the relocation of the head offices and operation departments of many companies to this district, and in turn, in a rapid increase in the investments being made, which played a big part in the development of the area, turning it into a field of attraction.

The project's architectural design is the result of a collaboration between the world-famous SOM (Skidmore, Owings & Merrill LLP) and Design Grup.



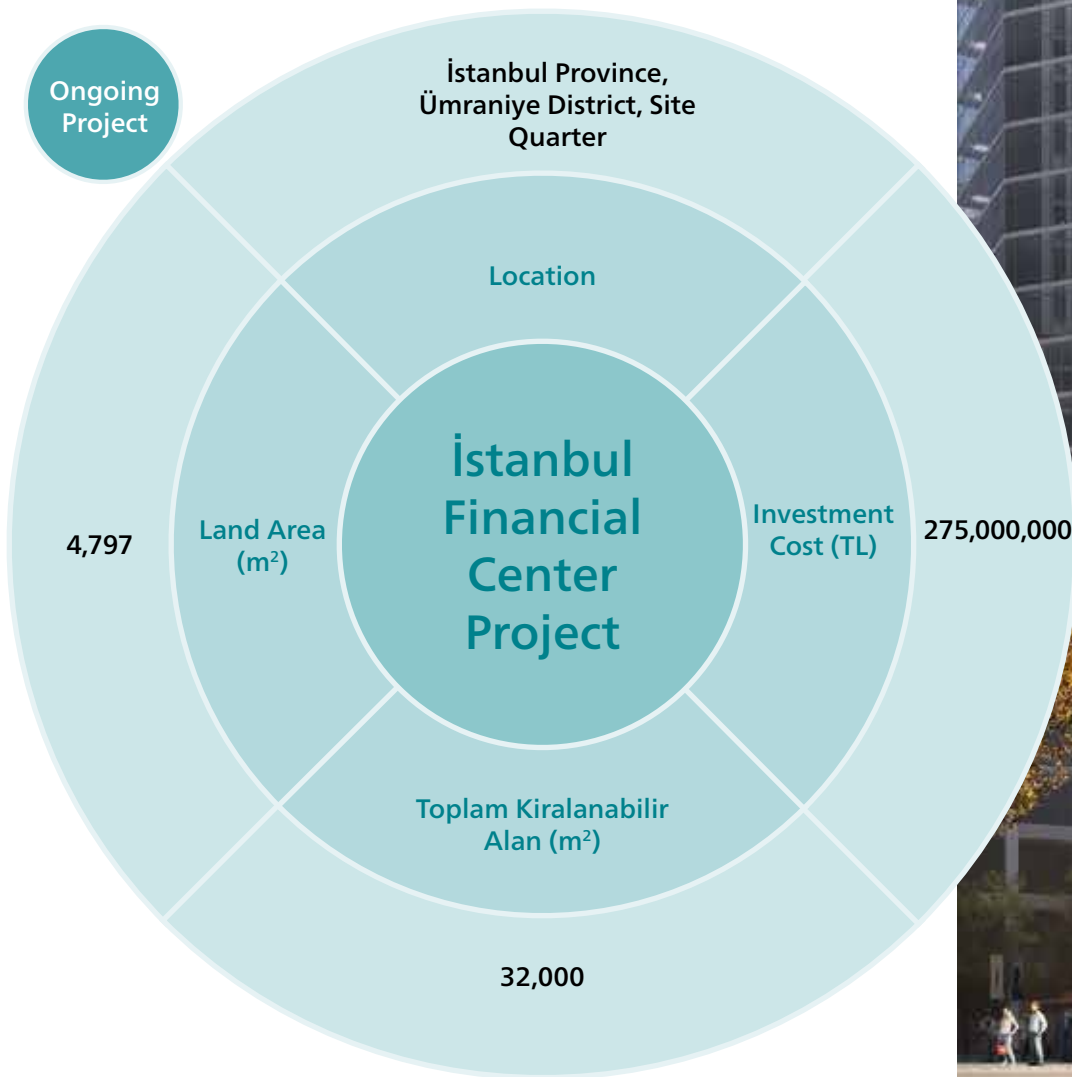


## Istanbul Financial Center Project is set in the heart of the IFC that has set its sight on being one of the world's top five financial centers,

Presented as one of the most remarkable projects of late, Istanbul International Financial Center (IFC) will not only reposition Turkey in the international market, but will also likely alter the living standards in the area.

İş REIC has purchased a property within IFC to develop a project consisting of office and commercial units, where it is intending to develop a project with an approximate leasable/sellable area of 32,000 m<sup>2</sup>. The building permit for the project was received in 2015, upon which construction work was initiated. It is targeted to be completed in the years ahead, concurrently with other companies' projects taking place in the IFC. The project's forecasted investment cost is around TL 275 million.

Lying at the heart of IFC that is targeting to become one of the five biggest financial centers in the world, the property is planned to be used for the development of a project consisting of office and commercial units. With its proximity to the city's main arterial roads, the project property will have an advantageous position also in terms of transportation accessibility.



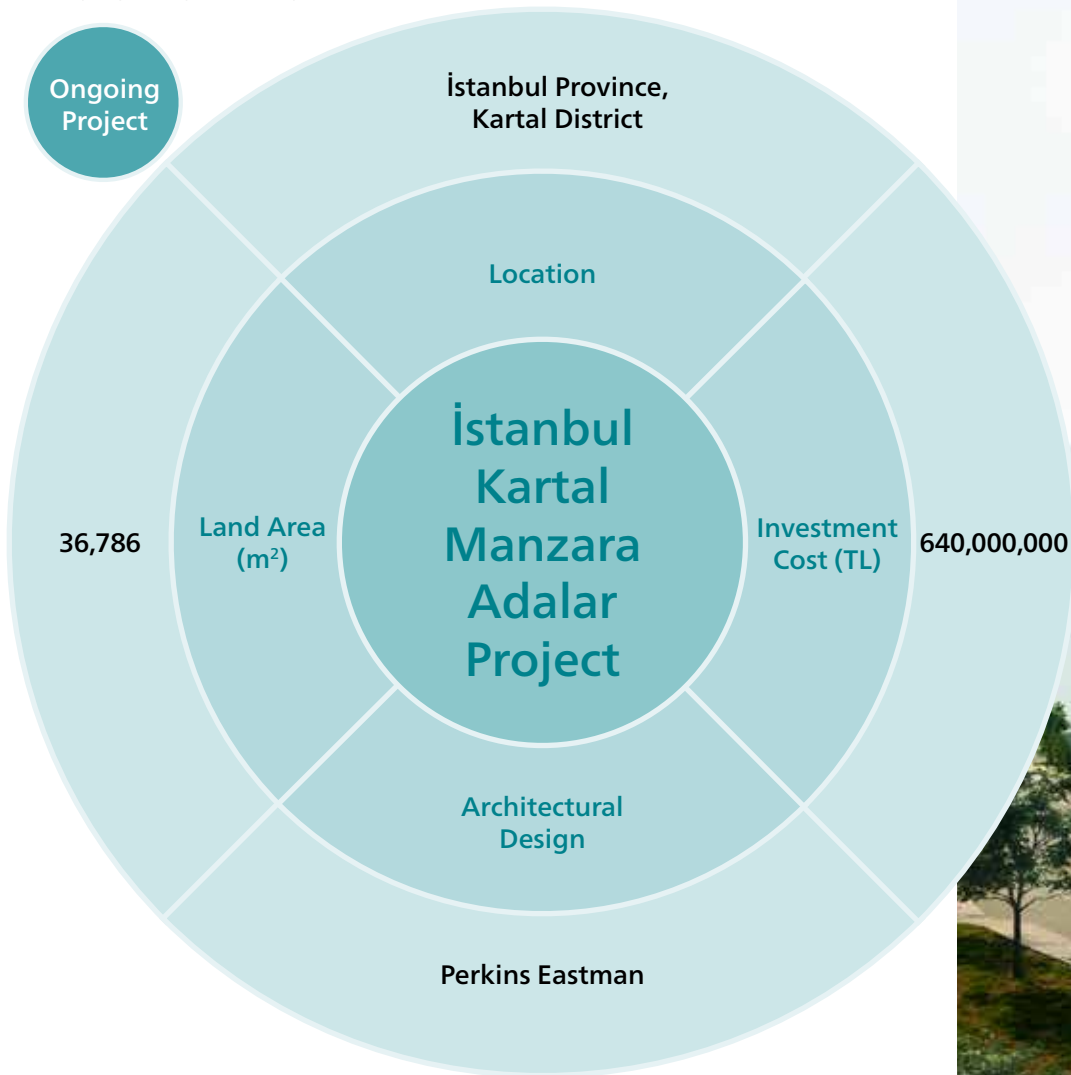


## Positioned in one of the nicest and most valuable locations on the Asian side of İstanbul, Manzara Adalar promises a calm and pleasant life.

Set to rise in Kartal, İstanbul, and bearing the signature of the globally renowned architecture firm Perkins Eastman, Manzara Adalar is a mixed-use project consisting of a total of five blocks, three residential and two office blocks, and also comprising commercial units that will contribute to the impeccability of this life center. Designated as an investment region by İŞ REIC, Kartal is a developing district which still presents further growth potential and is one of the nicest and most valuable locations on the Asian side.

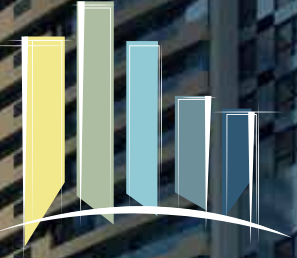
Rising to a dazzling view of the islands and situated within 1.5 km walking distance to the seaside, Manzara Adalar project enjoys a central location that is right in the middle of the road, rail, air and sea transportation network. Consisting of 975 units featuring different flat types ranging from studios to 5+1 units, the project's investment cost is approximately TL 640 million.

As well as the high investment value presented by virtue of its location, Manzara Adalar opens the doors to a peaceful life in the heart of İstanbul. 4 minutes from D-100 motorway, 22 minutes from the Bosphorus Bridge and 25 minutes from the FSM Bridge, the project is also close to critical spots in the district, such as hospital, courthouse, universities, train station and subway station in the district, while it is only 19 kilometers from Sabiha Gökçen Airport. The project promises a relaxed and enjoyable life with its indoor/outdoor swimming pool, outdoor children's pool, reflecting pools and walking paths, fitness center, SPA, hobby rooms, kids club and multipurpose sports complex.





Sign of the City  
Awards 2015  
Premium Proje



MANZARA  
ADALAR

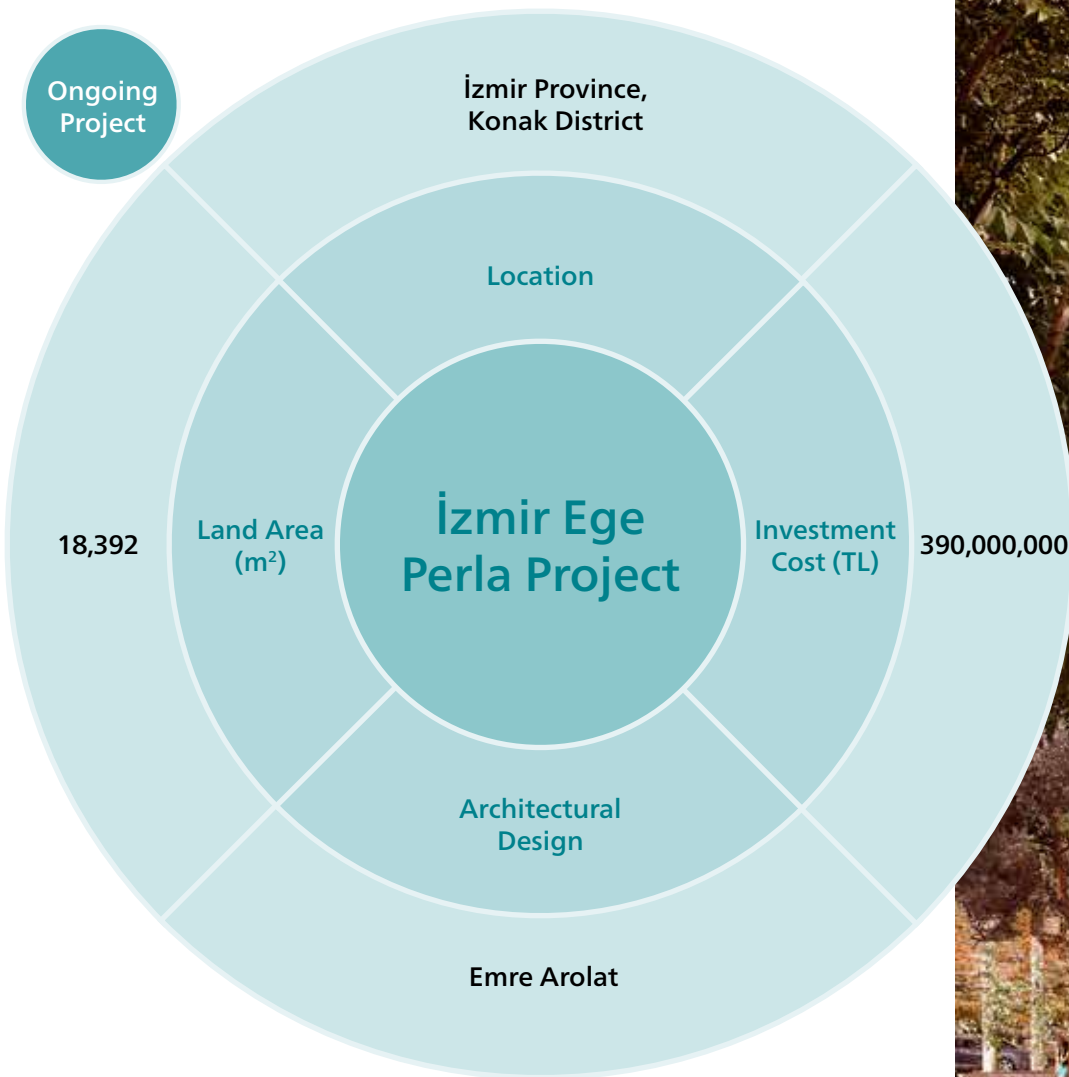


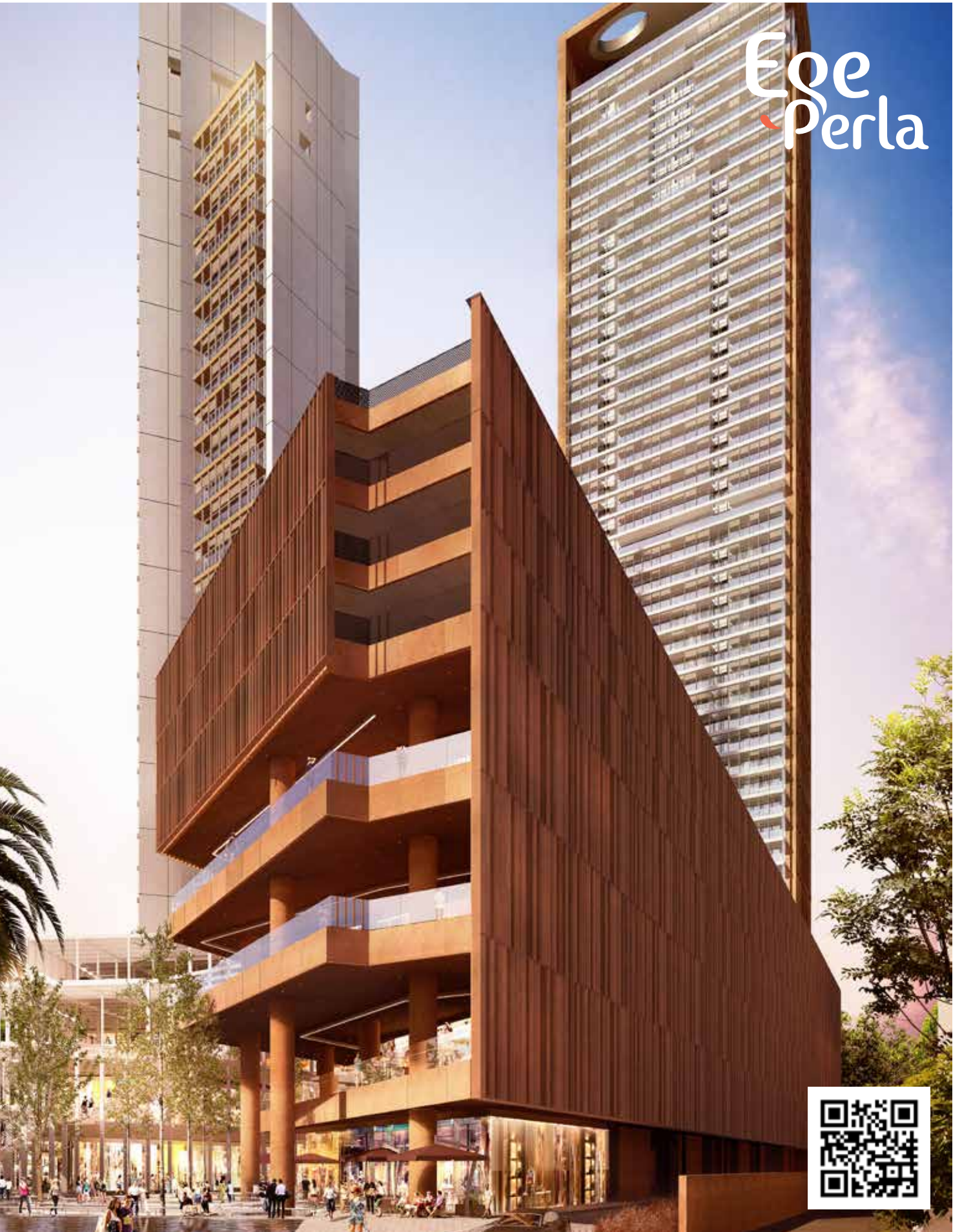
## İzmir Ege Perla Project presents an original concept that combines traditional İzmir lifestyle and modern architecture.

Located in Konak, İzmir, and regarded as the city's "New City Center", Ege Perla project is being developed on an area of 18,392 m<sup>2</sup>. Having a total leasable area of 25,600 m<sup>2</sup>, the project comprises residential units in different sizes and plans ranging from 1+1 to 5+1 executive unit overlooking the Gulf of İzmir and office units offering well-lit and spacious working spaces, in addition to the semi-open shopping mall that will host prestigious brands.

With an investment value of approximately TL 390 million and the first mixed-use project in the area, Ege Perla has been realized to blend seamlessly into the traditional lifestyle. Inspired by the old İzmir houses, the project is designed by world-renowned architect Emre Arolat. Slated for completion in 2016, the project's building activities are in progress.

CEFIC, a firm with solid experience in the Turkish sector and an expert team, has been engaged for services related to renting out the shopping mall included in the project. It is targeted to create a tenant mix and concept with a focus on the needs and expectations of İzmir and its local people at the Ege Perla shopping mall, which is a magnet for numerous domestic and international brands as well as the local ones in İzmir. The mall is envisaged as a true city park with its architecture, brand mix and commercial spaces, and a spot frequented by people of all ages as the first representative of innovations in the area.





Ege  
Perla



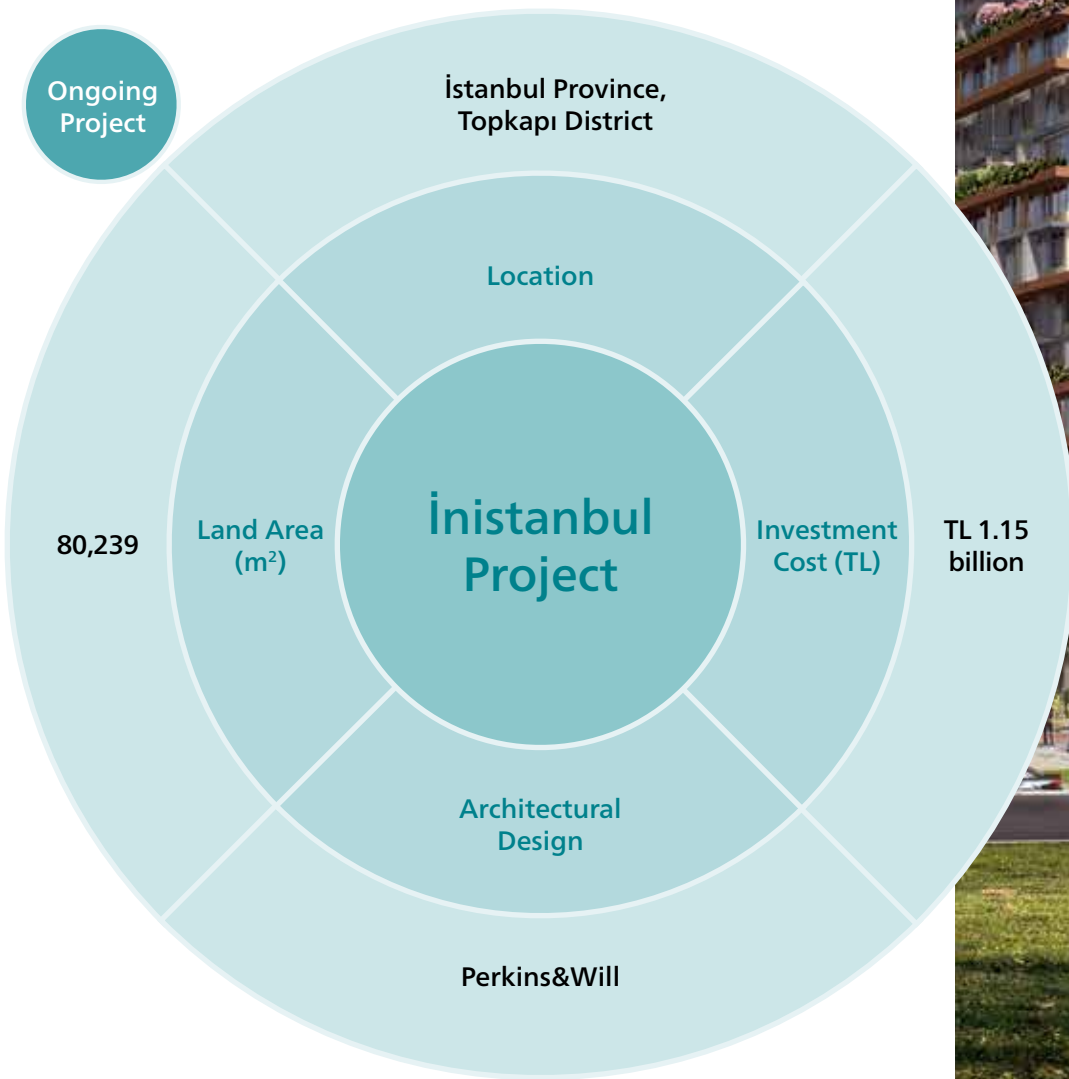
## Planned as four different projects, İstanbul's first project İstanbul Gala was one of the fastest sellers of the year upon its launch.

Co-developed by İş REIC and Nef in Topkapı, one of the favorite life centers in İstanbul, İstanbul project draws the attention with 2,593 units varying from 1+1 to 4+1 apartments, complemented by its rich social facilities, green spaces and advantageous payment options.

Designed by Perkins&Will, the world's leading creative architecture firm, the project is a mere 100 meters from the subway station, and has direct connections to tram and metrobus lines. İstanbul is also set apart with its proximity to central districts including Zincirlikuyu, Çağlayan, Yenikapı, Bakırköy, Ataköy and Atatürk International Airport.

Conceived as four different projects, İstanbul's first project İstanbul Gala was one of the fastest sellers of the year upon its launch. Based on this successful sales performance, İstanbul Lokal, the second project, was launched in 2015, six months earlier than planned.

İstanbul project was a finalist in the "Best High-Rise Residence", "Best Marketing Campaign" and "Best Architectural Design Concept" categories and was awarded in the "Best Architectural Design Concept" category at the Sign of the City Awards organized by Hürriyet Newspaper.



Sign of the City  
Awards 2015  
Kazanan Proje



**inistanbul**



# YÖNETİM KURULUNUN YILLIK FAALİYET RAPORUNA İLİŞKİN BAĞIMSIZ DENETÇİ RAPORU

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Yönetim Kurulu'na,

## Yönetim Kurulunun Yıllık Faaliyet Raporunun Bağımsız Denetim Standartları Çerçevesinde Denetimine İlişkin Rapor

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi'nin 31 Aralık 2015 tarihinde sona eren hesap dönemine ilişkin yıllık faaliyet raporunu, denetlemiş bulunuyoruz.

### Yönetim Kurulunun Yıllık Faaliyet Raporuna İlişkin Sorumluluğu

Şirket yönetimi, 6102 sayılı Türk Ticaret Kanunu'nun ("TTK") 514'üncü maddesi ve Sermaye Piyasası Kurulu'nun ("SPK") Seri II, 14.1 No'lu "Sermaye Piyasasında Finansal Raporlamaya İlişkin Esaslar Tebliği" ("Tebliğ") hükümleri uyarınca yıllık faaliyet raporunun finansal tablolarla tutarlı olacak ve gerçeği yansıtacak şekilde hazırlanmasından ve bu nitelikteki bir faaliyet raporunun hazırlanmasını sağlamak için gerekli gördüğü iç kontrolden sorumludur.

### Bağımsız Denetçinin Sorumluluğu

Sorumluluğumuz, Şirket'in faaliyet raporuna yönelik olarak TTK'nın 397'nci maddesi ve Tebliğ çerçevesinde yaptığımız bağımsız denetime dayanarak, bu faaliyet raporunda yer alan finansal bilgilerin Şirket'in finansal tablolarıyla tutarlı olup olmadığı ve gerçeği yansıtıp yansıtmadığı hakkında görüş vermektir.

Yaptığımız bağımsız denetim, Kamu Gözetimi, Muhasebe ve Denetim Standartları Kurumu tarafından yayımlanan Türkiye Denetim Standartları'nın bir parçası olan Bağımsız Denetim Standartları'na ("BDS") uygun olarak yürütülmüştür. Bu standartlar, etik hükümlere uygunluk sağlanmasını ve bağımsız denetimin, faaliyet raporunda yer alan finansal bilgilerin finansal tablolarla tutarlı olup olmadığına ve gerçeği yansıtıp yansıtmadığına dair makul güvence elde etmek üzere planlanarak yürütülmesini gerektirmektedir. Bağımsız denetim, tarihi finansal bilgiler hakkında denetim kanıtı elde etmek amacıyla denetim prosedürlerinin uygulanmasını içerir. Bu prosedürlerin seçimi, bağımsız denetçinin mesleki muhakemesine dayanır. Bağımsız denetim sırasında elde ettiğimiz bağımsız denetim kanıtlarının, görüşümüzün oluşturulması için yeterli ve uygun bir dayanak oluşturduğuna inanıyoruz.

### Görüş


Görüşümüze göre yönetim kurulunun yıllık faaliyet raporu içinde yer alan finansal bilgiler, tüm önemli yönleriyle, denetlenen finansal tablolarla tutarlıdır ve gerçeği yansıtmaktadır.

### Mevzuattan Kaynaklanan Diğer Yükümlülükler

6102 sayılı Türk Ticaret Kanunu'nun ("TTK") 402'nci maddesinin üçüncü fıkrası uyarınca; BDS 570 "İşletmenin Sürekliliği" çerçevesinde, işletmenin öngörülebilir gelecekte faaliyetlerini sürdürmeyeceğine ilişkin herhangi bir hususa rastlanılmamıştır.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

A member of KPMG International Cooperative



Erdal Tıkmak, SMMM  
Sorumlu Ortak Başdenetçi

25 Şubat 2016  
İstanbul, Türkiye

## DIVIDEND POLICY

The dividend distribution proposal of the Board of Directors is discussed at the General Assembly and it is decided whether to pay out dividends, as well as its manner and timing.

The Company's articles of association stipulate that first dividends in the rate and amount determined by the CMB are to be distributed from the distributable profit.

The Board of Directors adopted a dividend distribution policy based on the principle of proposing to distribute at least 30% of the distributable profit in bonus shares or in cash to the General Assembly, giving due consideration to:

- maintaining the delicate balance between shareholders' expectations and the Company's need to grow, and
- the Company's profitability.

There are no privileges regarding distribution of profit, and dividend distribution is carried out within the legally prescribed period of time.

In the event that the Board of Directors proposes against distribution of profit to the General Assembly, information on the reasons therefor and the usage manner of retained earnings will be presented to the shareholders at the General Assembly, incorporated in the annual report, and disclosed publicly.

The Company's articles of association address distribution of advances on profit share, and advances on dividends may be distributed to shareholders subject to capital market requirements and regulations.

## PROFIT DISTRIBUTION TABLE

İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. Profit Distribution Table for the Year 2015 (TL)			
1.	Paid-in/Issued Capital		746,000,000
2.	General Legal Reserve (based on legal records)		33,036,628.30
	Information regarding privileges in profit distribution according to the Articles of Association, if any, information on such privileges		There are no privileges in profit distribution
		<b>Based on CMB</b>	<b>Based on Legal Records</b>
3.	Profit for the Period	555,932,867.00	131,452,191.42
4.	Taxes	0.00	0.00
5.	Net Profit for the Period	555,932,867.00	131,452,191.42
6.	Prior Period Losses	0.00	0.00
7.	General Legal Reserve	6,572,609.57	6,572,609.57
8.	NET DISTRIBUTABLE PROFIT FOR THE PERIOD	549,360,257.43	124,879,581.85
9.	Donations Made within the Year	0.00	
10.	Net Distributable Current-Year Profit Including Donations	549,360,257.43	
11.	First Dividend to Shareholders	106,300,000.00	
	- Cash	2,300,000.00	
	- Bonus	104,000,000.00	
	- Total	106,300,000.00	
12.	Dividends For Preferred Shareholders	0.00	
13.	Dividends For Others	0.00	
	- Board Members	0.00	
	- Employees	0.00	
	- Other than Shareholders	0.00	
14.	Dividends for Usufruct Shares	0.00	
15.	Second Dividend to Shareholders	14,920,000.00	
16.	General Legal Reserves	1,492,000.00	
17.	Statutory Reserves	0.00	
18.	Special Reserves	0.00	
19.	EXTRAORDINARY RESERVES	426,648,257.43	2,167,581.85
20.	Other Sources for Distribution		35,000,000.00
	- Prior Period Profit		0.00
	- Extraordinary Reserves		35,000,000.00
	- Other Reserves Distributable As Per Law and Articles of Association		0.00

### INFORMATION ON DIVIDEND DISTRIBUTION

#### INFORMATION ON DIVIDEND PER SHARE

	GROUP	TOTAL DIVIDENDS		TOTAL DIVIDENDS/ NET DISTRIBUTABLE PERIOD PROFIT RATIO (%)	OF TL 1 NOMINAL VALUE DISTRIBUTED PROFIT	
		CASH (TL)	BONUS (TL)		AMOUNT (TL)	RATIO (%)
CASH	A	74,599.98	148,571.39	0.04%	0.209	20.9%
	B	52,145,400.02	103,851,428.61	28.40%	0.209	20.9%
	<b>TOTAL</b>	<b>52,220,000.00</b>	<b>104,000,000.00</b>	<b>28.44%</b>	<b>0.209</b>	<b>20.9%</b>



# CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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

İş REIC espoused the four main elements of Corporate Governance Principles, which are Fairness, Transparency, Accountability and Responsibility, and observes compliance with them in its activities. Our Company closely monitors the development of the Corporate Governance practices both in the world and in our country, and believes in the necessity to achieve compliance with these principles in order to maintain successful business practices and to generate long-lasting added value to investors.

Our Company adheres to all of the Corporate Governance Principles that are compulsory to be implemented, and takes care to maximize its adherence with regards to all principles. Optional corporate governance principles are addressed under the relevant headings in the following sections. There were no conflicts of interest that arose during the reporting period on account of non-implementation of optional principles.

Our Company exercises the necessary sensitivity for compliance with Corporate Governance Principles, and established the Corporate Governance Committee in 2007. The Committee's primary duties include monitoring compliance with corporate governance principles, undertaking improvements in these areas, and presenting recommendations to the Board of Directors. The Committee follows up the changes in legislation, with a particular focus on investor relations activities in respect of capital markets, and regularly reviews the Company's corporate governance practices, constantly identifies improvement areas, and continually improves the Company's corporate governance system through new implementations enforced.

Corporate governance rating of our Company has been revised as "92.74" based on the review performed in 2015 by Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA) for the assessment of the Company's compliance degree with the Corporate Governance Principles. The Company was given the following ratings in the four main sections: Shareholders 91.49, Public Disclosure and Transparency 98.19, Stakeholders 94.62, Board of Directors 88.93.

The rating report prepared by SAHA upon the period review is posted on the Company website in the "Investor Relations" section, under the heading "Financial Data and Reports".

The Company's Corporate Governance Principles Compliance report is also available on the Company website in the "Investor Relations" section, under the heading "Financial Data and Reports".

## PART II - SHAREHOLDERS

### 2.1. Investor Relations Department

The Company's "Investor Relations Department" has been active since 28 January 2005 within the relevant regulations of the CMB. Prior to each Board meeting, the Department prepares a report to be submitted to the Board of Directors about the Department's activities during the period, investors' and brokerages' remarkable assessments and analyses. The Department manager physically participates in the Board of Directors meetings. Serving as a bridge between the Department and the Board of Directors, the Corporate Governance Committee, which actively oversees the Department's activities, meets prior to each Board meeting, and evaluates the activities carried out by the Department during the reporting period. Following the meeting, presentations about the topics that have been discussed in the Board meetings are shared with the Board of Directors. As indicated in the operating principles of the committee, the Investor Relations Department also handles the secretarial tasks of the Corporate Governance Committee.

The Company's Investor Relations Department operates under the name "Investor Relations and Corporate Compliance" within the "Investor Relations and Corporate Compliance, Risk Management Group". The Department manager is Ayşegül Şahin Kocameşe, Head of the Investor Relations and Corporate Compliance, Risk Management Group. The Department manager holds Capital Market Activities Level 3 License and Corporate Governance Rating License. The Department manager serves as a member of the Corporate Governance Committee in accordance with Article 11 of the Corporate Governance Communiqué. The manager of the Investor Relations Department, being a member of the Corporate Governance Committee, participated in all of the Committee meetings held during the year, provided information to the Committee about the Department's activities and the material developments that took place during the reporting period, and took active part in the improvement and rating of corporate governance practices.

# CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Contact details for the individuals working in the Investor Relations Department are presented below:

Contact Person	Phone Number	E-mail Address
Ayşegül Şahin Kocameşe Head of Investor Relations	0212-325 23 50	aysegul.sahin@isgyo.com.tr
Mine Kurt Yıldırım Assistant Manager	0212-325 23 50	mine.kurt@isgyo.com.tr
Begüm Olgaç Specialist	0212-325 23 50	begum.olgac@isgyo.com.tr

Investor Relations Department consistently and effectively manages matters related to the conduct of General Assembly Meetings, and particularly those related to the exercise of shareholders' rights, public disclosure and provision of company-related information, as well as share capital increases and the Company's rating processes.

During the reporting period, the Investor Relations Department held one-on-one meetings with domestic and international investment companies at the Company's headquarters, took part in the investor conference organized by brokerages in London, UK and in the roadshows organized in Warsaw, Poland and in Copenhagen, Denmark, and had contacts with nearly 80 people from more than 60 investment companies.

The majority of parties met with during the reporting period consisted of foreign brokerages' and asset management companies' analysts and fund managers, and the analysts and fund managers of domestic investors.

During the year, the Investor Relations Department responded to more than 400 queries, most of which were received by e-mail. Comprehensive information requests received from local, foreign, individual or institutional investors were responded to with careful observation of all matters with respect to public disclosure, and particularly the legislation and the Company's Information Policy. About 80% of all requests for information were received from institutional investors; the remaining 20% consisted of individual queries.

Shareholders may convey their information requests by contacting the Investor Relations Department employees directly or by sending an email to the Department's email address or using the contact form available on the website. Shareholders usually contact the Department employees directly or via the Department's email account, and rarely use the contact form on the website.

In addition to investors' queries, support is extended for information requests, surveys and academic studies within the scope of research conducted by universities and various public institutions.

The Investor Relations Department regularly maintains proper records both of the written and oral queries that it receives and of the responses given. Besides handling requests for information made to the Company, this Department also regularly monitors the reports and bulletins published by brokerages in which any mention of the Company is made, while providing the necessary support to brokerages for their reporting processes.

## 2.2. Exercise of Shareholders' Right to Obtain Information

İş REIC's Information Policy is based on transparency and fairness, and the Company adheres to İş REIC Code of Ethics, which has been in place since 2003, in all of its public disclosure activities, and treats every shareholder equally, irrespective of the number of shares held thereby.

The Company's Information Policy was publicly disclosed and made available on the company website for the information of all shareholders and stakeholders. The policy is reviewed regularly in view of the applicable regulations and the Company's changing needs.

Shareholders request information by directly contacting the Investor Relations Department employees, or by sending an email either to the Department's email address or using the communication form available on the website.

During the reporting period, comprehensive information requests and queries received from any number of local, foreign, individual or institutional investors have been responded to, observing particularly the legislation and the Company's Information Policy, as well as all other considerations relating to public disclosure. Necessary records in relation to written and oral information requests and the responses provided to them are regularly kept by the Investor Relations Department.

The Company website is actively used to facilitate public disclosure and exercise of shareholder rights. Quarterly investor presentations in Turkish and English, as well as the balance sheet and income statement drawn up within the scope of financial statements, along with material event disclosures made through the Public Disclosure Platform (KAP) are prepared in Turkish and English and posted on the corporate website the same day. Moreover, those sections of the Company's corporate website that are subject to updates, particularly the information with a potential impact on the exercise of shareholder rights, are regularly updated. Thereby, accurate and up-to-date information is made available especially to investors and analysts in addition to various individuals or institutions that require information about the Company and its activities.

The corporate website incorporates the "Information Society Services" section as required by the Regulation governing the websites of equity companies published by the Ministry of Customs and Trade. Investors link to the Central Registry Agency (MKK) portal via the Information Society Services section and are able to access fundamental information about the Company also through this link.

Moreover, investors have access to stock performance data as well as to the Company's material event disclosures via a link on the "Investor Relations/Stock Performance" section provided by Foreks Bilgi İletişim A.Ş. In addition, stock performance data is also provided in English.

Care is taken to publish announcements about the Company's activities, which will take place in the press, in national editions of newspapers with high circulation numbers. In addition, news and documents concerning ordinary and extraordinary General Assemblies of Shareholders are also posted on the corporate website.

Requests to appoint a special auditor have not been stipulated as an individual right in the Company's articles of association. During the reporting period, our Company did not receive any requests for the appointment of a special auditor.

### **2.3. Information about the General Assembly**

The Annual General Assembly of Shareholders for 2014 convened on 23 March 2015 at the address İş Kuleleri, Kule 1, Kat: 41 Levent-Beşiktaş/İstanbul with 62.09% attendance, of which 61.68% were acting as proxies and 0.41% were acting in person. Besides shareholders, all Members of the Board of Directors participated in the meeting, as well as an authorized person from the independent audit firm and Company employees. Neither the Company's articles of association nor the Company's internal directive on the operating principles and procedures of the General Assembly contain any provisions precluding the media from attending the General Assembly. Although they were invited in the general assembly announcement, no members of the media attended the General Assembly.

Under the relevant requirements of the Turkish Commercial Code and the Ministry of Customs and Trade, the Company's General Assembly Meeting for 2014 was concurrently held on the Electronic General Meeting System hosted by the Central Registry Agency, and shareholders who are entitled to participate in the General Assembly Meeting were given the opportunity to electronically participate in the meeting, assign a proxy, make recommendations, voice their comments, and cast votes over this system.

The General Assembly process was conducted according to the Corporate Governance Principles in particular, and the provisions of the applicable capital market legislation and the Turkish Commercial Code (TCC) in general; the invitation for the meeting, including the agenda and sample proxy form, were published on the corporate website, Turkish Trade Registry Gazette, Public Disclosure Platform (KAP), and in two national newspapers. In addition to the announcements on the Public Disclosure Platform, invitation for the meeting was also made via the Electronic General Meeting System (e-GEM) and the e-Company (Companies Information Portal) of the MKK; documents pertaining to the General Assembly were also uploaded to e-GEM. In order to ensure that both Turkish and foreign investors were informed about meeting matters in advance, a "General Assembly Informative Document" was prepared in Turkish and English. This document, as well as the proxy form sample, the agenda and the dividend distribution proposal of the Board of Directors along with the invitation were all published on the Company website. The 2014 Annual Report was made available at the Company's headquarters and on the website for investor review 21 days before the meeting date. All documents prepared in relation to the General Assembly were also uploaded to the MKK's Electronic General Meeting System.

When preparing the agenda, the Board of Directors pays attention to take into consideration the matters communicated in writing by shareholders to the Company's Investor Relations Department for their incorporation in the agenda. At the time the agenda for the 2014 Annual General Assembly was being prepared, no such requests have been received by the Company.

Pursuant to Corporate Governance Principles, the Company publicly disclosed in a material event disclosure given prior to the General Assembly that the final list of board member nominees and their résumés are accessible on the home page and General Assembly sections of the corporate website, thus allowing shareholders to have information about board member nominees in advance.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

In order to facilitate participation of shareholders in the General Assembly Meeting, due care was taken to hold the meeting in a place where majority of shareholders reside and to ensure that the right to participate in the meeting is exercised within the frame of the relevant regulations of the Ministry of Customs and Trade.

Pursuant to Corporate Governance Principles, prior to the meeting, shareholders were informed on the number of total votes that may be cast at the General Assembly, the privileges they incorporate, and the voting procedure.

At every stage of the meeting, shareholders are allowed to raise questions, advance proposals and even take the floor. All questions are answered and all proposals are given consideration as well. Since no questions or proposals were presented at the Annual General Assembly of Shareholders this year, these matters were not mentioned in the meeting minutes. Furthermore, all oral and written queries from the shareholders about the Company during the reporting period were answered prior to and after the General Assembly of Shareholders within the scope of the Company Information Policy.

Following the General Assembly, the meeting minutes were uploaded to the e-GEM, the minutes and the list of attendants were publicly disclosed via the Public Disclosure Platform, and was made available to shareholders by posting them under the heading "General Assembly Meetings" beneath the "Investor Relations" section of the Company website.

The General Assembly did not convene extraordinarily during the reporting period.

There is a Donations Policy in place, which sets out the principles and procedures applicable to the donations to be made by the Company. No changes were made to the policy during the reporting period.

As per article 19 of the Capital Market Law, the limit of the donations to be made by a company is to be set at the General Assembly. Under İŞ REIC's Company Donations Policy, the donation budget set aside for the Company's donations during 2015 and approved by the General Assembly is TL 115,000. The Company did not make any donations in 2015. This matter will be presented for the information of the shareholders in the General Assembly to be convened for the year 2015 pursuant to the Corporate Governance Principle numbered 1.3.10 and Article 6 of the CMB's Communiqué on Dividends (II-19.1).

For the purpose of contributing to the development of the sector, the Company was a sponsor of the European Real Estate Sector 22nd Annual Conference hosted by Istanbul Technical University Faculty of Architecture between 24-27 June 2015 and extended a support of EUR 5,000 under the "gold sponsorship" category. A not-for-profit organization constituted by research societies, academic researchers, practitioners and doctoral students engaged in real estate, the European Real Estate Sector (ERES) is dedicated to promoting and advancing the real estate discipline and specifically property based research, and to creating a communication network between academics and professionals.

None of the Board of Directors decisions passed during the reporting period required the affirmative votes of all of the independent Board members and needed to be referred to the General Assembly by reason of a negative vote and thus, required the incorporation of the act within the agenda.

During the General Assembly Meeting held during the year, Board of Directors Members were authorized to transact under articles 395 and 396 of the TCC concerning "prohibition on doing business with the Company, on borrowing from the Company" and "non-compete". During the reporting period, neither the Board Members, nor shareholders having management control, nor executives with administrative responsibility or their spouses or relatives by marriage unto the second degree engaged in any material transaction that might lead to a conflict of interest between the Company or its subsidiaries, performed a transaction of a commercial business nature on own or another's behalf that falls under the business scope of the Company or its subsidiaries, or joined another company dealing with the same kind of commercial affairs in the capacity of an unlimited partner.

## 2.4. Voting Rights and Minority Rights

The Company's capital is divided into 746,000,000 shares, which are made up of Group A shares that correspond to TL 1,065,714.29 and Group B shares that correspond to TL 744,934,285.71. Group A shareholders have the privilege of nominating candidates to the Board of Directors elections. One Member of the Board of Directors is elected from among the candidates nominated by Group B shareholders, with all of the remaining Members being elected from among the ones nominated by Group A shareholders. Candidates for the Board of Directors are presented for the information of the shareholders during the General Assembly and are appointed by the decision adopted in the General Assembly.

Article 14 of the CMB Communiqué on the Principles Regarding Real Estate Investment Companies (III-48.1) sets out that shareholders in a REIC may issue shares incorporating the privilege of nominating candidates for election of Board Members. REICs are not allowed to issue any securities that grant privileges other than the one to nominate candidates to the election of Board of Directors membership. Accordingly, the Company's articles of association contain no privileges regarding voting.

At the Company, each nominal value of TL 0.01 gives entitlement to one vote, and shareholders vote at General Assembly Meetings pro rata the total nominal value of the shares they hold, pursuant to article 434 of the Turkish Commercial Code. Principles in relation to voting at General Assembly Meetings are set out in the Company's internal directive on working principles and procedures of General Assembly, which has been laid down for approval at the General Assembly and has been publicly disclosed. The Company's articles of association grant no privileges in relation to voting.

There are no companies with which the Company has cross-shareholding relationship.

Minority shareholders are not represented in the Company's administration. The articles of association do not contain any provisions regarding minority rights.

## 2.5. Entitlement to Dividends

The Company's Dividend Policy is presented in the annual report and on the corporate website, under the "Policies" tab beneath the heading "Corporate Governance" in the "Investor Relations" section.

The Dividend Policy of the Company is presented below:

*The dividend distribution proposal of the Board of Directors is discussed at the General Assembly and it is decided whether to pay out dividends, as well as its manner and timing.*

*The Company's articles of association stipulate that first dividends in the rate and amount determined by the CMB are to be distributed from the distributable profit.*

*The Board of Directors adopted a dividend distribution policy based on the principle of proposing to distribute at least 30% of the distributable profit in bonus shares or in cash to the General Assembly, while keeping a close eye on:*

- *maintaining the delicate balance between shareholders' expectations and the Company's need to grow,*
- *the Company's profitability.*

*There are no privileges regarding distribution of profit, and dividend distribution is carried out within the legally prescribed period of time.*

*In the event that the Board of Directors proposes against distribution of profit to the General Assembly, information on the reasons therefor and the usage manner of retained earnings will be presented to the shareholders at the General Assembly, included in the annual report, and disclosed publicly.*

*The Company's articles of association address distribution of advances on dividends, and advances on dividends may be distributed to shareholders subject to the applicable capital market regulations and requirements.*

At the Annual General Assembly for 2014 fiscal year, it was decided to distribute dividends in the total amount of TL 113,228,000 to shareholders, breaking down as cash dividends worth TL 47,628,000, so that TL 0.07 (gross=net) (7%) dividend will correspond to each share with a nominal value of TL 1, and bonus shares worth TL 65,600,000. Cash dividend payout to shareholders was completed on 27 March 2015 and bonus share distribution on 22 May 2015.

The Board of Directors' proposal for dividend distribution in relation to 2015 period profit will be submitted to the approval of shareholders at the Annual General Assembly for 2015 fiscal year.

# CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

## 2.6. Transfer of Shares

The Company's articles of association do not contain any provisions restricting the transfer of shares.

## PART III – PUBLIC DISCLOSURE AND TRANSPARENCY

### 3.1. Company Internet Site and Its Content

The Company has its own website accessible at [www.isgyo.com.tr](http://www.isgyo.com.tr). The website covers the matters specified in the Corporate Governance Principles. The website is also prepared in English for use by foreign investors. Both the Turkish and English versions of the website are regularly and simultaneously updated to better inform the investors.

In accordance with the Central Registry Agency (MKK) data published via the Public Disclosure Platform (KAP), the Company's shareholding structure is updated quarterly to show also the non-corporate or corporate shareholders directly holding 5% or higher interest, or having voting rights. Upon public disclosure of financial statements and notes, summary financial statements drawn up in English are posted on the English website pursuant to the capital market legislation.

The corporate website covers the elements as described in the Corporate Governance Principles, and the information posted on the website are regularly reviewed. The website is also monitored with respect to its compliance with applicable regulations in terms of its format and content.

The corporate website incorporates the "Information Society Services" section as per the regulation governing the websites of equity companies published by the Ministry of Customs and Trade. Investors are able to link to the MKK portal via the Information Society Services section and to access fundamental information about the Company also through this link.

Moreover, investors have easy access to stock performance data as well as to the Company's material event disclosures via a link on the "Investor Relations/Stock Performance" section provided by Foreks Bilgi İletişim A.Ş.. In addition, stock performance data is also provided in English.

### 3.2. Annual Reports

The Company's annual reports are prepared in the content that will give the public opinion access to accurate and complete information about the Company's activities within the frame of Corporate Governance Principles, as well as other Capital Market regulations and applicable regulation of the Ministry of Customs and Trade.

Care is taken to make sure that the annual report covers detailed information on Board Members and committees, as well as basic information about the Company's activities. In this frame, the annual report contains Board Members' résumés, their powers and responsibilities in the Company and the outside positions they hold, whether they make any transactions within the Company's main business scope under the Company's legal entity or on the Company's capital market instruments, whether they enter into a borrowing relationship with the Company. Other information covered by the report includes financial rights provided to Board Members and Independent Members' declarations of interest, operating principles of the Board of Directors, number of Board meetings held during the reporting period, attendance to meetings, number of decisions passed and information on the adoption manner of these decisions; formation and operating principles of the committees set up under the Board of Directors, their activities during the reporting period, and the numbers of their meetings and decisions, as well as the Board of Directors' assessment on the activities of committees.

In addition, the annual reports also address changes in legislation that might have material impact on the Company's activities; disclosure of conflicts of interest, if any, between the Company and outsourced service providers in fields such as investment consultancy and rating, and the measures adopted to prevent conflicts of interest; information on important lawsuits brought against the Company during the year and their potential outcomes; information on cross-shareholding relations in which more than 5% of the capital is held directly, and information on social benefits and professional training provided to employees, and on corporate social responsibilities activities in relation to Company activities that bring about other social and environmental implications.

## PART IV - STAKEHOLDERS

### 4.1. Keeping Stakeholders Informed

Open and honest communication channels have been established with Company employees and other stakeholders, with attention paid to ensure that all stakeholders are kept informed about issues that concern them. The Company pays due attention to protect the rights of stakeholders regulated by legislation and mutual contracts in its activities and transactions. In addition, the rights of all stakeholders are protected within the frame of the Code of Ethics published by the Board of Directors.

The sanctions applicable to Company employees with respect to adherence to Code of Ethics take place in internal guidelines. Company employees can convey any transaction that contradicts with the legislation and are ethically inappropriate to the Audit Unit. An Ethics Hotline was set up, which will be used for stakeholders to convey any transactions deemed to contradict with the laws or the Company's ethical values to the Committee for Audit made up of Independent Board Members. An email account has been assigned for this line and email address has been announced on the corporate website.

The Company takes care to always cooperate with partners that espouse its Code of Ethics. In the professional relationships with customers, honesty and fairness are observed, reliability of agreements is upheld, and commitments are fulfilled in a timely manner. The Company attaches importance to building relationships with suppliers upon long-lasting trust.

#### **4.2. Stakeholder Participation in Management**

Keeping all lines of communication open and eliminating all possible encumbrances is a fundamental principle regarding participation of Company employees in management. There is no formal model established for direct participation of other stakeholders in management.

The Company maintains constant communication with employees, pays due regard to their needs, and creates various platforms and mechanisms by which employees can convey their opinions and comments.

Internal meetings are held, which are attended by Company employees when necessary, and they play a significant role in the decision-making process of senior management.

Expectations and demands from all stakeholders involved with the Company are addressed on the basis of Code of Ethics and resolved through mutual communication. Contractual and other demands, requests and problems of real and legal persons, which the Company is dealing with in relation to rental agreements or promise to sell real property agreements, are forwarded to the Company's relevant committees through the Corporate Communications, Sales, Leasing and Marketing Group, and solution-oriented suggestions are discussed and decided on by these committees.

#### **4.3. Human Resources Policy**

The main objective of the Company is to recruit the qualified human resource that will carry out Company activities in the most effective manner and to ensure employee motivation so as to maintain constant success; continuously improve financial rights and fringe benefits of employees; create a fair and professional working environment, and provide the necessary support to determine and fulfill the training needs of employees.

In line with the objectives and strategies specified in the Company's Human Resources Policy, the Company aims to create a shared corporate culture by recruiting the human resource that espouses the same values with the Company, and seeks to create competitive advantage by conducting the necessary training, development and cultivation activities.

Matters such as employment conditions, career path and advancement requirements, monetary arrangements and fringe benefits are clearly detailed in the Company's Human Resources Regulation for the information of employees. The Human Resources and Education Department carries out all decisions made in relation to the employees in accordance with the said regulation.

Employees' job descriptions were developed based on business analyses. Number of employees, on the other hand, was determined according to the units' workloads and on the basis of distribution of tasks in line with the demands of the Company's Groups. Employees are expected to embrace the performance-driven management concept and recognize that their individual involvement will contribute to customers and shareholders. Therefore, Company Performance Evaluation criteria and their printed results are shared with the employees. Employees who target to add value to their respective jobs are backed by the Human Resources and Education Department, and they work together with their managers to position themselves, gain access to self-development and manage their career objectives.

The personal honor of each employee and all of their legally recognized rights are protected within the framework of the Company's Code of Ethics. All necessary measures have been taken to ensure a safe and healthy work environment.

During the reporting period, the Human Resources and Education Department received no complaints on account of discrimination.

# CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

## 4.4. Code of Ethics and Social Responsibility

The Code of Ethics was devised by the Board of Directors in 2003 under the headings "Shareholders", "Operating Standards", "Employees" and "Customers-Suppliers-Shareholders", posted on the Company website and publicly disclosed. The Code of Ethics can be accessed on the Company website under the "Corporate Governance" heading in the "Investor Relations" section.

While headed towards generating high returns for its shareholders, which is a key objective, İŞ REIC also carries out various activities to contribute to the social life and the environment within the scope of its corporate social responsibility concept.

Along the line, the Company extends support to numerous artistic and sports events, in addition to the activities carried out in the sector. The activities carried out with a view to allowing the young generation gain experience in the sector and to socially equip them coincide with our corporate mission that puts human at its core.

İŞ REIC provides gratuitous support to projects in areas that it regards within the scope of its social responsibility such as education, health, culture, law, art, scientific research, environmental protection, and sport. Committed to consistently shaping its approaches, values, and policies within the framework of its corporate social responsibility, the Company will continue to engage in such activities and to provide them with support in the future as well.

No lawsuits were brought against the Company during the reporting period, which might affect the Company's financial status and operations.

Believing that sustainable growth in all areas is crucial, and with its mission of creating desirable spaces for contemporary people and cities, İŞ REIC continued to support the sector's development and social solidarity in 2015.

For contributing to the development of the sector, the Company was a sponsor of the European Real Estate Sector 22nd Annual Conference hosted by İstanbul Technical University Faculty of Architecture between 24-27 June 2015 and extended a support of EUR 5,000 under the "gold sponsorship" category. A not-for-profit organization constituted by research societies, academic researchers, practitioners and doctoral students engaged in real estate, the European Real Estate Sector (ERES) is dedicated to promoting and advancing the real estate discipline and specifically property based research, and to creating a communication network between academics and professionals.

In addition, İŞ REIC opens the doors of the shopping centers in its portfolio to associations and foundations working to benefit the public by offering them the opportunity to set up stands and carry out publicity activities free-of-charge. The Company extends all necessary cooperation in this area.

## PART V-BOARD OF DIRECTORS

### 5.1. Structure and Formation of the Board of Directors

<b>Members of the Board of Directors:</b>	
Levent Korba	Chairman, Non-Executive 23.03.2015-24.03.2016
M. Kemal Fettahoğlu	Vice Chairman, Non-Executive 23.03.2015-24.03.2016
H. Cemal Karaoğlu	Board Member, Non-Executive, Independent 23.03.2015-24.03.2016
D. Sevdil Yıldırım	Board Member, Non-Executive, Independent 23.03.2015-24.03.2016
Mete Uluyurt	Board Member, Non-Executive 23.03.2015-24.03.2016
Süleyman H. Özcan	Board Member, Non-Executive 23.03.2015-24.03.2016
Murat Doğan	Board Member, Non-Executive 23.03.2015-24.03.2016
<b>Senior Management:</b>	
Turgay Tanes	CEO



The powers and authorities of the Members of the Board of Directors are set out in the Company's articles of association. The Company is managed and externally represented by the Board of Directors. The Board of Directors performs the duties assigned to it by the General Assembly in accordance with the Turkish Commercial Code, the Capital Market Law and other applicable legislation. The Board of Directors is composed of seven members, two of which are independent.

Within the frame of Corporate Governance Principles, a Nominating Committee was not set up at the Company, and its functions are fulfilled by the Corporate Governance Committee. Along the line, the Corporate Governance Committee evaluated the candidacy of two individuals to serve as independent members on the Board of Directors during the reporting period. The Corporate Governance Committee prepared evaluation reports establishing whether the candidates possessed the criteria of independence on 16 March 2015, and submitted them to the Board of Directors on the same date. The Board of Directors finalized the list of nominees in the light of these evaluations and the finalized list of nominees was publicly disclosed.

During the reporting period, no events took place that compromised the independence of the Board Members. Declarations of interest by Board Members are on page 28.

Although there are no set rules on Board Members' undertaking other duties outside the Company, if they take on an executive role or hold a seat on the board of directors on, or offers consultancy service to, another company, this must not cause a conflict of interest. Also, as a basic principle, Independent Board Members must act so as to maintain the independence criteria described in the Principles. The external positions held by Board Members, their terms of office with the Company and distribution of positions are provided in the Members' résumés.

The Company has not yet determined a targeted ratio and timing in relation to the women members on the Board of Directors, nor has it devised a policy to this end. However, a woman member has been serving on the Board of Directors for the last four years.

#### **Levent Korba - Chairman**

23.03.2015-24.03.2016

Levent Korba received his degree in English language from Buca Faculty of Education at Dokuz Eylül University in 1984. He joined İşbank in 1986 as a Candidate Officer in İzmir Branch. He became an Assistant Section Head in Bornova Branch in 1990, and a Sub-Manager and then Assistant Manager in Karabağlar Branch in 1995 and 1998, respectively. He was brought to the position of Manager of the Samsun Branch in 2002, Çukurova Regional Manager in 2004 and the Head of Branch Network Development Division in 2007. Holding an in-group position in addition to his office as the Chairman of the Board at İş REIC, Mr. Korba serves as Deputy Chief Executive of İşbank since 13 April 2011.

#### **M. Kemal Fettahoğlu - Vice Chairman**

23.03.2015-24.03.2016

M. Kemal Fettahoğlu got his degree in economics from the Middle East Technical University in 1990 and joined İşbank the same year as an assistant specialist in the Strategic Planning Department. After pursuing graduate studies in finance in London in 1997-1998, he worked as the Finance Manager and Capital Markets and Asset Management Manager at Petrol Ofisi from 2000 through 2003. He also assumed the responsibility of unit manager of İşbank's Economic Research, Enterprise Architecture and Branch Network Development divisions. Holding an in-group position in addition to his office as the Vice Chairman of the Board at İş REIC, Mr. Fettahoğlu has been serving as the head of İşbank's Construction and Real Estate Management Division since October 2011. Having been a member of İş REIC's Board of Directors since 2012, Mr. Fettahoğlu also holds a seat on the Board of Directors of Altınhas.

#### **H. Cemal Karaoğlu - Independent Board Member**

23.03.2015-24.03.2016

H. Cemal Karaoğlu got his bachelor's degree in 1987 and his master's degree in 1991 in civil engineering from the Faculty of Engineering at the Middle East Technical University. He started his career under a research program at Imperial College in 1988. He worked as a project engineer at Yüksel Proje Uluslararası A.Ş. from 1989 to 1993. He was a board member at Başarı Yatırımlar Sanayi ve Ticaret A.Ş. from 1993 to 2003 and at Yüksel Proje Uluslararası A.Ş. from 2003 to 2008. He functioned as an engineer and executive in various fields, including constructional drawings, control services, and investment consultancy. He does not hold an in-group position apart from his seat on the Board of Directors at İş REIC. Serving as Deputy Chairman at Yüksel Proje Uluslararası A.Ş. since 2008, he is also on the Board of Directors of Başarı Yatırımlar San. ve Ticaret A.Ş. Holding a seat on İş REIC's Board of Directors since 2010, Mr. Karaoğlu also heads the Committee for Audit and the Committee for Early Detection of Risk.

# CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

## **D. Sevdil Yıldırım - Independent Board Member**

23.03.2015-24.03.2016

D. Sevdil Yıldırım received her degree in business administration from the Middle East Technical University in 1988. She also has master's degrees in economics from the Middle East Technical University and in business administration from the London Business School. She worked at Capital Markets Board (CMB) in Research and Development and Auditing and Supervision departments in 1988 and 1999. In 1999, she joined Yapı Kredi Invest in order to set up the International Capital Markets Department, where she was promoted to Assistant General Manager in 2003. She joined Turkish Yatırım and BGC Partners as an assistant general manager in 2006 and 2007 respectively. She transferred to Yıldız Holding A.Ş. in 2009 to set up the Corporate Finance and Capital Markets Department. Mrs. Yıldırım was also involved in the establishment of Gözde Girişim Sermayesi Yatırım Ortaklığı A.Ş., the publicly held participation of Yıldız Holding, where she served as an Assistant General Manager and also on the Investment Committee Member until February 2012. She held vice president positions for several councils at DEİK (Foreign Economic Relations Board) from 2002 to 2012. In tandem with her seat as an independent member of the Board of Directors at İş REIC, she serves as an independent board member at TAV Havalimanları Holding A.Ş., a non-group position, and at Denizli Cam ve Sanayi A.Ş., an in-group position. Mrs. Yıldırım has been holding a seat on the Board of Directors of İş REIC since 2012 and she is also the head of Corporate Governance Committee as well as the member of the Committee for Audit.

## **Mete Uluurt - Board Member**

23.03.2015-24.03.2016

Mete Uluurt graduated from Tarsus American High School in 1989 and from the Department of Economics at Bilkent University in 1994. He started his career on the Board of Internal Auditors of İşbank in 1996. Mr. Uluurt was appointed as an Assistant Manager to the Budget and Planning Department in 2004. Having pursued his master's studies in business administration at Boğaziçi University in 2005, he worked as Vice Chairman of the Board of Internal Auditors, as Unit Manager in Change Management Department and as Unit Manager in the Department of Strategy and Corporate Performance Management. Holding an in-group position in addition to his seat on the Board of Directors at İş REIC, Mr. Uluurt is currently working as Manager of Balmumcu Branch, to which position he was appointed in 2011.

## **Süleyman H. Özcan - Board Member**

23.03.2015-24.03.2016

Süleyman H. Özcan got his degree in economics at Boğaziçi University, and started his career as an assistant internal auditor on the Board of Internal Auditors of İşbank in 1993. He was appointed as Assistant Manager in Treasurers Department in 2001 and then as manager in the same department. He also worked as Unit Manager in Project and Change Management Department and Department of Strategy and Corporate Performance Management respectively and served in various positions at some İşbank subsidiary companies. Holding an in-group position in addition to his seat on the Board of Directors of İş REIC, he has been working as Department Manager in Investor Relations Department since 26 March 2009. Mr. Özcan has been serving as a Member of the Board of Directors at İş REIC since 08 December 2014.

## **Murat Doğan - Board Member**

23.03.2015-24.03.2016

Murat Doğan got his degree in industrial engineering from İstanbul Technical University in 2000, and joined İşbank as an assistant specialist in İşbank's Subsidiaries Division. He currently serves as Unit Manager for Property Development and Healthcare Companies in the division. Holding in-group positions in addition to his seat on the Board of Directors of İş REIC, Mr. Doğan is a Board member at Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş., İş Merkezleri Yönetim ve İşletim A.Ş., Erişim Müşteri Hizmetleri A.Ş., İş-Altınhas İnşaat Taahhüt ve Tic. A.Ş., and Camış Yatırım Holding A.Ş. Having served as a member of the Company's Committee for Audit from 2010 to 2012, Mr. Doğan has been holding a seat on İş REIC's Board Of Directors since 08 December 2014. He is also a member of the Corporate Governance Committee and the Committee for Early Detection of Risk.

## Turgay Tanes - CEO

Turgay Tanes graduated from the Department of Public Administration of the Faculty of Economics and Administrative Sciences at Gazi University in 1987. He started his career at İşbank as an assistant inspector on the Board of Inspectors in 1988. He became an assistant manager in the Subsidiaries Division in 1996 and worked as a group manager of Real Estate and Glass Sector Companies from 1999 to 2004 in the same division. Serving as the CEO of İş Real Estate Investment Company since 2004, Mr. Tanes also functions as the chairman of one of the subsidiaries of İşbank.

### 5.2. Operating Principles of the Board of Directors

Agendas of the Board meetings are prepared as recommended by the CEO and with the knowledge of the Chairman of the Board. The Board of Directors carries out its activities within the frame of its publicly disclosed operating principles, and meetings are called by the Chairman or Vice Chairman as and when deemed necessary for the Company's business affairs. Board Members also have the right to call for a meeting of the Board of Directors according to article 13 of the Company's articles of association.

A Board of Directors Secretariat has been set up at the Company. This unit is responsible for and actively involved in organizing Board meetings, preparing and recording reports, documentation, and Board decisions, coordinating communication among Board Members, and performing similar functions.

The Board of Directors convened ten times during the period and passed 67 resolutions. All Board Members attended all of the Board meetings but one during the reporting period. Except for twelve decisions, all decisions taken by the Board were passed unanimously. No dissenting opinions were expressed in any of the decisions taken during board meetings. Inasmuch as no votes were cast against any of the decisions that were taken, it was not necessary to make note of any opposition to them in meetings' minutes.

No Board Member enjoys any special voting rights and/or has the power to exercise a veto.

The insurance necessary to indemnify the losses that Members of the Board of Directors may cause to the Company by reason of their faults in the performance of their duties has been purchased by İşbank, the principal shareholder, so as to cover the Bank and its subsidiaries.

### 5.3. Number, Structures and Independence of the Committees Established Under the Board of Directors

As required both by the Capital Markets Board's Corporate Governance Principles and by the Company's Board of Directors Operating Principles, there are three committees within the Board: a Corporate Governance Committee, a Committee for Early Detection of Risk, and a Committee for Audit. These committees are headed by Independent Board Members. All of the members of the Committee for Audit are Independent Board Members as per the legal requirement. The heads and members of committees are presented below.

Corporate Governance Committee		
Head	Member	Member
D. Sevdil Yıldırım Independent Member	Murat Doğan	Ayşegül Şahin Kocameşe

Committee for Early Detection of Risk	
Head	Member
H. Cemal Karaoğlu Independent Member	Murat Doğan

Committee for Audit	
Head	Member
H. Cemal Karaoğlu Independent Member	D. Sevdil Yıldırım Independent Member

# CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

The Board of Directors consists of seven members, two of whom are independent. Owing to the present structure of the Board of Directors, a Board Member may serve on more than one committee. All due consideration is given to the requirements of Corporate Governance Principles when selecting committee members.

Operating principles have been defined and publicly disclosed for each committee. Committees perform their functions within the frame of those principles. During the reporting period and after the conduct of the Company's annual meeting, the duties and responsibilities of Board Members were assigned and elections to committee seats were held as required by CMB Corporate Governance Communiqué, which were then publicly announced.

Neither a Nominating Committee nor a Remuneration Committee has been set up. The functions of these committees are performed by the Corporate Governance Committee.

A Corporate Governance Committee has been set up in compliance with the Capital Markets Board's rules and regulations concerning corporate governance and it has been charged with fulfilling the duties and responsibilities incumbent upon it under Corporate Governance Principles. This Committee regularly reviews the Company's corporate governance practices and it strives to make improvements in them. During the reporting period, this Committee, along with the Investor Relations Department, was actively engaged in the review of the Company's corporate governance rating. At regular intervals, the Committee reviews the Company's investor relations activities and strategies, and ensures that the Board of Directors is kept informed about such issues on a regular basis. In addition to these functions, the Committee is also active in such areas as providing coordination among other committees and supporting their activities when necessary. It is a principle of the Corporate Governance Committee to meet before the meetings of the Board of Directors; however it may also convene more frequently as circumstances require. During the reporting period, the Committee held 14 meetings and passed 12 decisions.

In line with the duties incumbent upon it as specified in its operating principles and in compliance with the principles of applicable capital market laws, regulations, and administrative provisions during the reporting period, the Committee for Audit actively works in such matters as publicly disclosing the Company's financial statements, having independent audits conducted, and ensuring that the Company's internal systems function effectively; all other aspects of the independent auditors' activities were also supervised. During the reporting period, the Committee held 4 meetings and passed 4 decisions.

In accordance with the CMB's rules and regulations concerning corporate governance, the Committee for Early Detection of Risk has been set up to early detect the risks that may threaten the Company's existence, development and survival, to implement the necessary measures for identified risks and to manage the risks. It is also charged with conducting reviews of the risk management systems at least on an annual basis. Through the reports issued and activities carried out during the reporting period, the Committee played an active role in the identification and analysis of important risks inherent in the Company's operations, ensured that necessary information was provided to the Board of Directors with respect to monitoring the risk limits, and increased the efficiency of the Company's risk systems. During the reporting period, the Committee held 3 meetings and passed 1 decisions.

## 5.4. Risk Management and Internal Control Mechanism

The Company's risk management activities are being carried out by the Risk Management Unit since 2005. This Unit reports to the Company's senior management in relation to the management of the risks inherent in the Company's operations within the frame of the Company's Risk Policy and other associated internal guidelines.

The Board of Directors and the Committee for Early Detection of Risk are kept informed about the Company's risk exposure by means of a comprehensive "Company Risk Report" that is prepared and submitted every three months. This report includes, among other things, information about the Company's business sector, key financial indicators, and the results of the unit's analysis and assessment of the risks that are inherent in the Company's activities. Detailed information is provided about business environment risk, a category of operational risk that the Company is particularly exposed to.

Furthermore, within the scope of the duties and responsibilities charged to the Committee for Early Detection of Risk and the Board of Directors under article 378 of the Turkish Commercial Code no. 6102, a "Committee for Early Detection of Risk Report" is prepared on a bimonthly basis and submitted to the Board of Directors for its information.

The "Company Risk Catalogue" that covers all of the risks inherent in the Company's activities are updated as dictated by changing market and business conditions, new types of risks are defined, potential risks are identified, and risk mitigation measures are proposed. These efforts are intended to enable senior management to take whatever measures are needed to ensure that the Company's risks are effectively managed and develop necessary control systems.

Within the scope of portfolio management activities, the Company invests both in money and capital market instruments. At the end of the reporting period, the investments in the real estate sector made up 97% of the total portfolio investments. The main risk inherent in these investments is the business environment risk. These risks include external factors such as changes in the regulatory framework and practices with a potential impact upon the Company's activities and the supply/demand situation in the sector. The Company adopts the necessary measures, makes use of the control systems and monitors the effectiveness of these systems, in order to minimize the risks that might arise from the business environment.

As of 31 December 2015, money and capital market investments made up only a 3% share of the overall investment portfolio. These investments are exposed to an inherent market risk, which is regularly analyzed and monitored using the methods and principles set by the management, and the results are reported to the senior management.

Credit risk is an expression of the risks to which the Company is exposed on account of the failure of a counterparty to a contract concerning the purchase or sales of goods or services, to which the Company is a party, to fulfill the contractual requirements and/or to timely satisfy its contractual obligations, in part or in whole. The Company complies with internal guidelines in order to minimize its credit risk exposure in relation to transactions to which the Company is a party.

Liquidity risk is defined as the possibility of the loss the Company may suffer on account of imbalances in its cash flow, resulting in unavailability of cash holdings or cash inflow sufficient in volume and quality to fully and timely fulfill its cash disbursement obligations. The Company invests in cash resources, which are not allocated to its projects, in money and capital market instruments in a manner to ensure full and timely fulfillment of its cash disbursement obligations, and keeps a close eye to ensure that the amounts and maturities are compatible. The Company's short and long-term financing needs are determined by way of regularly prepared cash projections, while the relationship between the Company's revenues and investment costs is closely watched both in terms of maturity and of the type and amount of foreign currency. The Company's cash status and financing strategies are shaped accordingly. The Company's liquidity is regularly analyzed and monitored using the methods and limits set by the management, and the results are reported to the senior management.

The internal control system is set up to review, control, monitor and assess the Company's activities, along with the fitness, adequacy and effectiveness of these controls in relation to these activities. The results are reported to relevant units. The Company's internal control activities are carried out by the Audit Group, and the internal control system has adopted a risk-focused approach to control. The controls developed to minimize and eliminate the risks inherent in the Company's operations and the adequacy of these controls make up the basis of the internal control activity.

Committees set up under the Board of Directors work actively and fulfill their duties and responsibilities set out in Corporate Governance Principles. Through its reports and activities during the reporting period, the Committee for Early Detection of Risk played an active role in the identification and analysis of important risks inherent in the Company's operations, ensured that necessary information was provided to the Board of Directors for monitoring risk limits, and increased the efficiency of the Company's risk systems. The Committee for Audit, on the other hand, reviewed the operation of the Company's internal systems, contributed to the betterment of processes that presented room for improvement, and effectively carried out audit activities. The Board of Directors regularly oversees the efficiency of the Company's internal systems and prepares an assessment report on the operation and efficiency of internal systems during the year.

## 5.5. Strategic Goals of the Company

Having diversified its portfolio by investing in office, retail sector and real estate projects, the Company's strategy is to capitalize on investment opportunities that will arise in areas that will increase the Company's profitability and its revenues of a continuous nature alike, and provide maximum benefit to its shareholders. Accordingly, the Company aims to capture the ideal balance between real estate investments that will generate regular income and those on which development profit will be derived in parallel with the conjuncture.

In line with this aim, mixed-use project concept that covers both residential and commercial units in the projects that are being developed is given emphasis, thereby rendering the benefit derived on rental activities continuous, while also intending to generate high returns and profitability on the sales.

Within the frame of the fundamental strategies described above, the Company's top priority in 2016 will be to bring its ongoing investments to completion within the projected timelines, to capture the targeted lease and sales figures, and to carry on with project developments that will result in optimum use and benefits on properties included in its portfolio.

# CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Besides all these activities, a close eye will be kept on investment opportunities relating to projects and real estate properties that will secure the Company's organic and income growth.

When planning for 2016 and following years, risks that may stem from the operating environment are also taken into consideration, and the lowest risk / maximum benefit balance is observed in investment and funding decisions.

The Board of Directors regularly monitors the actualizations within the frame of strategic goals, revises the targets as and when called for by new circumstances, and shapes investment and financing decisions accordingly.

## 5.6. Financial Rights

Pursuant to Corporate Governance Principles, the remuneration principles for the Board Members and executives with administrative responsibility are put into writing and presented for the information of shareholders at the General Assembly. The Company's Remuneration Policy is available on the Company's website, under "Policies" under the heading "Corporate Governance" in "Investor Relations" section.

Besides the remuneration decided by the General Assembly, the Board Members were not granted rights that would give them financial benefits such as attendance fee, bonus or premium. Stock options or a payment plan based on the Company's performance are not used for the remuneration of Independent Board Members.

The financial benefits provided to the senior management cover salaries and bonuses. The financial rights provided to the senior management (CEO and Heads of Groups) last year amounted to TL 3,946 thousand gross.

During the reporting period, the Company engaged in no transactions such as lending, granting loans, extending credit through a third person under the name personal loan or providing guarantees, etc. involving Board Members or senior managers.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

# Financial Statements as of and for the Year Ended 31 December 2015 with Independent Auditors' Report Thereon

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

# İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

## Independent Auditors' Report



**Akis Bağımsız Denetim ve Serbest  
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To the Board of Directors of İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi,

We have audited the accompanying statement of financial position of İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi ("the Company") as of 31 December 2015 and the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

### *The Company Management's Responsibility for the Financial Statements*

The Company management is responsible for the preparation and fair presentation of these financial statements in accordance with the Turkish Accounting Standards and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to error or fraud.

### *Independent Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with standards on auditing issued by the Capital Markets Board of Turkey ("CMB") and Standards on Auditing which is components of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of "material misstatement" of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi as of 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with Turkish Accounting Standards.

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

- 1) Pursuant to the fourth paragraph of Article 398 of the Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 28 January 2016.
- 2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2015 are not in compliance with the TCC and provisions of the Company's articles of association in relation to financial reporting.
- 3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and requested documents in connection with the audit.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.  
A member of KPMG International Cooperative

Erdal Tıkmak, SMMM  
Partner

28 January 2016  
İstanbul, Turkey

### **Additional paragraph for convenience translation to English:**

As explained in Note 2.1, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.



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## Statement of Financial Position (Balance Sheet)

### As of 31 December 2015

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

	Notes	Audited 31 December 2015	Audited (Restated) (*) 31 December 2014	Audited (Restated) (*) 31 December 2013
<b>ASSETS</b>				
<b>Current assets</b>		<b>459.875.342</b>	<b>251.625.938</b>	<b>233.029.758</b>
Cash and cash equivalents	5	123.908.125	123.909.277	101.043.123
Financial investments	6	--	15.126.664	4.235.850
Trade receivables	8	21.820.775	39.615.311	34.189.785
<i>Trade receivables from related parties</i>	24	839.105	976.207	11.678
<i>Other trade receivables</i>	8	20.981.670	38.639.104	34.178.107
Other receivables	9	3.814.131	5.191	10.814
Inventories	11	174.215.106	4.245.222	4.090.123
Prepaid expenses	16	43.565.100	52.342.375	79.655.842
<i>Prepaid expenses to related parties</i>	24	2.726.125	2.221.512	1.303.314
<i>Prepaid expenses to non-related parties</i>	16	40.838.975	50.120.863	78.352.528
Other current assets	16	92.537.294	16.381.898	9.804.221
Derivatives	6	14.811	--	--
<b>Non-current assets</b>		<b>3.665.325.237</b>	<b>2.657.316.944</b>	<b>2.243.105.381</b>
Trade receivables	8	--	7.401.911	22.730.613
Equity accounted investees	3	1.599.475	1.606.954	1.269.965
Derivatives	6	--	41.674	300.392
Inventories	11	344.641.480	63.128.870	31.439.900
Investment properties	10	3.291.628.689	2.584.039.110	2.186.023.743
Tangible assets	12	27.036.974	953.397	1.228.136
Intangible assets	13	418.619	145.028	112.632
<b>TOTAL ASSETS</b>		<b>4.125.200.579</b>	<b>2.908.942.882</b>	<b>2.476.135.139</b>

(\*) See note 2.2.

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi  
**Statement of Financial Position (Balance Sheet)**  
**As of 31 December 2015**

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

	Notes	Audited 31 December 2015	Audited (Restated) (*) 31 December 2014	Audited (Restated) (*) 31 December 2013
<b>LIABILITIES</b>				
<b>Short-term liabilities</b>		<b>556.007.399</b>	<b>67.056.328</b>	<b>162.016.127</b>
Current portion of long term borrowings	7	313.511.518	57.154.238	135.042.695
<i>Loans and borrowings from related parties</i>	24	107.653.358	57.154.238	27.978.637
<i>Other loans and borrowings</i>	7	205.858.160	--	107.064.058
Current portion of long term financial leases	7	11.360.254	--	--
<i>Financial leasing from related parties</i>	24	11.360.254	--	--
Trade payables	8	60.226.775	5.391.798	22.306.537
<i>Trade payables to related parties</i>	24	2.696.047	2.717.592	7.206.676
Other trade payables	8	57.530.728	2.674.206	15.099.861
Other payables	9	1.472.069	483.232	390.402
Deferred income	16	160.060.245	1.708.879	1.112.223
<i>Deferred income to related parties</i>	24	662.670	734.017	361.574
<i>Other deferred income</i>	16	159.397.575	974.862	750.649
Short-term provisions		286.630	250.014	210.927
<i>Provision for employee benefits</i>	15	232.898	208.918	169.376
<i>Other short-term provisions</i>	14	53.732	41.096	41.551
Other short-term liabilities	16	9.089.908	2.068.167	2.953.343
<b>Long-term liabilities</b>		<b>778.558.329</b>	<b>581.319.890</b>	<b>350.618.437</b>
Loans and borrowings	7	375.591.597	420.372.647	215.530.226
<i>Loans and borrowings from related parties</i>	24	375.591.597	215.116.120	201.987.451
<i>Other loans and borrowings</i>	7	--	205.256.527	13.542.775
Long term financial leases	7	10.126.764	--	--
<i>Financial leasing from related parties</i>	24	10.126.764	--	--
Other payables	9	35.990.000	35.990.000	35.990.000
Deferred revenue	16	355.876.841	124.125.448	98.291.359
Long term provisions	15	973.127	831.795	806.852
<i>Provision for employee benefits</i>	15	973.127	831.795	806.852
<b>EQUITY</b>		<b>2.790.634.851</b>	<b>2.260.566.664</b>	<b>1.963.500.575</b>
Share capital	17	746.000.000	680.400.000	630.000.000
Inflation restatement difference on share capital		240.146.090	240.146.090	240.146.090
Share premium		423.981	423.981	423.981
Other comprehensive income that will never be reclassified to profit or loss		21.942.570	179.250	42.164
<i>Net change in revaluation of tangible assets</i>		21.731.787	--	--
<i>Net change in remeasurements of defined benefit liability</i>		210.783	179.250	42.164
Other comprehensive income that are or may be reclassified to profit or loss		--	--	4.090
<i>Translation reserves</i>		--	--	4.090
Legal reserves	17	28.240.772	24.677.855	19.712.142
Prior years' profits	17	1.197.948.571	986.306.395	825.272.646
Net profit for the period		555.932.867	328.433.093	247.899.462
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4.125.200.579</b>	<b>2.908.942.882</b>	<b>2.476.135.139</b>

(\*) See note 2.2.

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

## Statement of Profit or Loss For the Year Ended 31 December 2014

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

		<i>Audited</i>	<i>Audited (Restated) (*)</i>
	<b>Notes</b>	<b>1 January- 31 December 2015</b>	<b>1 January- 31 December 2014</b>
Revenue	18	222.012.099	234.078.530
Cost of revenue (-)	18	(62.091.478)	(119.336.069)
<b>Gross profit</b>		<b>159.920.621</b>	<b>114.742.461</b>
General administrative expense (-)	19	(15.195.134)	(14.616.827)
Marketing expenses (-)	19	(21.301.752)	(3.559.960)
Other operating income	21	485.996.801	267.644.675
Other operating expense (-)	21	(17.210.075)	(31.009.293)
<b>Operating profit</b>		<b>592.210.461</b>	<b>333.201.056</b>
Share of profit of equity-accounted investees		(7.839)	828.318
<b>Operating Profit Before Finance Expense</b>		<b>592.202.622</b>	<b>334.029.374</b>
Financial income	22	3.489.650	--
Financial expenses (-)	22	(39.759.405)	(5.596.281)
<b>Operating Profit before Tax From Continuing Operations</b>		<b>555.932.867</b>	<b>328.433.093</b>
<b>Tax Expense From Continuing Operations</b>		--	--
- Corporate tax charge		--	--
- Deferred tax benefit		--	--
<b>Net profit for the period</b>		<b>555.932.867</b>	<b>328.433.093</b>
Earnings per share	23	0.0075	0.0044

(\*) See note 2.2.

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

## Statement of Other Comprehensive Income For the Year Ended 31 December 2015

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

	<i>Audited</i>	<i>Audited (Restated) (*)</i>
	<b>1 January- 31 December 2015</b>	<b>1 January- 31 December 2014</b>
<b>Notes</b>		
<b>Net profit for the period</b>	<b>555.932.867</b>	<b>328.433.093</b>
<b>Other comprehensive income</b>		
<b>Other comprehensive income that will never be reclassified to profit or loss</b>	<b>21.763.320</b>	<b>137.086</b>
Net change in revaluation of tangible assets	21.731.787	--
Re-measurements of defined benefit plans	31.533	137.086
<b>Other comprehensive income that are or may be reclassified to profit or loss</b>	<b>--</b>	<b>--</b>
<i>Translation reserve</i>	--	--
<b>Other comprehensive income</b>	<b>21.763.320</b>	<b>137.086</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>577.696.187</b>	<b>328.570.179</b>

(\*) See note 2.2.

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 31 December 2015**

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

						Other comprehensive income that will never be reclassified to profit or loss
	Notes	Share capital	Inflation restatement difference on share capital	Share premium	Net change in remeasurements of defined benefit liability	Net change in revaluation of tangible assets
<b>Balances at 1 January 2014</b>		<b>630.000.000</b>	<b>240.146.090</b>	<b>423.981</b>	<b>42.164</b>	--
Effects of changes in accounting policy	2.2	--	--	--	--	--
<b>Balances at 1 January 2014 (Restated)</b>		<b>630.000.000</b>	<b>240.146.090</b>	<b>423.981</b>	<b>42.164</b>	--
Transfers		--	--	--	--	--
Total comprehensive income		--	--	--	137.086	--
Capital Increase (from internal sources)		50.400.000	--	--	--	--
Decrease due to liquidation subsidiaries		--	--	--	--	--
Dividends		--	--	--	--	--
		--	--	--	--	--
<b>Balances at 31 December 2014</b>	<b>17</b>	<b>680.400.000</b>	<b>240.146.090</b>	<b>423.981</b>	<b>179.250</b>	--
<b>Balances at 1 January 2015</b>		<b>680.400.000</b>	<b>240.146.090</b>	<b>423.981</b>	<b>179.250</b>	--
Transfers		--	--	--	--	--
Total comprehensive income		--	--	--	31.533	21.731.787
Capital Increase (from internal sources)		65.600.000	--	--	--	--
Dividends		--	--	--	--	--
		--	--	--	--	--
<b>Balances at 31 December 2015</b>	<b>17</b>	<b>746.000.000</b>	<b>240.146.090</b>	<b>423.981</b>	<b>210.783</b>	<b>21.731.787</b>

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

Other comprehensive  
income that are or  
may be reclassified to  
profit or loss

Translation reserves	Legal reserves	Prior years' profits	Net profit for the period	Total
4.090	19.712.142	149.600.689	116.156.720	1.156.085.876
--	--	675.671.957	131.742.742	807.414.699
4.090	19.712.142	825.272.646	247.899.462	1.963.500.575
--	4.965.713	242.933.749	(247.899.462)	--
--	--	--	328.433.093	328.570.179
--	--	(50.400.000)	--	--
(4.090)	--	--	--	(4.090)
--	--	(31.500.000)	--	(31.500.000)
--	--	--	--	--
--	24.677.855	986.306.395	328.433.093	2.260.566.664
--	24.677.855	986.306.395	328.433.093	2.260.566.664
--	3.562.917	324.870.176	(328.433.093)	--
--	--	--	555.932.867	577.696.187
--	--	(65.600.000)	--	--
--	--	(47.628.000)	--	(47.628.000)
--	--	--	--	--
--	28.240.772	1.197.948.571	555.932.867	2.790.634.851

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi  
**Statement of Cash Flows**  
**For the Year Ended 31 December 2015**

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

		<i>Audited</i>	<i>Audited</i>
	<i>Notes</i>	<i>1 January- 31 December 2015</i>	<i>1 January- 31 December 2014</i>
		<i>(Restated) (*)</i>	
<b>A. Cash flows from operating activities</b>			
<b>Net profit for the period</b>		<b>555.932.867</b>	<b>328.433.093</b>
<b>Profit adjustments for</b>			
Adjustments to depreciation and amortization	12,13	706.098	514.658
Adjustments to provision for employee severance indemnity	15	172.865	162.028
Adjustments to provision for unused vacation	15	23.980	39.542
Change in fair value of investment properties	10	(442.016.857)	(241.324.521)
Revaluation of tangible assets		(21.731.787)	--
Share of profit of equity accounted investees		7.839	(828.318)
Gain on sale of investment properties	18	(35.961.319)	(4.163.378)
Allowance for doubtful receivables (net)	8	(35.290)	(103.708)
Gain/(losses) from derivatives	22	(2.989.650)	258.721
Interest income	18	(4.861.456)	(6.614.902)
Interest expense	22	1.719.624	2.980.855
<b>Operating profit from before the changes in working capital</b>		<b>50.966.914</b>	<b>79.354.070</b>
<b>Changes in working capital</b>			
Changes in trade receivables		25.231.737	10.006.884
Changes in other receivables		(3.808.940)	5.623
Changes in prepaid expenses		8.777.276	27.313.467
Changes in other current assets		(76.351.623)	(6.577.677)
Changes in inventories		(161.853.047)	(19.594.651)
Changes in trade payables and other payables		55.836.450	(16.821.909)
Changes in deferred revenue		390.102.759	26.430.745
Changes in other short term liabilities		7.021.741	(885.176)
		<b>295.923.267</b>	<b>99.231.376</b>
<b>Cash generated from operating activities</b>			
Interest received		4.861.456	3.109.921
<b>Net cash provided by operating activities</b>		<b>300.784.723</b>	<b>102.341.297</b>
<b>B. Cash flows from investing activities</b>			
Proceeds from financial assets		15.126.664	(10.890.814)
Purchases of investment property	10	(661.476.804)	(257.394.041)
Purchases of tangible assets and intangible assets	12,13	(764.743)	(272.315)
Proceeds from sale of investment property		82.572.154	93.684.785
Dividends received	22	500.000	--
Equity accounted investees		--	491.329
<b>Net cash used in investing activities</b>		<b>(564.042.729)</b>	<b>(174.381.056)</b>
<b>C. Cash Flows From Financing Activities</b>			
Dividends paid	17	(47.628.000)	(31.500.000)
Borrowings received		371.070.000	227.881.383
Borrowings paid		(138.006.752)	(100.927.419)
Interest paid		(1.719.624)	(1.486.083)
<b>Net cash used in financing activities</b>		<b>183.715.624</b>	<b>93.967.881</b>
<b>Increase in cash and cash equivalents before effect of changes in foreign currency rates</b>		<b>(79.542.382)</b>	<b>21.928.122</b>
Effect of changes in foreign currency rates over cash and cash equivalents		196.227	364.261
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(79.346.155)</b>	<b>22.292.383</b>
Cash and cash equivalents at the beginning of the period		201.980.543	100.181.813
<b>Cash and cash equivalents at the end of the period</b>	<b>5</b>	<b>122.634.388</b>	<b>122.474.196</b>

(\*) See note 2.2.

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 31 December 2015

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

#### 1. Organization and operations of the Company

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi ("the Company") was established on 6 August 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 76 employees as of 31 December 2015 (31 December 2014: 69).

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

Nest in Globe B.V. ("Nest in Globe") was established on 7 July 2011 by both 50% equal participations of İş Gayrimenkul Yatırım Ortaklığı A.Ş. and Kayı Holding Anonim Şirketi ("Kayı Holding"). The main objective and operations of the jointly controlled entity was to develop, to construct, to manage and to benefit from hotels and other commercial real estate in the Netherlands and abroad. In addition, rendering consultancy and management services, participating in tenders and submitting bids in connection with development, construction and management of hotels and other commercial real estate in the Netherlands and abroad were also the objectives of the Company. At the board meeting held on 28 April 2014, it was decided to liquidate Nest in Globe and to terminate the termination of the partnership agreement signed with Kayı Holding. Nest in Globe, has officially been liquidated on 16 July 2014.

#### 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 13 June 2013 at the Official Gazette numbered 28676. TAS included Turkish Accounting Standards, Turkish Financial Reporting Standards and related appendices and interpretations.

The financial statements as at 31 December 2015 have been approved for issue by the Board of Directors on 28 January 2016. 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.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi  
**Notes to the Financial Statements**  
**For the Year Ended 31 December 2015**

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

Preparation of financial statements

The accompanying financial statements have been prepared in accordance with the "Announcement on Financial Statements and Disclosure Formats" of CMB dated 7 June 2013.

Functional and presentation currency

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

Basis of measurement

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

Preparation of financial statements in Hyperinflationary Periods

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

Financial statements of the jointly controlled entities are prepared in line with the financial statements of the Company in the same accounting period using uniform accounting policies.

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 and Nest in Globe 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.

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.

**2.2 Changes in accounting policy**

Except for the change in accounting policies below, the accounting policies applied for the year ended 31 December 2015 have been applied consistently for the year ended 31 December 2014 in preparing these financial statements. Changes in accounting policies are applied retrospectively and restating the prior year financial statements.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi  
**Notes to the Financial Statements**  
**For the Year Ended 31 December 2015**

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

**2.2.1 Changes in investment property accounting policy**

As of 30 September 2015 the Company has started measuring the fair value of investment properties which were measured by historical cost basis method before. The company made this change in order to financial statements show the Company performance more appropriate. Reflecting the effects in statement of financial position as at 31 December 2014 and 31 December 2013, profit and loss statement for the year ended, 31 December 2014, the statement of other comprehensive income, statement of cash flow, earnings per share and statement of changes in equity as at 1 January 2014, these changes are restated as it is presented below.

31 December 2014	Reported	Accounting policy change effects	Restated
<b>Statement of financial position</b>			
Investment property	1.534.963.085	1.049.076.025	2.584.039.110
Non-current assets	1.608.240.919	1.049.076.025	2.657.316.944
Total Assets	1.859.866.857	1.049.076.025	2.908.942.882
Previous year's profit	178.891.696	807.414.699	986.306.395
Net profit for the period	86.771.767	241.661.326	328.433.093
Equity	1.211.490.639	1.049.076.025	2.260.566.664
Total liabilities	1.859.866.857	1.049.076.025	2.908.942.882

31 December 2014	Reported	Accounting policy change effects	Restated
<b>Statement of profit or loss</b>			
Cost of sales	(119.785.317)	449.248	(119.336.069)
Gross profit	114.293.213	449.248	114.742.461
General administrative and marketing and distribution expenses	(18.064.340)	(112.447)	(18.176.787)
Other operating income	26.062.240	241.324.525	267.386.765
Operating profit	91.539.730	241.661.326	333.201.056
Operating profit before finance expense	92.368.048	241.661.326	334.029.374
Operating profit before tax	86.771.767	241.661.326	328.433.093
Net profit for the period	86.771.767	241.661.326	328.433.093

31 December 2013	Reported	Accounting policy change effects	Restated
<b>Statement of financial position</b>			
Investment property	1.378.609.041	807.414.702	2.186.023.743
Non-current assets	1.435.690.679	807.414.702	2.243.105.381
Total Assets	1.668.720.437	807.414.702	2.476.135.139
Previous year's profit	149.600.689	675.671.957	825.272.646
Net profit for the period	116.156.720	131.742.742	247.899.462
Equity	1.156.085.876	807.414.699	1.963.500.575
Total liabilities	1.668.720.437	807.414.702	2.476.135.139

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi  
**Notes to the Financial Statements**  
**For the Year Ended 31 December 2015**

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

1 January 2014	Reported	Accounting policy change effects	Restated
<b>Statement of changes in equity</b>			
Previous year's profit	149.600.689	675.671.957	825.272.646
Net profit for the period	116.156.720	131.742.742	247.899.462
<b>31 December 2014</b>			
<b>Statement of cash flow</b>			
Net profit for the period	86.771.767	241.661.326	328.433.093
Adjustments to depreciation and amortization	851.459	(336.801)	514.658
Change in fair value of investment properties	--	(241.324.521)	(241.324.521)
<b>Operating profit from before the changes in working capital</b>	<b>82.428.799</b>	<b>(3.074.729)</b>	<b>79.354.070</b>
<b>Net cash provided by operating activities</b>	<b>135.971.429</b>	<b>(33.630.132)</b>	<b>102.341.297</b>
<b>31 December 2014</b>		<b>Accounting policy change effects</b>	
Earnings per share			0,0036

### 2.2.2 Changes in tangible assets accounting policy

According to "TAS 16 - Property Plant and Equipment", the Company has changed from cost basis method to revaluation method for owner occupied properties according to accounting policy change since 30 September 2015. Revaluation differences have been recognized in equity as other comprehensive income that will never be reclassified to profit or loss.

### 2.3 Changes in accounting estimates and errors

The preparation of the financial statements in conformity with TAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The estimates are used mainly in the following note:

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi  
**Notes to the Financial Statements**  
**For the Year Ended 31 December 2015**

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

Note 10 - Investment property

The fair values of the Company's investment property has been determined by the valuations of three independent third-party valuations companies in December 2015. These companies have been authorized by the Capital Markets Board and have relevant qualification and expertise on property valuation. According to the valuation reports in question, valuations are conducted in accordance with the International Valuation Standards and determined using the methods of benchmarking to the transaction prices of similar properties in the market or discounted revenues. As far as data obtained and information received from the Company cash flows are prepared. Through discounting cash flows at the rates calculated in the statements of cash flows which are prepared according to the assumptions made at the rates between 5,7%-11%, it is targeted to figure out the impacts of future risks on the values of the properties.

**2.4 Standards and interpretations those are not yet effective as of 31 December 2015**

**2.4.1 Standards and interpretations that are effective in 2015**

The Group has applied all of the mandatory standards, amendments and interpretations related to TAS and TFRS.

**2.4.2 Standards and interpretations that are not yet effective as of 31 December 2015**

**TFRS 9 Financial Instruments**

The new standard, together with the amendment published in July 2014, is going to be effective for the reporting periods beginning from 1 January 2018 onwards. TFRS 9 introduces new requirements for the classification and measurement of financial assets. The amendments made in TFRS 9 will principally affect classification and measurement of financial assets and financial liabilities measured at fair value and will require the changes in the fair value of such financial liabilities related to credit risk to be recognized in the statement of other comprehensive income. Earlier adoption of the Standard is permitted. The Company is not planning to early adoption of this standard and the potential effects of this Standard on the financial position and performance of the have not been evaluated.

**TFRS 15 Revenue from Contracts with customers**

The standard replaces existing TFRS and US GAAP guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognizing revenue over time. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under TFRS. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

**Clarification of acceptable methods of depreciation and amortization (Amendments to TAS 16 and TAS 38)**

The amendments to TAS 16 "Property, Plant and Equipment" explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The amendments to TAS 38 "Intangible Assets" introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. The amendments are effective for annual periods beginning on after 1 January 2016, and are to be applied prospectively. Early adoption is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

## Notes to the Financial Statements

### For the Year Ended 31 December 2015

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

#### Accounting for acquisition of interests in joint operations (Amendments to TFRS 11)

The amendments clarify whether TFRS 3 "Business Combinations" applies when an entity acquires an interest in a joint operation that meets that standard's definition of a business. The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

#### Sale or contribution of assets between an investor and its associate or joint venture (Amendments to TFRS 10 and TAS 28)

The amendments address the conflict between the existing guidance on consolidation and equity accounting. The amendments require the full gain to be recognized when the assets transferred meet the definition of a "business" under TFRS 3 "Business Combinations". The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

#### Equity method in separate financial statements (Amendments to TAS 27)

The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures, but also for subsidiaries. The amendments apply retrospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

#### Disclosure Initiative (Amendments to TAS 1)

The narrow-focus amendments to TAS 1 "Presentation of Financial Statements" clarify, rather than significantly change, existing TAS 1 requirements. In most cases the amendments respond to overly prescriptive interpretations of the wording in TAS 1. The amendments relate to the following: Materiality, order of the notes, subtotals, accounting policies and disaggregation. The amendments apply for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

#### Investment Entities: Applying the Consolidation Exception (Amendments to TFRS 10, TFRS 12 and TAS 28)

Before the amendment, it was unclear how to account for an investment entity subsidiary that provides investment-related services. As a result of the amendment, intermediate investment entities are not permitted to be consolidated. So where an investment entity's internal structure uses intermediates, the financial statements will provide less granular information about investment performance - i.e. less granular fair values of, and cash flows from, the investments making up the underlying investment portfolio.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

#### Improvements to TFRSs

The IASB issued Annual Improvements to IFRSs - 2012-2014 Cycle. The amendments are effective as of 1 January 2016. Earlier application is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi  
**Notes to the Financial Statements**  
**For the Year Ended 31 December 2015**

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

#### Annual Improvements to TFRSs - 2012-2014 Cycle

##### *TFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"*

The amendments clarify the requirements of TFRS 5 when an entity changes the method of disposal of an asset (or disposal group) and no longer meets the criteria to be classified as held-for-distribution.

TAS 19 has been amended to clarify that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

##### *TAS 34 Interim Financial Reporting*

TAS 34 has been amended to clarify that certain disclosure, if they are not included in the notes to interim financial statements, may be disclosed "elsewhere in the interim financial report" - i.e. incorporated by cross-reference from the interim financial statements to another part of the interim financial report (e.g. management commentary or risk report).

## 2.5 Summary of significant accounting policies

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

### 2.5.1 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.

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#### *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.

#### **2.5.2 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 10)

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.

#### **2.5.3 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 the third quarter of the current year valuation of Real estate in use recorded under tangible fixed assets within the "TAS 16- Tangible Assets" was amended from cost model to the revaluation model. The impact of the amended to the revaluation model has been reflected under equity as TL 21.731.787.

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.



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### 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	35 years
Machinery and equipment	4-5 years
Vehicles	4-5 years
Furniture and fixtures	4-5 years

### 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.

### **2.5.4 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.

### **2.5.5 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 its carrying value the value of this asset or cash generating unit is discounted to recoverable amount. Impairments are recognized through profit or loss.

### **2.5.6 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.

### **2.5.7 Financial instruments**

The Company has the following financial assets: cash and cash equivalents, financial investments and trade and other receivables; and has the following financial liabilities: loans and borrowings, trade and other payables.

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**i) Non-derivative financial assets**

The Company initially recognizes the financial assets on the date they are originated.

Non-derivative financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below:

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial asset that is created or retained by the Company is recognized as a separate asset or liability.

*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.

*Financial assets at Fair value through profit or loss ("FVTPL")*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Held for trading financial assets recognized initially on the trade date by their carrying amount and adjusted to their fair value after initial recognition. Gain and losses of held for trading financial assets are recognized through profit or loss.

*Held-to-maturity investments*

Investments in debt securities with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method less impairment, with revenue recognized on an effective yield basis. As of 31 December 2015, the Company has no held-to-maturity investments in its portfolio.

*Available-for-sale financial assets ("AFS")*

Quoted equity investments and quoted certain debt securities held by the Company that are traded in an active market are classified as being available-for-sale financial assets and are stated at fair value.

Available-for-sale financial assets are recognized at the commitment date of purchase. Gains and losses resulted from changes at the fair value of these assets are recognized in equity.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income. As of 31 December 2015, the Company has no available for sale investments in its portfolio.

*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.

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#### *Trade receivables*

Trade receivables are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event had an impact on the estimated future cash flows of that asset that can be estimated reliably. An impairment loss in respect of trade receivables is the difference between its carrying amount, and the collectable amount. Losses are recognized in profit or loss and reflected in an allowance account against trade receivables. The Company assumes that the carrying values of trade receivables are close to their fair value.

#### *Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

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

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

#### *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.

#### *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.

#### **iii) 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.

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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.

#### **iv) 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.

#### **2.5.8 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.

#### **2.5.9 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.

#### **2.5.10 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.

#### **2.5.11 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 23).

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.

#### **2.5.12 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).

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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.

#### **2.5.13 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.

#### **2.5.14 Taxation**

##### **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.

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.

Current tax liability includes the tax payable on the taxable income for the period and the adjustments made to previous periods' tax liabilities, using tax rates enacted at the reporting date.

Deferred tax is recognized in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates based on the laws that have enacted by the reporting date.

Deferred tax liabilities and assets are recognized in the financial statements from the enacted or substantially enacted tax rates to the extent that the temporary differences in the subsequent periods will be reversed. Deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

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

In accordance with TAS 19 (2011) all actuarial gains and losses are recognized in other comprehensive income. The most important change in new TAS 19 (2011) 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 (2011) *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.

#### **2.5.16 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.

#### **2.5.17 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.

#### **2.5.18 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.

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**2.5.19 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.

**2.5.20 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.

**2.5.21 Restrictions on the investment portfolio of real estate investment trusts**

Information given in "Control of compliance with restrictions on the investment portfolio" notes are summarized and derived from the financial statements prepared in accordance with the Communiqué No: II - 14.1 and also within the framework of compliance control of the portfolio restrictions clause of Communiqué No: III - 48.1, "Communiqué on Principles Regarding Real Estate Investment Companies".

**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 (%)	31 December 2015	Ownership (%)	31 December 2014	Ownership (%)	31 December 2013
Kanyon	50	1.599.475	50	1.606.954	50	1.269.965
		<b>1.599.475</b>		<b>1.606.954</b>		<b>1.269.965</b>

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

<b>Kanyon</b>	<b>31 December 2015</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
Current assets	8.162.707	8.652.687	8.333.013
Non-current assets	2.299.608	2.983.024	1.646.836
Short-term liabilities	(6.058.374)	(6.548.296)	(6.752.722)
Long-term liabilities	(1.626.058)	(1.873.507)	(687.197)
<b>Net assets</b>	<b>2.777.883</b>	<b>3.213.908</b>	<b>2.539.930</b>

<b>Kanyon</b>	<b>1 January-31 December 2015</b>	<b>1 January-31 December 2014</b>
Income for the period	24.451.381	76.380.745
Expense for the period (-)	(24.466.129)	(74.706.768)

The Company recognized profit amounting to TL 7.839 resulting from consolidation of Kanyon with equity method for the year ended 31 December 2015 (31 December 2014: Kanyon Profit TL 828.318) in the accompanying statement of profit and loss.

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#### 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.

	Ankara İş Kule Building	Istanbul İş Kuleleri Complex	Maslak Petrol Ofisi Building	Mallmarine Shopping Mall	İş Bankası Ankara Merkez Building	İş Bankası Ankara Kızılay Building	İş Bankası Antalya Merkez Building	Kanyon Shopping Mall	Real Hipermarket
<b>31 December 2015</b>									
<u>Sales Revenue</u>									
Rent income	8.568.472	47.204.838	4.556.270	614.564	3.780.000	3.180.000	1.596.000	31.634.035	6.138.010
Income from the right of construction	--	--	--	--	--	--	--	--	--
Income from the sales of real estate	--	--	--	--	--	--	--	--	--
Income from the sales of investment property	--	--	--	--	--	--	--	--	--
Tenant contribution and service income	--	694.402	--	--	--	--	--	210.108	--
Other income	--	47.005	--	--	--	--	--	36.553	--
<b>Total Revenue</b>	<b>8.568.472</b>	<b>47.946.245</b>	<b>4.556.270</b>	<b>614.564</b>	<b>3.780.000</b>	<b>3.180.000</b>	<b>1.596.000</b>	<b>31.880.696</b>	<b>6.138.010</b>
Insurance expense	50.507	1.110.426	33.847	26.599	19.267	8.473	5.962	457.991	181.921
Administrative expense	67.119	656.205	--	150	--	--	--	13.441.880	--
Tax and duty and other charges	312.913	1.518.781	159.349	21.982	21.521	47.384	27.931	1.597.967	373.024
Cost of sales of investment property and real estate	--	--	--	--	--	--	--	--	--
Cost of sales of investment property	--	--	--	--	--	--	--	--	--
Other	11.671	292.319	561.762	--	129.224	--	--	16.675	--
<b>Cost of Sales</b>	<b>442.210</b>	<b>3.577.731</b>	<b>754.958</b>	<b>48.731</b>	<b>170.012</b>	<b>55.857</b>	<b>33.893</b>	<b>15.514.513</b>	<b>554.945</b>
<b>Gross Profit</b>	<b>8.126.262</b>	<b>44.368.514</b>	<b>3.801.312</b>	<b>565.833</b>	<b>3.609.988</b>	<b>3.124.143</b>	<b>1.562.107</b>	<b>16.366.183</b>	<b>5.583.065</b>
<b>Capital investments</b>	<b>--</b>	<b>148.882</b>	<b>82.007</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>666.979</b>	<b>--</b>



Istanbul Esenyurt (Marmarapark)	İş Bankası Güneşli	İş Bankası Sirkeci	Lykia Lodge Kapadokya Hotel	Antalya Kemer Imperial Hotel	Tuzla Çınarlı Bahçe Residences	Zeytinburnu Land	Tuzla Operation and Trade Center	Other Real Estate	Total
--	6.965.062	4.059.680	1.128.353	1.923.938	45.852	--	3.808.387	--	125.203.461
13.496.328	--	--	--	--	--	--	--	--	13.496.328
--	--	--	--	--	4.731.900	--	--	--	4.731.900
--	69.500.000	--	--	--	--	--	--	--	69.500.000
--	--	--	--	4.452	--	--	--	--	908.962
--	--	--	--	8.795	--	--	--	--	92.353
<b>13.496.328</b>	<b>76.465.062</b>	<b>4.059.680</b>	<b>1.128.353</b>	<b>1.937.185</b>	<b>4.777.752</b>	<b>--</b>	<b>3.808.387</b>	<b>--</b>	<b>213.933.004</b>
--	23.192	47.990	63.561	32.698	2.622	--	--	--	2.065.056
--	--	--	79.320	233.709	324.640	--	--	--	14.803.023
--	1.643.680	66.405	31.833	52.960	6.346	--	76.953	--	5.959.029
--	--	--	--	--	4.349.735	--	--	--	4.349.735
--	33.538.681	--	--	--	--	--	--	--	33.538.681
--	--	210.263	139.257	13.636	1.147	--	--	--	1.375.954
--	<b>35.205.553</b>	<b>324.658</b>	<b>313.971</b>	<b>333.003</b>	<b>4.684.489</b>	<b>--</b>	<b>76.953</b>	<b>--</b>	<b>62.091.478</b>
<b>13.496.328</b>	<b>41.259.509</b>	<b>3.735.022</b>	<b>814.382</b>	<b>1.604.182</b>	<b>93.263</b>	<b>--</b>	<b>3.731.434</b>	<b>--</b>	<b>151.841.526</b>
--	--	<b>261.331</b>	<b>348.453</b>	--	<b>44.215</b>	--	<b>338.413.053</b>	<b>321.511.884</b>	<b>661.476.804</b>

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	Ankara İş Kule Building	İstanbul İş Kuleleri Complex	Maslak Petrol Ofisi Building	Mallmarine Shopping Mall	İş Bankası Ankara Merkez Building	İş Bankası Ankara Kızılay Building	İş Bankası Antalya Merkez Building	Kanyon Shopping Mall	Hipermarket İstanbul Esenyurt
<b>31 December 2014</b>									
<u>Sales Revenue</u>									
Rent Income	8.712.263	38.422.307	4.162.855	552.279	3.727.983	3.139.416	1.570.296	27.569.923	5.676.044
Income from the right of construction	--	--	--	--	--	--	--	--	--
Income from the sales of real estate	--	--	--	--	--	--	--	--	--
Income from the sales of investment property	--	--	--	--	--	--	--	--	--
Tenant contribution and service income	--	641.365	--	--	--	--	--	134.225	--
Other income	--	38.708	--	--	--	--	--	76.210	--
<b>Total Revenue</b>	<b>8.712.263</b>	<b>39.102.380</b>	<b>4.162.855</b>	<b>552.279</b>	<b>3.727.983</b>	<b>3.139.416</b>	<b>1.570.296</b>	<b>27.780.358</b>	<b>5.676.044</b>
Insurance expense	43.274	1.104.229	37.689	32.386	18.998	8.431	5.691	417.378	196.117
Administrative expense	86.598	496.410	--	--	--	--	--	12.022.019	--
Tax and duty and other charges	257.357	1.518.754	151.787	10.713	20.485	45.104	26.592	1.551.066	353.846
Cost from the sales of fixed asset	--	--	--	--	--	--	--	--	--
Cost of sales of real estate	--	--	--	--	--	--	--	--	--
Other	46.679	340.158	407.451	11.561	2.667	28.000	--	--	--
<b>Cost of sales</b>	<b>433.908</b>	<b>3.459.551</b>	<b>596.927</b>	<b>54.660</b>	<b>42.150</b>	<b>81.535</b>	<b>32.283</b>	<b>13.990.463</b>	<b>549.963</b>
<b>Gross profit</b>	<b>8.278.355</b>	<b>35.642.829</b>	<b>3.565.928</b>	<b>497.619</b>	<b>3.685.833</b>	<b>3.057.881</b>	<b>1.538.013</b>	<b>13.789.895</b>	<b>5.126.081</b>
<b>Capital Investments</b>	<b>9.464</b>	<b>409.657</b>	<b>32.657</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>1.995.916</b>	<b>--</b>

İstanbul Esenyurt (Marmara Park)	İş Bankası Güneşli	İş Bankası Sirkeci	Lykia Lodge Kapadokya Hotel	Kemer Hotel Buildings	Taksim Lamartine	Tuzla Çınarlı Bahçe Residences	Zeytinburnu Land	Other real estate	Total
--	5.768.187	3.380.969	1.286.917	--	1.518.747	--	--	--	105.488.186
10.871.897	--	--	--	--	--	--	--	--	10.871.897
--	--	--	--	--	--	13.184.050	--	--	13.184.050
--	--	--	--	--	--	--	93.669.391	--	93.669.391
--	--	--	--	--	97.614	14.921	--	--	888.125
--	--	--	--	--	--	--	--	--	114.918
<b>10.871.897</b>	<b>5.768.187</b>	<b>3.380.969</b>	<b>1.286.917</b>	<b>--</b>	<b>1.616.361</b>	<b>13.198.971</b>	<b>93.669.391</b>	<b>--</b>	<b>224.216.567</b>
--	39.954	21.558	25.188	--	18.776	4.168	--	--	1.973.837
--	--	--	3.512	--	223.969	569.326	--	--	13.401.834
--	252.767	63.217	30.300	70.664	114.550	1.700	--	53.334	4.522.236
--	--	--	--	--	--	--	89.506.013	--	89.506.013
--	--	--	--	--	--	9.060.987	--	--	9.060.987
--	1.781	--	27.405	--	5.415	45	--	--	871.162
<b>--</b>	<b>294.502</b>	<b>84.775</b>	<b>86.405</b>	<b>70.664</b>	<b>362.710</b>	<b>9.636.226</b>	<b>89.506.013</b>	<b>53.334</b>	<b>119.336.069</b>
<b>10.871.897</b>	<b>5.473.685</b>	<b>3.296.194</b>	<b>1.200.512</b>	<b>(70.664)</b>	<b>1.253.651</b>	<b>3.562.745</b>	<b>4.163.378</b>	<b>(53.334)</b>	<b>104.880.498</b>
--	--	--	150.566	--	3.778	4.683.002	257.394.041	--	257.394.041

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

### Reconciliation of income, assets and liabilities

<b>Sales Revenue</b>	<b>1 January- 31 December 2015</b>	<b>1 January- 31 December 2014</b>
Segment revenue	213.933.004	224.216.567
Undistributed revenue	8.079.095	9.861.963
<b>Total Revenue</b>	<b>222.012.099</b>	<b>234.078.530</b>

<b>Cost of Sales</b>	<b>1 January- 31 December 2015</b>	<b>1 January- 31 December 2014</b>
Segment Costs	62.091.478	119.336.069
<b>Total cost of sales</b>	<b>62.091.478</b>	<b>119.336.069</b>

<b>Assets</b>	<b>31 December 2015</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
Segment assets	3.810.485.275	2.651.413.202	2.221.553.766
Other assets	21.820.775	47.017.222	56.920.398
Non-segment related assets	292.894.529	210.512.458	197.660.975
<b>Total assets</b>	<b>4.125.200.579</b>	<b>2.908.942.882</b>	<b>2.476.135.139</b>

<b>Liabilities</b>	<b>31 December 2015</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
Segment liabilities	1.186.977.538	643.898.703	511.616.782
Other liabilities	147.588.190	4.477.515	1.017.779
<b>Total liabilities</b>	<b>1.334.565.728</b>	<b>648.376.218</b>	<b>512.634.561</b>

### 5. Cash and cash equivalents

	<b>31 December 2015</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
Demand deposits	1.445.587	12.581	693.059
Time deposits	92.200.051	68.741.576	74.024.676
Mutual funds	29.627.903	55.140.342	26.302.476
Receivables from reverse repos	8.309	14.778	18.886
Other cash equivalents	626.275	--	4.026
	<b>123.908.125</b>	<b>123.909.277</b>	<b>101.043.123</b>
Interest accrued on cash and cash equivalents	(1.273.737)	(1.435.081)	(861.310)
<b>Total cash and cash equivalents in the statement of cash flows</b>	<b>122.634.388</b>	<b>122.474.196</b>	<b>100.181.813</b>

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<u>Time deposits:</u>			<b>31 December 2015</b>
<u>Currency</u>	<u>Interest rate (%)</u>	<u>Maturity</u>	
US Dollar	0,30% -1,90%	January 2016	80.196.944
TL	9,45%	January 2016	12.003.107
			<b>92.200.051</b>

		<b>31 December 2015</b>	
		<b>Cost</b>	<b>Fair Value</b>
Mutual Funds		28.398.904	29.627.903
		<b>28.398.904</b>	<b>29.627.903</b>

<u>Receivables from reverse repos</u>			<b>31 December 2015</b>
<u>Currency</u>	<u>Interest rate (%)</u>	<u>Maturity</u>	
TL	10,05%	January 2016	8.309
			<b>8.309</b>

<u>Time deposits:</u>			<b>31 December 2014</b>
<u>Currency</u>	<u>Interest rate (%)</u>	<u>Maturity</u>	
TL	8,05%-10,20%	January 2015	45.174.184
US Dollar	2,05%-2,10%	January 2015	22.588.786
Euro	1,70%	January 2015	978.606
			<b>68.741.576</b>

		<b>31 December 2014</b>	
		<b>Cost</b>	<b>Fair Value</b>
Mutual Funds		53.837.574	55.140.342
		<b>53.837.574</b>	<b>55.140.342</b>

<u>Receivables from reverse repos</u>			<b>31 December 2014</b>
<u>Currency</u>	<u>Interest rate (%)</u>	<u>Maturity</u>	
TL	9,80%	January 2015	14.778
			<b>14.778</b>

<u>Time deposits:</u>			<b>31 December 2013</b>
<u>Currency</u>	<u>Interest rate (%)</u>	<u>Maturity</u>	
US Dollar	2,75%-3,00%	January 2014	41.876.342
TL	8,85% - 8,95%	January 2014	24.090.820
Euro	3,00%	January- February 2014	8.057.514
			<b>74.024.676</b>

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	31 December 2013	
	Cost	Fair Value
Mutual Funds	25.645.760	26.302.476
	<b>25.645.760</b>	<b>26.302.476</b>

			31 December 2013
Currency	Interest rate (%)	Maturity	
TL	6,81%	January 2014	18.886
			<b>18.886</b>

#### 6. Financial investments/Derivatives

	31 December 2015	31 December 2014	31 December 2013
<b>Short-term financial investments</b>			
Financial assets at fair value through profit or loss	--	15.126.664	4.235.850
	<b>--</b>	<b>15.126.664</b>	<b>4.235.850</b>

	31 December 2015	31 December 2014	31 December 2013
<b>Derivative instruments</b>			
Derivative assets held for trading	14.811	41.674	300.392
	<b>14.811</b>	<b>41.674</b>	<b>300.392</b>

Company has no bond held for trading as at 31 December 2015.

31 December 2014			
Financial assets at fair value through profit or loss	Cost	Fair value	Carrying value
<b>Financial assets held for trading</b>			
Government bonds	13.448.963	13.842.845	13.842.845
Private sector bonds	1.238.432	1.283.819	1.283.819
	<b>14.687.395</b>	<b>15.126.664</b>	<b>15.126.664</b>

31 December 2013			
Financial assets at fair value through profit or loss	Cost	Fair value	Carrying value
<b>Financial assets held for trading</b>			
Government bonds	3.160.900	3.150.051	3.150.051
Private sector bonds	104.498	102.039	102.039
Quoted share certificates	1.090.295	983.760	983.760
	<b>4.355.693</b>	<b>4.235.850</b>	<b>4.235.850</b>

Interest rates of government bonds held-for-trading at 31 December 2014 are in-between 6,78% - 14,10% (31 December 2013: between 5,69% - 13,07%).

## Notes to the Financial Statements For the Year Ended 31 December 2015

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### 7. Loans and borrowings

The details of financial borrowings and financial leasing as of 31 December 2015, 31 December 2014 and 31 December 2013 are as follows:

	31 December 2015	31 December 2014	31 December 2013
<b>Short-term loans and borrowings:</b>			
Short-term portion of long-term borrowings	107.653.358	57.154.238	27.978.637
Bonds issued	205.858.160	--	107.064.058
	<b>313.511.518</b>	<b>57.154.238</b>	<b>135.042.695</b>
<b>Long-term loans and borrowings:</b>			
Long-term bank borrowings	375.591.597	215.116.120	215.530.226
Bonds issued	--	205.256.527	--
	<b>375.591.597</b>	<b>420.372.647</b>	<b>215.530.226</b>
<b>Leasings</b>			
Short-term portions of long-term leasing	11.360.254	--	--
Long-term leasing	10.126.764	--	--
	<b>21.487.018</b>	<b>--</b>	<b>--</b>

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

The details of loans and borrowings as of 31 December 2015, 31 December 2014 and 31 December 2013 are as follows:

			31 December 2015	
Currency	Interest rate (%)	Original amount	Short-term (TL)	Long-term (TL)
Euro	Euribor+3,50	12.126.314	7.709.854	30.822.720
US Dollar	Libor + 4,25	71.413.192	28.053.938	179.587.061
TL	11,75-11,90	237.071.382	71.889.566	165.181.816
			<b>107.653.358</b>	<b>375.591.597</b>
			31 December 2014	
Currency	Interest rate (%)	Original amount	Short-term (TL)	Long-term (TL)
Euro	Euribor+3,50	14.551.472	6.844.349	34.200.988
US Dollar	Libor + 4,25	47.930.350	1.048.982	110.096.706
TL	11,90	120.079.333	49.260.907	70.818.426
			<b>57.154.238</b>	<b>215.116.120</b>
			31 December 2013	
Currency	Interest rate (%)	Original amount	Short-term (TL)	Long-term (TL)
Euro	Libor+2,50-Libor+4,25	56.508.847	107.064.058	13.542.775
US Dollar	Euribor + 3,50	16.975.000	7.121.012	42.726.075
TL	11,90	180.119.000	20.857.625	159.261.376
			<b>135.042.695</b>	<b>215.530.226</b>

Loans of the Company are used from a related party, İş Bankası (Note 24). The Company received a loan limit amounting to USD 160 million. As of reporting period, the investment properties are pledged in favour of İş Bankası amounting to USD 161,5 million and TL 435 million within the scope of the allocation of the loan.

The Company borrowed a four-year loan of TL 180.000.000 from İş Bankası in order to finance the purchase of Zeytinburnu Land. As a security to the loan, a first-degree collateral of TL 250.000.000 on the land purchased has been granted to İş Bankası. However, 25% of the Land, whose ownership is shared between the Company and Timur Gayrimenkul Geliştirme Yapı ve Yatırım Anonim Şirketi (Timur Gayrimenkul-NEF) in the rates of 75% and 25% respectively, has been sold to Timur Gayrimenkul Geliştirme Yapı ve Yatırım Anonim Şirketi on 19 September 2014. Following the sales transaction, the ownership shares of the Company and Timur Gayrimenkul has become 50%-50%. As of 31 December 2015, TL 100.000.000 of the loan borrowed for the Land has been repaid and the balance payable decreased to TL 80.000.000.



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As of 31 December 2015 and 31 December 2014 details of issued bonds are as follows:

				<b>31 December 2015</b>
<b>ISIN CODE</b>	<b>Issued Nominal Amount (TL)</b>	<b>Issue Date</b>	<b>Amortization Date</b>	<b>Registered Value</b>
TRISGY41617	100.000.000	10 April 2014	7 April 2016	102.979.489
TRISGY71614	100.000.000	11 June 2014	8 July 2016	102.878.671
				<b>205.858.160</b>

				<b>31 December 2014</b>
<b>ISIN CODE</b>	<b>Issued Nominal Amount (TL)</b>	<b>Issue Date</b>	<b>Amortization Date</b>	<b>Registered Value</b>
TRISGY41617	100.000.000	10 April 2014	7 April 2016	102.676.597
TRISGY71614	100.000.000	11 June 2014	8 July 2016	102.579.930
				<b>205.256.527</b>

Within its limits of issue limits of TL 200.000.000, the Company has issued 2-year maturity, variable-rate, 3-month coupon payment bonds amounting to a total of TL 200.000.000 to the qualified investors via İş Yatırım Menkul Değerler Anonim Şirketi on 8 April 2014 and 9 July 2014, respectively. Benchmark Annual Compound Interest Rate used to price the bond is calculated as the average of the weighted average annual compound interest rate of the "benchmark treasury bill" issued by the Under secretariat of Treasury of Republic of Turkey which is quoted in the Debt Securities Market within the last 3 business day.

The interest rate for the seventh period coupon payment of the bond with the code 'TRISGY41617 ISIN' was determined as %3.20 and will be realized on 7 January 2016. The interest rate for the sixth coupon payment period of the bond with the code 'TRISGY71614 ISIN' was determined as %3.13 and will be realized on 8 January 2016.

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**8. Trade receivables and payables**

*Short-term trade receivables and payables*

	31 December 2015	31 December 2014	31 December 2013
<b>Trade receivables</b>			
Notes receivable (*)	358.462	27.257.085	27.796.592
Rediscount of notes receivables (-)	(9.323)	(162.516)	(120.849)
Income accruals	15.788.258	10.154.386	5.612.972
Receivables from customers	1.938.445	1.376.154	745.299
Doubtful receivables	755.147	719.857	834.659
Provision for doubtful receivables (-)	(755.147)	(719.857)	(834.659)
Due from related parties (Note 24)	839.105	976.207	11.678
Other	2.905.828	13.995	144.093
	<b>21.820.775</b>	<b>39.615.311</b>	<b>34.189.785</b>
<b>Trade payables</b>			
Payables to suppliers	57.341.574	2.674.206	15.099.077
Due to related parties (Note 24)	2.885.201	2.717.592	7.207.460
	<b>60.226.775</b>	<b>5.391.798</b>	<b>22.306.537</b>

*Long-term trade receivables*

	31 December 2015	31 December 2014	31 December 2013
<b>Trade receivables:</b>			
Notes receivable (*)	--	8.269.201	22.958.180
Rediscount of notes receivables (-)	--	(867.290)	(227.567)
	<b>--</b>	<b>7.401.911</b>	<b>22.730.613</b>

(\*) Company has no long-term notes receivables as of 31 December 2015. Company has reclassified its long-term non-monetary notes receivables as off balance sheet item in the current period. As of 31 December 2014, notes receivable from customers are related to Ege Perla Project and Kartal Manzara Adalar Project (31 December 2013: Ege Perla Project).

As of 31 December 2015, provision for doubtful trade receivables is TL 755.147 (31 December 2014: TL 719.857 and 31 December 2013: TL 834.659). Provision for doubtful receivables is determined based on the historical collection performance.

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

	31 December 2015	31 December 2014
<b>Opening balance, 1 January</b>	<b>(719.857)</b>	<b>(834.659)</b>
Charge for the period	(363.444)	(103.708)
Provisions released	328.154	218.510
<b>Closing balance</b>	<b>(755.147)</b>	<b>(719.857)</b>

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**9. Other receivables and payables**

	31 December 2015	31 December 2014	31 December 2013
Other short-term receivables (*)	3.814.131	5.191	10.814
	<b>3.814.131</b>	<b>5.191</b>	<b>10.814</b>
	31 December 2015	31 December 2014	31 December 2013
<u>Other payables - short-term</u>			
Deposits and guarantees given	1.453.653	464.816	371.986
Other short-term payables	18.416	18.416	18.416
	<b>1.472.069</b>	<b>483.232</b>	<b>390.402</b>
<u>Other payables - long-term</u>			
Other long-term payables (**)	35.990.000	35.990.000	35.990.000
	<b>35.990.000</b>	<b>35.990.000</b>	<b>35.990.000</b>

(\*) Other short-term receivables are mainly comprised of receivables from Timur Gayrimenkul Geliştirme Yapı ve Yatırım Anonim Şirketi amounting to TL 3.116.975.

(\*\*) The TL 35.990.000 (31 December 2014: TL 35.990.000, 31 December 2013: TL 35.990.000), is the amount to be paid to Tecim Yapı Elemanları İnşaat Servis ve Yönetim Hizmetleri San. ve Tic. Limited Şirketi in relation to the purchase of the land registered in Kartal District Section 53, block 2274, lots 395, 397, 398, 399 and 408 and block 2846, lot 1 and block 2847 lot 1. The consideration will be paid to Tecim Yapı Elemanları İnşaat Servis ve Yönetim Hizmetleri San. ve Tic. Limited Şirketi via the proceeds on the sale of houses as part of a revenue sharing agreement based on the project development to be performed on the acquired land.

**10. Investment property**

Fair value of investment property portfolio of the Company is obtained according to valuations at December 2015. Valuation companies which are the independent companies authorized by CMB, are sufficient for the appropriateness of the valuation. Valuations made in accordance with International Valuation Standards in valuation reports, the method of obtaining similar properties with reference to market prices or income was determined by the method of reduction. Cash flows are regulated in accordance with the information received from the Company and outside. The cash flows generated from cash flow statement prepared in accordance with the assumptions, are reduced with the reduction rate or capitalization rates between 5,7% - 11%. The purpose of this is to estimate the effect of future risks on immovable.

As of 31 December 2015, 31 December 2014 and 31 December 2013, the details of investment properties are as follows:

	31 December 2015	31 December 2014	31 December 2013
Investment property under operating lease	1.775.824.259	1.592.601.039	1.468.029.997
Investment property under construction and other	1.515.804.430	991.438.071	717.993.746
<b>Total</b>	<b>3.291.628.689</b>	<b>2.584.039.110</b>	<b>2.186.023.743</b>

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As of 31 December 2015, total insurance amount on investment properties is TL 982.815.210 (31 December 2014: TL 867.185.894).

	1 January 2015 opening balance	Purchases	Disposals	Fair value difference	Depreciation expense	Transfers	31 December 2015 closing balance
<b>Investment property under operating lease</b>							
Ankara İş Kule Building	107.300.000	--	--	10.700.000	--	--	118.000.000
Marmarapark	106.600.000	--	--	23.400.000	--	--	130.000.000
İstanbul İş Kuleleri Complex	580.524.579	146.325	(10.835)	93.178.840	--	--	673.838.909
İstanbul İş Kuleleri Complex 10 <sup>th</sup> and 11 <sup>th</sup> Floors (***)	4.649.210	2.557	--	--	(84.569)	(4.567.198)	--
İş Bankası Ankara Kızılay Building	29.500.000	--	--	5.430.000	--	--	34.930.000
İş Bankası Ankara Merkez Building	31.590.000	--	--	8.670.000	--	--	40.260.000
İş Bankası Antalya Merkez Building	17.200.000	--	--	2.385.000	--	--	19.585.000
İş Bankası Güneşli Building	46.600.000	--	(46.600.000)	--	--	--	--
Kapadokya Lodge Hotel	21.505.000	348.453	--	1.036.547	--	--	22.890.000
Mallmarine Shopping Mall	10.142.650	--	--	1.121.200	--	--	11.263.850
Maslak Building	82.248.600	82.007	--	11.700.893	--	--	94.031.500
Real Hipermarket Building	81.000.000	--	--	14.000.000	--	--	95.000.000
Office Lamartine	44.295.000	--	--	2.240.000	--	--	46.535.000
Tuzla Çınarlı Bahçe Project	2.246.000	44.215	--	199.785	--	--	2.490.000
Kanyon Shopping Mall	390.000.000	666.979	--	49.333.021	--	--	440.000.000
İş Bankası Sirkeci Building	37.200.000	261.332	--	9.538.668	--	--	47.000.000
	<b>1.592.601.039</b>	<b>1.551.868</b>	<b>(46.610.835)</b>	<b>232.933.954</b>	<b>(84.569)</b>	<b>(4.567.198)</b>	<b>1.775.824.259</b>
<b>Investment property under construction and other</b>							
İzmir Ege Perla	80.455.340	92.510.407	--	37.428.222	--	--	210.393.969
İstanbul Finans Merkezi Land	122.455.000	5.062.836	--	10.627.164	--	--	138.145.000
Kartal Project (*)	45.504.427	83.930.365	--	--	--	(129.434.792)	--
Kartal Project	51.493.490	34.408.015	--	16.425.037	--	--	102.326.542
Levent Land	3.806.500	46.428	--	145.991	--	--	3.998.919
Tuzla Karma Project	174.500.000	73.463.285	--	22.111.715	--	--	270.075.000
Tuzla Teknoloji ve Operasyon Merkezi Project	304.100.000	338.413.053	--	117.871.947	--	--	760.385.000
Üsküdar Land	25.665.000	342.173	--	4.472.827	--	--	30.480.000
Zeytinburnu Land (**)	183.458.314	31.748.374	--	--	--	(215.206.688)	--
	<b>991.438.071</b>	<b>659.924.936</b>	<b>--</b>	<b>209.082.903</b>	<b>--</b>	<b>(344.641.480)</b>	<b>1.515.804.430</b>
<b>Total</b>	<b>2.584.039.110</b>	<b>661.476.804</b>	<b>(46.610.835)</b>	<b>442.016.857</b>	<b>(84.569)</b>	<b>(349.208.678)</b>	<b>3.291.628.689</b>

(\*) The company has started the project of Kartal Manzara Adalar in December 2014. Within the project sales agreements was signed as of 31 December 2015 for total of 453 real estate. The part of held for sales reclassified as a stock.

(\*\*) According to the Board of Directors resolution dated 9 October 2013, the Company decided to jointly purchase the plot total 130.024,5 m<sup>2</sup> area in Istanbul, Zeytinburnu District (former Topkapı Şişecam factory) with Timur Gayrimenkul Geliştirme Yapı ve Yatırım Anonim Şirketi ("NEF") with an amount of TL 320.000.000 excluding VAT, from Türkiye Şişe ve Cam Fabrikaları Anonim Şirketi and Anadolu Cam Sanayi Anonim Şirketi in order to develop a project with NEF. 75% and 25% of the plot would be purchased on behalf of the Company and NEF, respectively. However, on 7 August 2014, the Board of Directors decided to sell a 25% share of the company's ownership to NEF, on 19 September 2014 the transfer of land was completed and both the Company and NEF have equal ownership shares of 50%. The fair value of the land has been determined as the fair value as at 19 September 2014. In total, TL 29.412.642 of financing costs of the project were capitalized in 2015. Due to the fact that the aim of the project is selling, this property reclassified as stocks.

(\*\*\*) As of 31 December 2015 The Company has reclassified İstanbul İş Kuleleri Complex 10th and 11th floor as investment properties to tangible assets.

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	Opening Balance 1 January 2014	Purchases	Disposals	Fair value difference	Depreciation expense	Transfers	Closing Balance 31 December 2013
<b>Investment property under operating lease</b>							
Ankara İş Kule Building	100.000.000	9.464	--	7.290.536	--	--	107.300.000
Marmarapark	96.600.000	--	--	10.000.000	--	--	106.600.000
İstanbul İş Kuleleri Complex	532.147.531	409.657	(15.394)	47.982.785	--	--	580.524.579
İstanbul İş Kuleleri Complex 10 <sup>th</sup> and 11 <sup>th</sup> Floors (***)	4.754.218	7.440	--	--	(112.448)	--	4.649.210
İş Bankası Ankara Kızılay Building	24.271.000	--	--	5.229.000	--	--	29.500.000
İş Bankası Ankara Merkez Building	25.500.000	5.252	--	6.084.748	--	--	31.590.000
İş Bankası Antalya Merkez Building	14.575.000	--	--	2.625.000	--	--	17.200.000
İş Bankası Güneşli Building	43.000.000	--	--	3.600.000	--	--	46.600.000
Kapadokya Lodge Hotel	19.000.000	150.566	--	2.354.434	--	--	21.505.000
Mallmarine Shopping Mall	9.187.000	--	--	955.650	--	--	10.142.650
Maslak Building	72.605.000	32.657	--	9.610.943	--	--	82.248.600
Real Hipermarket Building	79.500.000	--	--	1.500.000	--	--	81.000.000
Office Lamartine	41.000.000	3.777	--	3.291.223	--	--	44.295.000
Tuzla Çınarlı Bahçe Project	2.093.220	410.690	--	(257.910)	--	--	2.246.000
Tuzla Çınarlı Bahçe Project	6.797.028	4.272.312	--	--	--	(11.069.340)	--
Kanyon Shopping Mall	365.000.000	1.995.916	--	23.004.084	--	--	390.000.000
İş Bankası Sirkeci Building	32.000.000	--	--	5.200.000	--	--	37.200.000
	<b>1.468.029.997</b>	<b>7.297.731</b>	<b>(15.394)</b>	<b>128.470.493</b>	<b>(112.448)</b>	<b>(11.069.340)</b>	<b>1.592.601.039</b>
<b>Investment property under construction and other</b>							
İzmir Ege Perla Project	42.504.555	35.556.510	--	2.394.275	--	--	80.455.340
İstanbul Finans Merkezi Land	107.000.000	4.590.764	--	10.864.236	--	--	122.455.000
Kartal Project (*)	26.222.227	19.282.200	--	--	--	--	45.504.427
Kartal Project	40.935.500	777.254	--	9.780.736	--	--	51.493.490
Levent Land	1.174.655	44.208	--	2.587.637	--	--	3.806.500
Tuzla Karma Project	104.500.000	61.312.399	--	8.687.601	--	--	174.500.000
Tuzla Teknoloji ve Operasyon Merkezi Project	120.500.000	107.139.899	--	76.460.101	--	--	304.100.000
Üsküdar Land	23.258.500	327.058	--	2.079.442	--	--	25.665.000
Zeytinburnu Land (**)	251.898.309	21.066.018	(89.506.013)	--	--	--	183.458.314
	<b>717.993.746</b>	<b>250.096.310</b>	<b>(89.506.013)</b>	<b>112.854.028</b>	<b>--</b>	<b>--</b>	<b>991.438.071</b>
<b>Total</b>	<b>2.186.023.743</b>	<b>257.394.041</b>	<b>(89.521.407)</b>	<b>241.324.521</b>	<b>(112.448)</b>	<b>(11.069.340)</b>	<b>2.584.039.110</b>

(\*) The company has started the project of Kartal Manzara Adalar in December 2014. Within the project sales agreements was signed as of 31 December 2014 for total of 19 real estate.

(\*\*) According to the Board of Directors resolution dated 9 October 2013, the Company decided to jointly purchase the plot total 130.024,5 m<sup>2</sup> area in Istanbul, Zeytinburnu District (former Topkapı Şişecam factory) with Timur Gayrimenkul Geliştirme Yapı ve Yatırım Anonim Şirketi ("NEF") with an amount of TL 320.000.000 excluding VAT, from Türkiye Şişe ve Cam Fabrikaları Anonim Şirketi and Anadolu Cam Sanayi Anonim Şirketi in order to develop a project with NEF. 75% and 25% of the plot would be purchased on behalf of the Company and NEF, respectively. However, on 7 August 2014, the Board of Directors decided to sell a 25% share of the company's ownership to NEF, on 19 September 2014 the transfer of land was completed and both the Company and NEF have equal ownership shares of 50%. The fair value of the land has been determined as the fair value as at 19 September 2014. In total, TL 15.036.607 of financing costs of the project were capitalized in 2014.

(\*\*\*) As of 31 December 2014 the Company has reclassified İstanbul İş Kuleleri Complex 10th and 11th floor as investment properties to tangible assets.

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**11. Inventories**

<i>Short-term inventories</i>	<b>31 December 2015</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
<i>Completed residential units</i>			
İzmir Ege Perla (*)	174.215.106	--	--
Çınarlı Bahçe Tuzla residences (**)	--	4.245.222	4.090.123
	<b>174.215.106</b>	<b>4.245.222</b>	<b>4.090.123</b>
<i>Long-term inventories</i>	<b>31 December 2015</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
<i>Non-completed residential units</i>			
Kartal project (***)	129.434.792	--	--
Topkapı project (****)	215.206.688	--	--
İzmir Ege Perla (*)	--	63.128.870	31.439.900
	<b>344.641.480</b>	<b>63.128.870</b>	<b>31.439.900</b>

(\*) The Company has started the Ege Perla Izmir project registered in Izmir, Konak District on a plot total 18.392 m<sup>2</sup> area in the third quarter of 2012. Initial sales has started at October 2012. As of 31 December 2015 preliminary sales contracts have been signed for total 116 residences and the Company received advances amounting to TL 143.445.186 (31 December 2014: TL 111.279.222 and 31 December 2013: TL 92.713.675).

(\*\*) The Company has started the Çınarlı Bahçe Tuzla project registered in Istanbul, Tuzla District on a plot total 41.000 m<sup>2</sup> area in the last quarter of 2011. The project consists of 7 blocks with 476 residences, a grocery and a kindergarten, and pre-sales of project has started on October 2011. As of 31 December 2015, 474 residences have been completed and all of them delivered to customers.

(\*\*\*) The Company has started the Manzara Adalar project in Istanbul, Kartal, in December 2014. Sales agreements for 453 residences have been signed and advances have been received amounting to TL 109.293.653 as of 31 December 2015 (31 December 2014: 9.578.740).

(\*\*\*\*) The company has started the In Istanbul Project in İstanbul, Topkapı, in May 2015. As of 31 December 2015 preliminary sales contracts have been signed for total 1.558 residence and the company received advances amounting to TL 242.966.853. The company explains the given guarantees for loans that uses Zeytinburnu land in Note 14.

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### 12. Tangible assets

	Buildings (*)	Machinery and equipment	Vehicles	Fixtures	Total
<b>Cost</b>					
Opening balance as of 1 January 2015	--	85.950	269.977	2.329.409	2.685.336
Purchases	--	--	--	308.700	308.700
Disposals	--	--	237.530	--	237.530
Transfer	4.567.198	--	--	--	4.567.198
Fair value difference	21.731.787	--	--	--	21.731.787
<b>Closing balance as of 31 December 2014</b>	<b>26.298.985</b>	<b>85.950</b>	<b>32.447</b>	<b>2.638.109</b>	<b>29.055.491</b>
<b>Accumulated Depreciation</b>					
Opening balance as of 1 January 2015	--	85.950	243.715	1.402.274	1.731.939
Current year charge	137.894	--	24.058	361.694	523.646
Disposals	--	--	237.068	--	237.068
<b>Closing balance as of 31 December 2015</b>	<b>137.894</b>	<b>85.950</b>	<b>30.705</b>	<b>1.763.968</b>	<b>2.018.517</b>
<b>Net book value as of 1 January 2015</b>	<b>--</b>	<b>--</b>	<b>26.262</b>	<b>927.135</b>	<b>953.397</b>
<b>Net book value as of 31 December 2014</b>	<b>26.161.091</b>	<b>--</b>	<b>1.742</b>	<b>874.141</b>	<b>27.036.974</b>
<b>Cost</b>					
Opening balance as of 1 January 2014	--	85.950	269.977	2.219.596	2.575.523
Purchases	--	--	--	109.813	109.813
Disposals	--	--	--	--	--
<b>Closing balance as of 31 December 2014</b>	<b>--</b>	<b>85.950</b>	<b>269.977</b>	<b>2.329.409</b>	<b>2.685.336</b>
<b>Accumulated Depreciation</b>					
Opening balance as of 1 January 2014	--	85.950	206.847	1.054.590	1.347.387
Current year charge	--	--	36.868	347.684	384.552
Disposals	--	--	--	--	--
<b>Closing balance as of 31 December 2014</b>	<b>--</b>	<b>85.950</b>	<b>243.715</b>	<b>1.402.274</b>	<b>1.731.939</b>
<b>Net book value as of 1 January 2014</b>	<b>--</b>	<b>--</b>	<b>63.130</b>	<b>1.165.006</b>	<b>1.228.136</b>
<b>Net book value as of 31 December 2014</b>	<b>--</b>	<b>--</b>	<b>26.262</b>	<b>927.135</b>	<b>953.397</b>

(\*) As at 31 December 2015, 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 26.161.091. These areas get share from the mortgages amounting to USD 136 million and TL 185 million established in İş Kuleleri and Kule Çarşı (31 December 2014: None).

As at 31 December 2015, Company has tangible assets which is fully depreciated amounting to TL 10.924.292.

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**13. Intangible assets**

	<b>Computer Programs</b>	<b>Total</b>
<b>Cost</b>		
Opening balance as of 1 January 2015	1.904.517	1.904.517
Purchases	456.043	456.043
<b>Closing balance as of 31 December 2015</b>	<b>2.360.560</b>	<b>2.360.560</b>
<b>Accumulated Depreciation</b>		
Opening balance as of 1 January 2015	1.759.489	1.759.489
Current year charge	182.452	182.452
<b>Closing balance as of 31 December 2015</b>	<b>1.941.941</b>	<b>1.941.941</b>
<b>Net book value as of 1 January 2015</b>	<b>145.028</b>	<b>145.028</b>
<b>Net book value as of 31 December 2015</b>	<b>418.619</b>	<b>418.619</b>
<b>Cost</b>		
Opening balance as of 1 January 2014	1.742.015	1.742.015
Purchases	162.502	162.502
<b>Closing balance as of 31 December 2014</b>	<b>1.904.517</b>	<b>1.904.517</b>
<b>Accumulated Depreciation</b>		
Opening balance as of 1 January 2014	1.629.383	1.629.383
Current year charge	130.106	130.106
<b>Closing balance as of 31 December 2014</b>	<b>1.759.489</b>	<b>1.759.489</b>
<b>Net book value as of 1 January 2014</b>	<b>112.632</b>	<b>112.632</b>
<b>Net book value as of 31 December 2014</b>	<b>145.028</b>	<b>145.028</b>

As at 31 December 2015 and 31 December 2014, Company has no intangible assets which is capitalized in the business area.

As at 31 December 2015, Company has intangible assets which is fully depreciated amounting to TL 1.519.866.



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

	31 December 2015	31 December 2014	31 December 2013
Provisions	53.732	41.096	41.551
	<b>53.732</b>	<b>41.096</b>	<b>41.551</b>

	31 December 2015	31 December 2014	31 December 2013
Letters of guarantee received (*)	264.143.109	180.342.934	165.146.173
	<b>264.143.109</b>	<b>180.342.934</b>	<b>165.146.173</b>

(\*) 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 31 December 2015, 31 December 2014, 31 December 2013 are as follows:

	31 December 2015	31 December 2014	31 December 2013
A. CPM given for companies own legal personality (*)	920.677.358	630.807.732	710.318.855
B. CPM given in behalf of fully consolidated companies	--	--	--
C. CPM given for continuation of its economic activities on behalf of third parties (**)	19.347.069	18.974.266	18.857.366
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>940.024.427</b>	<b>649.781.998</b>	<b>729.176.221</b>

(\*) CPM given for the Company's own legal personality consists of letters of guarantee amounting to TL 14.956.958 and pledge amounting to USD 161.500.000 and TL 435.000.000. As of 31 December 2015, the investment properties are pledged in favour of İş Bankası amounting to USD 161.500.000 and TL 250.000.000. As of 31 December 2013, the Company has 1<sup>st</sup> degree mortgage on its investment properties held amounting to USD 161.500.000 in favour of Türkiye İş Bankası. The Company received a counter guarantee amounting to USD 160 million from Türkiye İş Bankası to constitute financing guaranty provided. In this context, 1<sup>st</sup> degree mortgage was constituted in favour of İş Bankası from investment properties portfolio of the Company, İş Bankası Ankara Kızılay Building amounting to USD 11.000.000, İş Bankası Sirkeci Building amounting to USD 14.500.000, Kule-2 and Kule Çarşı amounting to USD 136.000.000 as 1<sup>st</sup> degree mortgage, Kule-2 and Kule Çarşı amounting to TL 185.000.000 as 2<sup>nd</sup> degree mortgage.

The Company borrowed a four-year loan of TL 180.000.000 from İş Bankası in order to finance the purchase of Zeytinburnu Land. As a security to the loan, a first-degree collateral of TL 250.000.000 on the land purchased has been granted to İş Bankası.

However, 25% of the Land, whose ownership is shared between the Company and Timur Gayrimenkul Geliştirme Yapı ve Yatırım Anonim Şirketi (Timur Gayrimenkul-NEF) in the rates of 75% and 25% respectively, has been sold to Timur Gayrimenkul Geliştirme Yapı ve Yatırım Anonim Şirketi on 19 September 2014. Following the sales transaction, the ownership shares of the Company and Timur Gayrimenkul has become 50%-50%. As of 31 December 2015, TL 100.000.000 of the loan borrowed for the Land has been repaid and the balance payable decreased to TL 80.000.000.

(\*\*) 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 31 December 2015, the ratio of CPM given by the Company to the Company's shareholders' equity is 0,69% (31 December 2014: 0,84 % and 31 December 2013: 0,96 %).

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### 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 31 December 2015, 31 December 2014 and 31 December 2013 are as follows:

	31 December 2015	31 December 2014	31 December 2013
Less than 1 year	194.764.874	60.915.270	106.288.144
Between 1-5 years	517.139.988	76.892.296	223.500.647
More than 5 years	2.060.174.946	12.580.450	607.360.641
	<b>2.772.079.808</b>	<b>150.388.016</b>	<b>937.149.432</b>

### 15. Provision for employee benefits

	31 December 2015	31 December 2014	31 December 2013
Unused vacation provisions	232.898	208.918	169.376
	<b>232.898</b>	<b>208.918</b>	<b>169.376</b>

	31 December 2015	31 December 2014	31 December 2013
Severance pay indemnity	973.127	831.795	806.852
	<b>973.127</b>	<b>831.795</b>	<b>806.852</b>

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

The amount payable consists of one month's salary limited to a maximum of TL 3.828,37 for each period of service as of 31 December 2015 (31 December 2014: TL 3.438,22 and 31 December 2013: TL 3.254,44).

TAS 19- Employee Benefits requires the development of actuarial methods for the determination of the retirement pay liability. For the year ended 31 December 2015, the Company recognizes all of its actuarial gains and losses under actuarial gains or losses in defined benefit plans which is under other comprehensive income non-reclassifiable in the profit or loss which is under equity. Actuarial assumptions used to calculate the total liability is given below:

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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 31 December 2015, 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 6,5% and a discount rate of 10,80%, resulting in a real discount rate of approximately 4,38% (31 December 2014: 5% inflation rate, 8% discount rate, 2,86% real discount rate). The anticipated rate of for features is considered. As the maximum liability is revised semi-annually, the maximum amount of TL 3.828, 37 effective from 31 December 2015 has been taken into consideration in calculation of provision from employment termination benefits.

	1 January- 31 December 2015	1 January- 31 December 2014
<b>Opening balance at 1 January</b>	<b>831.795</b>	<b>806.852</b>
Service cost	66.545	82.957
Interest cost	106.320	79.072
Payments	(31.533)	(137.086)
<b>Actuarial difference</b>	<b>973.127</b>	<b>831.795</b>

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

<i>Other current assets</i>	31 December 2015	31 December 2014	31 December 2013
Job advances <sup>(*)</sup>	40.838.289	50.912.867	78.347.608
Prepaid expenses <sup>(**)</sup>	2.726.811	1.429.508	1.308.234
	<b>43.565.100</b>	<b>52.342.375</b>	<b>79.655.842</b>

<sup>(\*)</sup> The Company signed an agreement with Nida İnşaat - A Yapı (joint venture) for the construction work of Ege Perla project located in Konak, İzmir. As of 31 December 2015, job advances paid to Nida İnşaat - A Yapı under the agreement terms are TL 1.189.636 (31 December 2014: TL 33.377.454, 31 December 2013: TL 46.759.698). The Company signed an agreement with Perspektif Yapı A.Ş. for the construction work of İstanbul Finans Merkezi project. As of 31 December 2015, job advances paid to Perspektif Yapı İnşaat San. ve Tic. A.Ş. under the agreement terms are TL 2.676.580 and job advances paid to Sera Yapı Endüstri ve Tic. A.Ş. under the agreement terms are TL 3.890.833 for Topkapı İnstanbul Project.

The Company signed an agreement with Ant Yapı A.Ş. for the construction work of Manzara Adalar project located in Kartal, İstanbul. As of 31 December 2015, job advances paid to Ant Yapı A.Ş. under the agreement terms are TL 17.661.783. The Company also paid job advances to Tecim Yapı Elemanları A.Ş. which is old owner of land under the revenue sharing agreement terms are TL 13.826.226 TL.

The Company signed an agreement with Koray İnşaat Sanayi ve Ticaret A.Ş. for the construction work of Tuzla Technology and Operation Center Project located in G22B17A1C, parcels 1 and 2. As of 31 December 2015 job advances paid to Koray İnşaat Sanayi ve Ticaret A.Ş. under the agreement terms are TL 62.421 (31 December 2014: TL 15.578.290 31 December 2013: TL 30.996.991).

<sup>(\*\*)</sup> As of 31 December 2015, prepaid expenses mainly consist of prepaid insurance expenses with related parties amounting TL 2.726.125 (31 December 2014: TL 2.221.512 and 31 December 2013: TL 1.303.314).

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<b>Other current assets</b>	<b>31 December 2015</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
Deferred VAT	92.522.546	16.365.646	9.675.983
Prepaid taxes and dues payable	14.748	16.252	128.238
	<b>92.537.294</b>	<b>16.381.898</b>	<b>9.804.221</b>

<b>Other short-term liabilities</b>	<b>31 December 2015</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
Taxes and funds payable	8.945.543	1.953.993	1.960.114
Payable Social Security cuts	144.365	114.174	--
Fees accrued expenses related to housing and land	--	--	993.229
	<b>9.089.908</b>	<b>2.068.167</b>	<b>2.953.343</b>

<b>Deferred revenue (Short-term)</b>	<b>31 December 2015</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
Advances received (*)	143.445.186	921.805	697.593
Deferred revenue (***)	15.952.389	734.017	361.574
Short-term deferred revenue to related (Note 24)	662.670	53.057	53.056
	<b>160.060.245</b>	<b>1.708.879</b>	<b>1.112.223</b>

<b>Deferred revenue (Long-term)</b>	<b>31 December 2015</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
Deferred revenue (**)	352.500.640	120.857.962	94.584.024
Advances received (***)	3.376.201	3.267.486	3.707.335
	<b>355.876.841</b>	<b>124.125.448</b>	<b>98.291.359</b>

(\*) Advances received consist of advances for sales related with Ege Perla Project. (Note 11).

(\*\*) TL 242.966.653 part of the balance is comprises of the advances received from the sales of Topkapı Project and TL 109.293.653 from Kartal Manzara Adalar Project. (Note 11)

(\*\*\*) TL 3.376.201 part of the balance is comprises of the rent payments collected from Real Hipermarketler Zinciri A.Ş. as contribution to project. TL 15.203.881 part of the balance is Ege Perla Project amounts which are invoiced but not yet delivered.

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## 17. Shareholders' equity

### Share capital

The composition of the paid-in share capital as of 31 December 2015, 31 December 2014 and 31 December 2013 is as follows:

	31 December 2015		31 December 2014		31 December 2013	
<b>İş Gayrimenkul Yat. Ort. A.Ş.</b>	<b>(%)</b>		<b>(%)</b>		<b>(%)</b>	
Türkiye İş Bankası A.Ş.	42,23	315.073.304	42,23	287.366.592	42,23	266.080.192
Anadolu Hayat Emeklilik A.Ş.	7,11	53.028.605	7,11	48.365.504	7,11	44.782.874
Other	50,66	377.898.091	50,66	344.667.904	50,66	319.136.934
<b>Historic share capital</b>	<b>100</b>	<b>746.000.000</b>	<b>100</b>	<b>680.400.000</b>	<b>100</b>	<b>630.000.000</b>

At the Annual General Meeting on 23 March 2015 the Company's capital of TL 746.000.000 has been decided to be removed by increasing the total amount to be covered from the profit of TL 65.600.000 in 2014. Related capital increase decision, approved by the Capital Markets Board on 2 June 2015, has been registered by Istanbul Trade Registry Office.

The total number of ordinary shares consists of 746.000.000 (31 December 2014: 680.400.000 and 31 December 2013: TL 630.000.000) shares with a par value of TL 1 per share. All of the shares are issued to name and TL 1.065.714 (31 December 2014: TL 972.000) of the total amount is Group A and TL 744.934.286 31 December 2014: TL 679.428.000 and 31 December 2013: 900.000 TL) 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.

### Adjustment to share capital

Adjustment to share capital amount is TL 240.146.090 as of 31 December 2015, 31 December 2014 and 31 December 2013. 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 31 December 2015, 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 (31 December 2014: TL 423.981 and 31 December 2013: TL 423.981).

### Restricted reserves

	31 December 2015	31 December 2015	31 December 2015
Legal reserves	28.240.772	24.677.855	19.712.142
	<b>28.240.772</b>	<b>24.677.855</b>	<b>19.712.142</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

	31 December 2015	31 December 2014	31 December 2013
Prior years' profits	1.197.948.571	986.306.395	825.272.646
	<b>1.197.948.571</b>	<b>986.306.395</b>	<b>825.272.646</b>

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**Dividend distribution**

The Annual General Meeting that held on 23 March 2015, the amounting TL 47.628.000 from extraordinary reserves has been committed to be distributed on a cash basis, and dividend of shares traded on BIST has been distributed on 25 March 2015, the other dividend of shares that are not traded on Istanbul Stock Exchange has been distributed on 27 March 2015.

In the Ordinary General Shareholders' Meeting held on 23 March 2015, the distribution of 2014 net profit was determined as follows:

	<b>Amount</b>
First legal reserve (TCC 466/1) 5%	3.562.917
Dividend	--
Second legal reserve (TCC 466/2)	--
Capital increase through bonus issues (*)	65.600.000
Transferred to prior years' profits	17.608.850
<b>Reported (Note 2.2.1)</b>	<b>86.771.767</b>

**18. Revenue and cost of revenue**

	<b>1 January- 31 December 2015</b>	<b>1 January- 31 December 2014</b>
Income from sales of real estate	125.203.461	105.488.187
Income from sales of investment property	69.500.000	93.669.391
Rent income	13.496.328	10.871.897
Income from right of construction	4.731.900	13.184.050
Tenant contribution and service income	908.962	888.125
Other revenue	92.353	114.917
<b>Total real estate revenues</b>	<b>213.933.004</b>	<b>224.216.567</b>
Interest income on bank deposits	3.577.398	4.748.794
Gain on buy/sell of marketable securities	3.217.639	3.247.061
Interest income from government bonds, treasury bills and private sector bonds	1.245.795	1.841.523
Interest income from reverse repos	38.263	24.585
<b>Total debt instruments revenue</b>	<b>8.079.095</b>	<b>9.861.963</b>
<b>Total revenue</b>	<b>222.012.099</b>	<b>234.078.530</b>

	<b>1 January- 31 December 2015</b>	<b>1 January- 31 December 2014</b>
Cost of sales of investment property	(33.538.681)	(89.506.013)
Administrative expenses	(14.803.023)	(13.401.834)
Taxes and dues	(5.959.029)	(4.522.236)
Cost of sales of real estate	(4.349.735)	(9.060.987)
Insurance expenses	(2.065.056)	(1.973.837)
Other	(1.375.954)	(871.162)
	<b>(62.091.478)</b>	<b>(119.336.069)</b>

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### 19. Marketing, sales and distribution expenses/Administrative expenses

	1 January- 31 December 2015	1 January- 31 December 2014
<b>Marketing, sales and distribution expenses</b>		
Advertising expenses	18.863.415	3.152.464
Consultancy expenses	1.005.897	168.106
Office expenses	452.850	75.680
Other	979.590	163.710
	<b>21.301.752</b>	<b>3.559.960</b>
<b>General administrative expenses</b>		
Personnel expenses	7.734.162	7.266.917
Outsourced service expenses	5.441.325	5.109.241
Taxes and duties	1.092.984	1.344.162
Depreciation and amortization	706.098	514.658
Other	220.565	381.849
	<b>15.195.134</b>	<b>14.616.827</b>

### 20. Expenses by nature

	1 January- 31 December 2015	1 January- 31 December 2014
<b>Personnel expenses</b>		
General administrative expenses	7.734.162	7.266.917
	<b>7.734.162</b>	<b>7.266.917</b>
<b>Depreciation and amortization</b>		
General administrative expenses	706.098	514.658
	<b>706.098</b>	<b>514.658</b>

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### 21. Other operating income/expense

	1 January- 31 December 2015	1 January- 31 December 2014
<b>Other Operating Income</b>		
Revaluation income of investment property	442.016.857	241.582.431
Foreign exchange gains	42.514.729	25.514.596
Other	1.465.215	547.648
	<b>485.996.801</b>	<b>267.644.675</b>

	1 January- 31 December 2015	1 January- 31 December 2014
<b>Other Operating Expense</b>		
Foreign exchange losses	(17.210.075)	(30.751.383)
Revaluation expense of investment property	--	(257.910)
	<b>(17.210.075)</b>	<b>(31.009.293)</b>

### 22. Finance income/expense

	1 January- 31 December 2015	1 January- 31 December 2014
<b>Finance expenses</b>		
Foreign exchange losses	(38.039.781)	(2.356.705)
Interest expense on loans and borrowings	(1.710.293)	(1.951.042)
Other interest expense	(9.331)	(1.029.813)
Derivative losses	--	(258.721)
	<b>(39.759.405)</b>	<b>(5.596.281)</b>

	1 January- 31 December 2015	1 January- 31 December 2014
<b>Finance income</b>		
Dividend income	500.000	--
Derivative gains	2.989.650	--
	<b>3.489.650</b>	<b>--</b>



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### 23. Earnings per share

	1 January- 31 December 2015	1 January- 31 December 2014
Number of shares in circulation during the period	68.040.000.000	630.000.000.000
Bonus shares	6.560.000.000	5.040.000.000
Number of shares in circulation as of 31 December	<b>74.600.000.000</b>	<b>68.040.000.000</b>
Weighted average number of shares in circulation <sup>(*)</sup>	74.600.000.000	74.600.000.000
Net profit for the period	555.932.867	328.433.093
<b>Earnings per share</b>	<b>0,0075</b>	<b>0,0044</b>
<b>Diluted earnings per share</b>	<b>0,0075</b>	<b>0,0044</b>

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

As of 31 December 2015 capital of the Company consists of 74.600.000.000 shares that are valued 1 cent for each one.

### 24. Related party disclosures

Related parties of the Company are direct or indirect subsidiaries of İş Bankası and the directors 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	31 December 2015	31 December 2014	31 December 2013
Demand deposits	1.445.587	12.581	693.059
Time deposits	92.200.051	68.741.576	74.024.676
Receivables from reverse repo transactions	8.309	14.778	18.886
	<b>93.653.947</b>	<b>68.768.935</b>	<b>74.736.621</b>

The Company has letters of guarantee amounting TL 14.956.957 (31 December 2014: TL 6.305.382, 31 December 2013: TL 377.205 and USD 54.000.000) from İş Bankası. In addition, 1<sup>st</sup> degree mortgage is instituted by the Company in favour İş Bankası amounting to TL 435.000.000 and USD 161.500.000 on some investment properties.

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As of 31 December 2015 and 2014, the Company has mutual funds, established by İş Yatırım Menkul Değerler A.Ş., İş Bankası and İş Portföy Yönetimi A.Ş.

	<b>31 December 2015</b>			
	<b>Short Term Trade Receivable</b>	<b>Short Term Prepaid Expenses</b>	<b>Short Term Trade Payable</b>	<b>Deferred Income</b>
<b>Balances with related parties</b>				
Anadolu Anonim Türk Sigorta A.Ş.	415	2.726.125	1.292.465	--
Anadolu Cam Sanayii A.Ş.	--	--	--	28.142
Anadolu Hayat Emeklilik A.Ş.	--	--	--	44.811
Avea İletişim Hizmetleri A.Ş.	49.345	--	45.638	59.330
Camiş Madencilik A.Ş.	--	--	--	9.389
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	--	--	--	3.634
İş Merkezleri Yönetim ve İşletim A.Ş.	32.237	--	54.005	10.055
İş Net Elektronik Hizmetler A.Ş.	--	--	2.862	--
İş Portföy Yönetimi A.Ş.	--	--	44.291	--
İş Yatırım Menkul Değerler A.Ş.	--	--	--	36.701
İş Finansal Kiralama A.Ş.	--	--	--	--
Kanyon Yönetim İşl. Paz. Ltd. Şti.	510.873	--	1.069.954	228.595
Paşabahçe Cam San. ve Tic. A.Ş.	--	--	--	67.621
Paşabahçe Mağazaları A.Ş.	--	--	--	2.126
Soda Sanayii A.Ş.	--	--	--	22.049
Şişecam Dış Ticaret A.Ş.	--	--	--	4.963
Şişecam Enerji A.Ş.	12.003	--	7.424	1.398
Şişecam Sigorta Hizmetleri A.Ş.	--	--	--	2.585
T İş Bankası A.Ş.	22.188	--	--	--
Trakya Cam Sanayii A.Ş.	48.827	--	--	37.531
Türkiye Şişe ve Cam Fabrikaları A.Ş.	163.217	--	--	103.740
Payables to shareholders (dividend)	--	--	391	--
Other	--	--	179.017	--
	<b>839.105</b>	<b>2.726.125</b>	<b>2.696.047</b>	<b>662.670</b>

	<b>31 December 2015</b>	
	<b>Loans and borrowings</b>	
<b>Balances with related parties</b>	<b>Short Term</b>	<b>Long Term</b>
T. İş Bankası A.Ş.	107.653.358	375.591.597
<b>Transactions with related parties</b>	<b>Interest expense on loans</b>	<b>Capitalized interest expense</b>
T. İş Bankası A.Ş.	1.705.595	40.087.872

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	31 December 2015	
	Financial leasing	
<i>Balances with related parties</i>	Short Term	Long Term
T. İş Bankası A.Ş.	11.360.254	10.126.764

	31 December 2014			
	Short Term Trade Receivables	Short Term Prepaid Expenses	Short Term Trade payables	Deferred Income
<i>Balances with related parties</i>				
Anadolu Anonim Türk Sigorta A.Ş.	48	1.429.508	760.730	--
Anadolu Cam Sanayii A.Ş.	--	--	--	33.388
Anadolu Hayat Emeklilik A.Ş.	--	--	--	47.857
Avea İletişim Hizmetleri A.Ş.	3.525	--	38.980	47.966
Camiş Madencilik A.Ş.	--	--	--	10.241
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	--	--	--	3.880
İş Merkezleri Yönetim ve İşletim A.Ş.	928.563	--	146.595	10.739
İş Net Elektronik Hizmetler A.Ş.	--	--	2.360	--
İş Portföy Yönetimi A.Ş.	--	--	65.771	--
İş Yatırım Menkul Değerler A.Ş.	--	--	--	32.431
İş Finansal Kiralama A.Ş.	--	792.004	--	--
Kanyon Yönetim İşl. Paz. Ltd. Şti.	--	--	1.554.531	288.145
Paşabahçe Cam San. ve Tic. A.Ş.	407	--	--	64.297
Paşabahçe Mağazaları A.Ş.	--	--	--	2.270
Soda Sanayii A.Ş.	--	--	8.433	26.002
Şişecam Dış Ticaret A.Ş.	--	--	--	5.300
Şişecam Sigorta Hizmetleri A.Ş.	--	--	--	2.761
T İş Bankası A.Ş.	7.005	--	--	4.452
Trakya Cam Sanayii A.Ş.	36.659	--	--	39.042
Türkiye Şişe ve Cam Fabrikaları A.Ş.	--	--	--	115.246
Payables to shareholders	--	--	304	--
Other	--	--	139.888	--
	<b>976.207</b>	<b>2.221.512</b>	<b>2.717.592</b>	<b>734.017</b>

	31 December 2014	
	Loans and borrowings	
<i>Balances with related parties</i>	Short Term	Long Term
T. İş Bankası A.Ş.	57.154.238	215.116.120
<i>Transactions with related parties</i>	Interest expense on loans	Capitalized interest expense
T. İş Bankası A.Ş.	1.946.891	19.407.020

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As of 31 December 2015, the Company entered into an interest option derivative transaction with İş Bankası and TL 14.811 (31 December 2014: TL 41.674 and 31 December 2013: TL 300.392) accrual of this derivative transaction is recognized in the Company's statement of financial position and also TL 2.989.650 derivative trading gains (31 December 2014: TL 258.721 derivative trading loss) is recognized in the Company's profit or loss for this transaction.

In addition, the Company paid commission amounting to USD 210.000 (31 December 2014: USD 210.000) +BITT to İş Bankası for the letter of guarantees amounting to USD 54.000.000.

	<b>31 December 2013</b>			
	<b>Trade Receivables</b>	<b>Prepaid Expenses</b>	<b>Trade Payables</b>	<b>Deferred Incomes</b>
	<b>Short Term</b>	<b>Short Term</b>	<b>Short Term</b>	<b>Short Term</b>
<b>Balances with related parties</b>				
Kanyon Yönetim İşl. Paz. Ltd. Şti.	--	--	1.343.585	1.743
Türkiye Şişe ve Cam Fab. A.Ş.	--	--	192.999	87.017
Paşabahçe Cam San. ve Tic. A.Ş.	--	--	784	56.833
Anadolu Hayat Emeklilik A.Ş.	--	--	--	33.841
Anadolu Anonim Türk Sigorta A.Ş.	11.678	1.303.314	840.737	
Avea İletişim Hizmetleri A.Ş.	--	--	53.932	40.066
Trakya Cam Sanayii A.Ş.	--	--	--	34.510
Anadolu Hayat Emeklilik A.Ş.	--	--	--	--
İş Yatırım Menkul Değerler A.Ş.	--	--	--	28.667
Anadolu Cam Sanayii A.Ş.	--	--	4.270.447	25.270
Soda Sanayii A.Ş.	--	--	--	22.983
Camiş Madencilik A.Ş.	--	--	--	9.052
İş Merkezleri Yönetim ve İşletim A.Ş.	--	--	344.285	9.491
Paşabahçe Mağazaları A.Ş.	--	--	2.768	2.007
Şişecam Sigorta Hizmetleri A.Ş.	--	--	--	1.881
T. İş Bankası A.Ş.	--	--	5	4.779
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	--	--	--	3.434
İş Net Elektronik Hizmetler A.Ş.	--	--	2.360	--
Softtech Yazılım Teknolojileri A.Ş.	--	--	15.140	--
Payables to shareholders	--	--	192	--
Other	--	--	140.226	--
	<b>11.678</b>	<b>1.303.314</b>	<b>7.207.460</b>	<b>361.574</b>

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Transactions with related parties	1 January - 31 December 2015				
	Purchases (*)	Interest received	Rent income	Other income	Other expense
Anadolu Anonim Türk Sigorta A.Ş.	2.266.427	--	--	--	--
Anadolu Cam Sanayi A.Ş.	--	--	2.007.254	42.769	--
Anadolu Hayat Emeklilik A.Ş.	192.890	--	3.890.118	62.794	--
Avea İletişim Hizmetleri A.Ş.	77.926	--	95.369	--	--
Camiş Madencilik A.Ş.	--	--	699.020	13.370	--
İş Finansal Kiralama A.Ş.	--	--	14.838	--	--
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	--	--	411.274	5.091	--
İş Merkezleri Yönetim ve İşletim A.Ş.	1.899.893	--	2.463.216	14.091	--
İş Net Elektronik Hizmetler A.Ş.	223.379	--	14.388	--	81.260
İş Portföy Yönetimi A.Ş.	--	--	43.071	--	97.105
İş Yatırım Menkul Değerler A.Ş.	--	302.390	4.254.532	44.665	3.741
Paşabahçe Cam San. ve Tic. A.Ş.	--	--	4.648.234	86.838	--
Paşabahçe Mağazacılık A.Ş.	552	--	679.724	2.979	5.740
Soda Sanayi A.Ş.	--	--	1.722.701	33.351	--
Softtech Yazılım Teknolojileri A.Ş.	--	--	334.150	--	66.624
Şişecam Dış Ticaret A.Ş.	--	--	481.836	6.954	--
Şişecam Enerji A.Ş.	82.624	--	40.844	311	--
Şişecam Sigorta Hizmetleri A.Ş.	--	--	251.027	3.623	--
T. Şişe ve Cam Fabrikaları A.Ş.	--	--	8.444.909	149.826	--
Trakya Cam Sanayi A.Ş.	--	--	2.714.320	51.553	--
Türkiye İş Bankası A.Ş.	--	3.615.661	25.447.833	4.452	12.076
	<b>4.743.691</b>	<b>3.918.051</b>	<b>58.658.658</b>	<b>522.667</b>	<b>266.546</b>

(\*) Anadolu Anonim Türk Sigorta A.Ş. balance is related to the insurance of investment properties. İş Merkezleri Yönetim ve İşletim A.Ş. balances are related to operational charges related to İş Kule Building and Mallmarine Shopping Centre, which are the Company's investment properties.

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Transactions with related parties	1 January - 31 December 2014				
	Purchases (*)	Interest received	Rent income	Other income	Other expense
Anadolu Anonim Türk Sigorta A.Ş.	2.180.518	-	-	89.001	-
Anadolu Cam Sanayi A.Ş.	-	-	2.058.972	40.641	-
Anadolu Hayat Emeklilik A.Ş.	179.078	-	3.526.715	49.793	-
Avea İletişim Hizmetleri A.Ş.	53.505	-	64.262	-	-
Camiş Madencilik A.Ş.	-	-	603.180	12.465	-
İş Finansal Kiralama A.Ş.	-	6.160	780	-	-
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	-	-	374.641	4.723	-
İş Merkezleri Yönetim ve İşletim A.Ş.	1.992.639	-	2.352.848	13.072	-
İş Net Elektronik Hizmetler A.Ş.	11.174	-	11.127	-	76.420
İş Portföy Yönetimi A.Ş.	-	-	33.943	-	146.769
İş Yatırım Menkul Değerler A.Ş.	-	-	4.020.024	39.477	7.329
Paşabahçe Cam San. ve Tic. A.Ş.	-	-	3.792.471	78.266	-
Paşabahçe Mağazacılık A.Ş.	1.468	-	628.642	2.763	2.971
Soda Sanayi A.Ş.	46.104	-	1.530.284	31.650	-
Softtech Yazılım Teknolojileri A.Ş.	-	-	-	-	124.437
Şişecam Dış Ticaret A.Ş.	-	-	415.272	6.451	-
Şişecam Sigorta Hizmetleri A.Ş.	-	-	226.483	5.247	-
T. Şişe ve Cam Fabrikaları A.Ş.	-	-	7.266.321	138.397	-
Trakya Cam Sanayi A.Ş.	-	-	2.299.429	47.524	-
Türkiye İş Bankası A.Ş.	-	4.773.371	19.881.989	6.263	13.590
	<b>4.464.486</b>	<b>4.779.531</b>	<b>49.087.383</b>	<b>518.455</b>	<b>371.516</b>

(\*) Anadolu Anonim Türk Sigorta A.Ş. balance is related to the insurance of investment properties. İş Merkezleri Yönetim ve İşletim A.Ş. balances are related to operational charges related to İş Kule Building and Mallmarine Shopping Centre, which are the Company's investment properties.

As of 31 December 2015, TL 16.119.461 part of TRSISGY41617 ISIN coded bond which is issued in par value TL 100.000.000 and TL 17.037.028 TRSISGY71614 ISIN coded bond which is issued in par value TL 100.000.000 are in related parties and breakdowns are below:

Transactions with related parties	1 January-31 December 2015	
	TRSISGY41617	TRSISGY71614
Anadolu Anonim Türk Sigorta A.Ş.	6.549.496	8.230.294
Türkiye Sınai Kalkınma Bankası A.Ş.	3.274.748	--
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	2.615.679	--
İş Portföy Yönetimi A.Ş.	2.152.271	5.370.267
İş Yatırım Menkul Değerler A.Ş.	30.264	105.965
İş Yatırım Ortaklığı A.Ş.	1.431.415	3.250.966
T. İş Bankası A.Ş.	65.588	79.536
	<b>16.119.461</b>	<b>17.037.028</b>

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<i>Transactions with related parties</i>	31 December 2014	
	TRISIGY41617	TRISIGY71614
Anadolu Anonim Türk Sigorta A.Ş.	6.530.232	8.206.394
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	2.607.986	--
Milli Reasürans T.A.Ş.	1.632.558	--
İş Portföy Yönetimi A.Ş.	1.221.852	635.996
İş Yatırım Menkul Değerler A.Ş.	1.176.447	995.025
İş Yatırım Ortaklığı A.Ş.	646.863	2.564.498
T. İş Bankası A.Ş.	65.395	79.305
	<b>13.881.333</b>	<b>12.481.218</b>

*Benefits provided to key management personnel:*

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

	1 January- 31 December 2015	1 January- 31 December 2014
Salaries and other short term benefits	3.668.954	3.288.174
Employee termination benefits	439.951	363.633
	<b>4.108.905</b>	<b>3.651.807</b>

**25. 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.

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**b.1) Credit risk management**

Exposure to maximum credit risk as of reporting date	Receivables							
	Trade receivables		Other Receivables		Bank deposits	Financial investments	Derivative instruments	Other (***)
	Related parties	Other parties	Related parties	Other parties				
<b>31 December 2015</b>								
<b>Maximum net credit risk as of the reporting date (A+B+C+D) (*)</b>	<b>839.105</b>	<b>20.981.670</b>	<b>--</b>	<b>3.814.131</b>	<b>93.645.638</b>	<b>--</b>	<b>14.811</b>	<b>30.262.487</b>
- The part of maximum risk under guarantee with collateral etc. (**)	--	907.471	--	--	--	--	--	--
A. Net book value of financial assets that are neither past due nor impaired	839.105	20.981.670	--	3.814.131	93.645.638	--	14.811	30.262.487
B. Net book value of financial assets which are overdue but not impaired	--	807.167	--	--	--	--	--	--
C. Net book value of impaired assets	--	--	--	--	--	--	--	--
- Past due (gross carrying amount)	--	755.147	--	--	--	--	--	--
- Impairment (-)	--	(755.147)	--	--	--	--	--	--
- 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	--	--	--	--	--	--	--	--

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

(\*\*) Collaterals consist of notes, cheques and mortgages.

(\*\*\*) 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.



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Exposure to maximum credit risk as of reporting date	Receivables							
	Trade receivables		Other Receivables		Bank deposits	Financial investments	Derivative instruments	Other (***)
	Related parties	Other parties	Related parties	Other parties				
<b>31 December 2014</b>								
<b>Maximum net credit risk as of the reporting date (A+B+C+D) (*)</b>	<b>976.207</b>	<b>46.041.014</b>	<b>-</b>	<b>5.191</b>	<b>68.754.157</b>	<b>15.126.664</b>	<b>41.674</b>	<b>55.155.120</b>
- The part of maximum risk under guarantee with collateral etc. (**)	-	749.404	-	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	976.207	45.640.456	-	5.191	68.754.157	15.126.664	41.674	55.155.120
B. Net book value of financial assets which are overdue but not impaired	-	400.558	-	-	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-	-	-	-
- Past due (gross carrying amount)	-	719.857	-	-	-	-	-	-
- Impairment (-)	-	(719.857)	-	-	-	-	-	-
- 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	-	-	-	-	-	-	-	-

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

(\*\*) Collaterals consist of notes, cheques and mortgages.

(\*\*\*) 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.

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Exposure to maximum credit risk as of reporting date	Receivables							
	Trade receivables		Other Receivables		Bank deposits	Financial investments	Derivative instruments	Other (***)
	Related parties	Other parties	Related parties	Other parties				
<b>31 December 2013</b>								
<b>Maximum net credit risk as of the reporting date (A+B+C+D) (*)</b>	<b>11.678</b>	<b>51.295.468</b>	<b>-</b>	<b>10.814</b>	<b>74.717.735</b>	<b>3.252.090</b>	<b>300.392</b>	<b>26.325.388</b>
- The part of maximum risk under guarantee with collateral etc. (**)	-	5.622.416	-	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	11.678	50.936.809	-	10.814	74.717.735	3.252.090	300.392	26.325.388
B. Net book value of financial assets which are overdue but not impaired	-	358.939	-	-	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-	-	-	-
- Past due (gross carrying amount)	-	834.659	-	-	-	-	-	-
- Impairment (-)	-	(834.659)	-	-	-	-	-	-
- 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	-	-	-	-	-	-	-	-

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

(\*\*) Collaterals consist of notes, cheques and mortgages.

(\*\*\*) 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.

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.

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

31 December 2015	Receivables		Total
	Trade Receivables	Other Receivables	
Past due 1-30 days	448.448	--	448.448
Past due 1-3 months	161.140	--	161.140
Past due 3-12 months	183.213	--	183.213
Past due 1-5 years	14.366	--	14.366
<b>Total overdue receivables</b>	<b>807.167</b>	<b>--</b>	<b>807.167</b>
<b>Total collateralized portion</b>	<b>807.167</b>	<b>--</b>	<b>807.167</b>

31 December 2014	Receivables		Total
	Trade Receivables	Other Receivables	
Past due 1-30 days	279.408	--	279.408
Past due 1-3 months	93.984	--	93.984
Past due 3-12 months	27.166	--	27.166
Past due 1-5 years	--	--	--
<b>Total overdue receivables</b>	<b>400.558</b>	<b>--</b>	<b>400.558</b>
<b>Total collateralized portion</b>	<b>400.558</b>	<b>--</b>	<b>400.558</b>

31 December 2013	Receivables		Total
	Trade Receivables	Other Receivables	
Past due 1-30 days	271.227	-	271.227
Past due 1-3 months	74.878	-	74.878
Past due 3-12 months	6.984	-	6.984
Past due 1-5 years	5.850	-	5.850
<b>Total overdue receivables</b>	<b>358.939</b>	<b>-</b>	<b>358.939</b>
<b>Total collateralized portion</b>	<b>358.939</b>	<b>-</b>	<b>358.939</b>

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

*Collaterals that are past due but not impaired*

	31 December 2015		31 December 2014		31 December 2013	
	Nominal Value	Fair Value	Nominal Value	Fair Value	Nominal Value	Fair Value
Letters of guarantee	730.099	730.099	359.661	359.661	322.958	322.958
Letters of blockage	--	--	--	--	718	718
Cash collaterals	77.068	77.068	40.897	40.897	35.263	35.263
	<b>807.167</b>	<b>807.167</b>	<b>400.558</b>	<b>400.558</b>	<b>358.939</b>	<b>358.939</b>

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**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.

<b>31 December 2015</b>						
<b>Contractual maturities</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	689.103.115	858.864.084	--	347.593.360	366.369.248	144.901.476
Trade payables	60.226.775	60.226.775	60.226.775	--	--	--
Other payables	37.462.069	37.462.069	--	1.472.069	35.990.000	--
<b>Total liabilities</b>	<b>786.791.959</b>	<b>956.552.928</b>	<b>60.226.775</b>	<b>349.065.429</b>	<b>402.359.248</b>	<b>144.901.476</b>

<b>Contractual maturities</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>Derivative financial liabilities</b>						
Derivatives cash inflow	14.811	14.811	--	--	--	14.811
Derivatives cash outflow	(155.633)	(155.633)	--	--	--	(155.633)

<b>31 December 2014</b>						
<b>Contractual maturities</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	477.526.885	495.874.501	25.128.428	89.752.119	375.439.187	5.554.767
Trade payables	5.391.798	5.391.798	5.391.798	--	--	--
Other payables	36.473.232	36.473.232	--	483.232	35.990.000	--
<b>Total liabilities</b>	<b>519.391.915</b>	<b>537.739.531</b>	<b>30.520.226</b>	<b>90.235.351</b>	<b>411.429.187</b>	<b>5.554.767</b>

<b>Contractual maturities</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>Derivative financial liabilities</b>						
Derivatives cash inflow	41.674	42.627	--	--	--	42.627
Derivatives cash outflow	(155.633)	(155.633)	--	--	--	(155.633)

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31 December 2013						
Contractual maturities	Carrying Value	Total cash outflows according to contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
<b>Non derivative financial liabilities</b>						
Loans and borrowings	350.572.921	426.483.441	1.042.678	140.367.936	261.100.524	23.972.303
Trade payables	22.306.537	22.306.537	22.306.537	-	-	-
Other payables	36.433.458	36.433.458	-	443.458	35.990.000	-
<b>Total liabilities</b>	<b>409.312.916</b>	<b>485.223.436</b>	<b>23.349.215</b>	<b>140.811.394</b>	<b>297.090.524</b>	<b>23.972.303</b>

Contractual maturities	Carrying Value	Total cash outflows according to contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
<b>Derivative financial liabilities</b>						
Derivatives cash inflow	300.392	300.392	-	-	-	300.392
Derivatives cash outflow	(155.633)	(155.633)	-	-	-	(155.633)

### 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 31 December 2015, 31 December 2014 and 31 December 2013 are as follows:

	USD Dollar	Euro	GBP
31 December 2015	2,9076	3,1776	4,3007
31 December 2014	2,3189	2,8207	3,5961
31 December 2013	2,1343	2,9365	3,5114

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

<b>31 December 2015</b>				
	<b>TL Equivalent (Functional currency)</b>	<b>US Dollar</b>	<b>Euro</b>	<b>GBP</b>
1. Trade Receivables	--	--	--	--
2a. Monetary Financial Assets	80.206.386	27.582.540	1.149	870
2b. Non-Monetary Financial Assets	--	--	--	--
3. Other	--	--	--	--
<b>4. CURRENT ASSETS</b>	<b>80.206.386</b>	<b>27.582.540</b>	<b>1.149</b>	<b>870</b>
5. Trade Receivables	--	--	--	--
6a. Monetary Financial Assets	--	--	--	--
6b. Non-Monetary Financial Assets	--	--	--	--
7. Other	--	--	--	--
<b>8. NON CURRENT ASSETS</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>9. TOTAL ASSET</b>	<b>80.206.386</b>	<b>27.582.540</b>	<b>1.149</b>	<b>870</b>
10. Trade Payables	609.924	209.769	--	--
11. Financial Liabilities	35.763.790	9.648.485	2.426.314	--
12a. Other Monetary Liabilities	--	--	--	--
12b. Other Non-Monetary Liabilities	761.003	152.443	100.000	--
<b>13. SHORT TERM LIABILITIES</b>	<b>37.134.717</b>	<b>10.010.697</b>	<b>2.526.314</b>	<b>--</b>
14. Trade Payables	--	--	--	--
15. Financial Liabilities	210.409.782	61.764.707	9.700.000	--
16a. Other Monetary Liabilities	--	--	--	--
16b. Other Non-Monetary Liabilities	145.471.432	48.870.282	1.062.500	--
<b>17. LONG TERM LIABILITIES</b>	<b>355.881.214</b>	<b>110.634.989</b>	<b>10.762.500</b>	<b>--</b>
<b>18. TOTAL LIABILITIES</b>	<b>393.015.931</b>	<b>120.645.686</b>	<b>13.288.814</b>	<b>--</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	(312.809.545)	(93.063.146)	(13.287.665)	870
21. Net foreign currency asset/liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(166.577.110)	(44.040.421)	(12.125.165)	870
22. Fair Value of foreign currency hedged Financial asset	--	--	--	--
23. Hedged foreign currency assets	--	--	--	--
24. Hedged foreign currency liabilities	--	--	--	--

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	<b>TL Equivalent (Functional currency)</b>	<b>US Dollar</b>	<b>Euro</b>	<b>GBP</b>
1. Trade Receivables	--	--	--	--
2a. Monetary Financial Assets	23.568.473	9.741.165	346.937	300
2b. Non-Monetary Financial Assets	--	--	--	--
3. Other	40.341.259	17.396.723	--	--
<b>4. CURRENT ASSETS</b>	<b>63.909.732</b>	<b>27.137.888</b>	<b>346.937</b>	<b>300</b>
5. Trade Receivables	--	--	--	--
6a. Monetary Financial Assets	--	--	--	--
6b. Non-Monetary Financial Assets	--	--	--	--
7. Other	3.916.230	1.688.831	--	--
<b>8. NON CURRENT ASSETS</b>	<b>3.916.230</b>	<b>1.688.831</b>	<b>--</b>	<b>--</b>
<b>9. TOTAL ASSET</b>	<b>67.825.962</b>	<b>28.826.719</b>	<b>346.937</b>	<b>300</b>
10. Trade Payables	753.619	320.352	3.813	--
11. Financial Liabilities	7.893.331	452.362	2.426.472	--
12a. Other Monetary Liabilities	--	--	--	--
12b. Other Non-Monetary Liabilities	657.762	162.013	100.000	--
<b>13. SHORT TERM LIABILITIES</b>	<b>9.304.712</b>	<b>934.727</b>	<b>2.530.285</b>	<b>--</b>
14. Trade Payables	--	--	--	--
15. Financial Liabilities	144.297.695	47.477.988	12.125.000	--
16a. Other Monetary Liabilities	--	--	--	--
16b. Other Non-Monetary Liabilities	114.558.274	47.987.930	1.162.500	--
<b>17. LONG TERM LIABILITIES</b>	<b>258.855.969</b>	<b>95.465.918</b>	<b>13.287.500</b>	<b>--</b>
<b>18. TOTAL LIABILITIES</b>	<b>268.160.681</b>	<b>96.400.645</b>	<b>15.817.785</b>	<b>--</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	(200.334.719)	(67.573.926)	(15.470.848)	--
21. Net foreign currency asset/liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(129.376.172)	(38.509.537)	(14.208.348)	--
22. Fair Value of foreign currency hedged Financial assets	--	--	--	--
23. Hedged foreign currency assets	--	--	--	--
24. Hedged foreign currency liabilities	--	--	--	--

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<b>31 December 2013</b>			
	<b>TL Equivalent (Functional currency)</b>	<b>US Dollar</b>	<b>Euro</b>
1. Trade Receivables	--	--	--
2a. Monetary Financial Assets	50.626.824	19.858.024	2.807.371
2b. Non-Monetary Financial Assets	--	--	--
3. Other	57.642.174	27.057.919	-
<b>4. CURRENT ASSETS</b>	<b>108.268.998</b>	<b>46.915.943</b>	<b>2.807.371</b>
5. Trade Receivables	--	--	--
6a. Monetary Financial Assets	--	--	--
6b. Non-Monetary Financial Assets	--	--	--
7. Other	22.730.611	10.756.772	--
<b>8. NON CURRENT ASSETS</b>	<b>22.730.611</b>	<b>10.756.772</b>	<b>-</b>
<b>9. TOTAL ASSET</b>	<b>130.999.609</b>	<b>57.672.715</b>	<b>2.807.371</b>
10. Trade Payables	836.428	384.188	5.604
11. Financial Liabilities	114.316.008	50.224.895	2.425.000
12a. Other Monetary Liabilities	--	--	--
12b. Other Non-Monetary Liabilities	569.103	129.060	100.000
<b>13. SHORT TERM LIABILITIES</b>	<b>115.721.539</b>	<b>50.738.143</b>	<b>2.530.604</b>
14. Trade Payables	-	-	-
15. Financial Liabilities	56.137.913	6.283.952	14.550.000
16a. Other Monetary Liabilities	--	--	--
16b. Other Non-Monetary Liabilities	93.153.351	41.908.832	1.262.500
<b>17. LONG TERM LIABILITIES</b>	<b>149.291.264</b>	<b>48.192.784</b>	<b>15.812.500</b>
<b>18. TOTAL LIABILITIES</b>	<b>265.012.803</b>	<b>98.930.927</b>	<b>18.343.104</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	(134.013.194)	(41.258.213)	(15.535.733)
21. 21. Net foreign currency asset/liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(120.663.525)	(37.035.012)	(14.173.233)
22. Fair Value of foreign currency hedged Financial assets	--	--	--
23. Hedged foreign currency assets	--	--	--
24. Hedged foreign currency liabilities	--	--	--



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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>31 December 2015</b>		
	<b>Appreciation of foreign currency</b>	<b>Devaluation of foreign currency</b>
	<u>If US Dollar changes against TL by 10%</u>	
US Dollar net asset/liability	(12.805.193)	12.805.193
Portion hedged against US Dollar risk (-)	--	--
<b>US Dollar net effect</b>	<b>(12.805.193)</b>	<b>12.805.193</b>
	<u>If Euro changes against TL by 10%</u>	
Euro net asset/liability	(3.852.892)	3.852.892
Portion hedged against Euro risk (-)	--	--
<b>Euro net effect</b>	<b>(3.852.892)</b>	<b>3.852.892</b>
<b>31 December 2014</b>		
	<b>Appreciation of foreign currency</b>	<b>Devaluation of foreign currency</b>
	<u>If US Dollar changes against TL by 10%</u>	
US Dollar net asset/liability	(8.929.976)	8.929.976
Portion hedged against US Dollar risk (-)	--	--
<b>US Dollar net effect</b>	<b>(8.929.976)</b>	<b>8.929.976</b>
	<u>If Euro changes against TL by 10%</u>	
Euro net asset/liability	(4.007.749)	4.007.749
Portion hedged against Euro risk (-)	--	--
<b>Euro net effect</b>	<b>(4.007.749)</b>	<b>4.007.749</b>
<b>31 December 2013</b>		
	<b>Appreciation of foreign currency</b>	<b>Devaluation of foreign currency</b>
	<u>If US Dollar changes against TL by 10%</u>	
US Dollar net asset/liability	(7.904.383)	7.904.383
Portion hedged against US Dollar risk (-)	--	--
<b>US Dollar net effect</b>	<b>(7.904.383)</b>	<b>7.904.383</b>
	<u>If Euro changes against TL by 10%</u>	
Euro net asset/liability	(4.161.970)	4.161.970
Portion hedged against Euro risk (-)	--	--
<b>Euro net effect</b>	<b>(4.161.970)</b>	<b>4.161.970</b>

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**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.

As of 31 December 2015, the maturity of the Company's assets and liabilities for refinancing is in line with the maturity analysis provided in the liquidity risk management section stated above. Therefore, the notes to the financial statements do not include a separate interest rate risk table.

The government bonds classified as financial asset at fair value through profit or loss in the accompanying financial statements is subject to interest rate risk. 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 31 December 2014, the net profit would decrease by TL 122.923 and increase by TL 125.416, respectively (31 December 2013: TL 33.517 and increase by TL 34.226).

The 1% increase or decrease in TL interest rates for floating interest rate financial instruments of the Company would not affect the profit before tax with the assumption of other variables stay constant according to analyses of the Company as of 31 December 2015 (31 December 2014:None).

		<b>Interest rate position table</b>		
		<b>31 December 2015</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
<b>Fixed Rate Financial Instruments</b>				
	Financial assets classified at fair value through profit or loss	--	15.126.664	4.235.850
Financial assets	Time deposits at banks	92.200.051	68.741.576	74.024.676
	Receivables from reverse repo transactions	8.309	14.778	18.886
Financial Liabilities		258.558.400	120.079.333	180.119.001
<b>Floating Interest Rate Financial Instruments</b>				
Financial Liabilities		452.031.734	357.447.551	170.453.920

**b.3.3) Equity price risk**

The Company is also exposed to equity price risk arising from equity investments. As of 31 December 2015, if Equity Price Index of the BIST was 10% higher/lower and all other variables were held constant; the price changes in equity investments classified as financial assets at fair value without risk (31 December 2014: None and 31 December 2013: TL 98.376) on profit before tax.

**26. Fair value of financial instruments**

***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

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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.

<b>31 December 2015</b>	<b>Financial assets at amortized cost</b>	<b>Financial assets at fair value through profit or loss</b>	<b>Loans and receivables</b>	<b>Financial liabilities at amortized cost</b>	<b>Carrying value</b>	<b>Note</b>
<b><u>Financial Assets</u></b>						
Cash and cash equivalents	93.645.638	30.262.487	--	--	123.908.125	5
Financial investments	--	--	--	--	--	6
Trade receivables	--	--	20.981.670	--	20.981.670	8
Due from related parties	--	--	839.105	--	839.105	24
Other financial assets	--	--	3.814.131	--	3.814.131	9
<b><u>Financial Liabilities</u></b>						
Loans and borrowings	--	--	--	504.731.973	504.731.973	7
Loans and borrowings from related parties	--	--	--	205.858.160	205.858.160	24
Trade payables	--	--	--	57.530.728	57.530.728	8
Trade payables to related parties	--	--	--	2.696.047	2.696.047	24
Other payables	--	--	--	37.462.069	37.462.069	9
<b><u>31 December 2014</u></b>						
<b><u>Financial Assets</u></b>						
Cash and cash equivalents	68.754.157	55.155.120	--	--	123.909.277	5
Financial investments	--	15.126.664	--	--	15.126.664	6
Trade receivables	--	--	38.639.104	--	38.639.104	8
Due from related parties	--	--	976.207	--	976.207	24
Other financial assets	--	--	5.191	--	5.191	9
<b><u>Financial Liabilities</u></b>						
Loans and borrowings	--	--	--	262.410.765	262.410.765	7
Loans and borrowings from related parties	--	--	--	215.116.120	215.116.120	24
Trade payables	--	--	--	2.674.206	2.674.206	8
Trade payables to related parties	--	--	--	2.717.592	2.717.592	24
Other payables	--	--	--	36.473.232	36.473.232	9
<b><u>31 December 2013</u></b>						
<b><u>Financial Assets</u></b>						
Cash and cash equivalents	74.717.735	26.325.388	--	--	101.043.123	5
Financial investments	--	4.235.850	--	--	4.235.850	6
Trade receivables	--	--	34.178.107	--	34.178.107	8
Due from related parties	--	--	11.678	--	11.678	24
Other financial assets	--	--	10.814	--	10.814	9
<b><u>Financial Liabilities</u></b>						
Loans and borrowings	--	--	--	107.064.058	107.064.058	7
Loans and borrowings from related parties	--	--	--	243.508.863	243.508.863	24
Trade payables	--	--	--	15.099.077	15.099.077	8
Trade payables to related parties	--	--	--	7.207.460	7.207.460	24
Other payables	--	--	--	36.380.402	36.380.402	9

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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:

**Fair Value Hierarchy as at Reporting Date**

<b>Financial assets</b>	<b>31 December 2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Investment properties	3.291.628.689	--	3.291.628.689	--
Tangible Assets	27.036.974	--	27.036.974	--
Financial assets at fair value through profit or loss <sup>(*)</sup>	--	--	--	--
Financial assets held for trading	29.627.903	29.627.903	--	--
Derivatives held for trading	14.811	--	14.811	--
	<b>3.348.308.377</b>	<b>29.627.903</b>	<b>3.318.680.474</b>	<b>--</b>
<b>Financial assets</b>	<b>31 December 2014</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Investment properties	2.584.039.110	--	2.584.039.110	--
Financial assets at fair value through profit or loss <sup>(*)</sup>	--	--	--	--
Financial assets held for trading	70.267.006	70.267.006	--	--
Derivatives held for trading	41.674	--	41.674	--
	<b>2.654.347.790</b>	<b>70.267.006</b>	<b>2.584.080.784</b>	<b>-</b>
<b>Financial assets</b>	<b>31 December 2013</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Investment properties	2.186.023.743	--	2.186.023.743	--
Financial assets at fair value through profit or loss <sup>(*)</sup>	--	--	--	--
Financial assets held for trading	30.538.326	30.538.326	--	--
Derivatives held for trading	300.392	--	300.392	--
	<b>2.216.862.461</b>	<b>30.538.326</b>	<b>2.186.324.135</b>	<b>--</b>

<sup>(\*)</sup> The balance consists of government bonds, private sector bonds, equity certificates, mutual funds under cash and cash equivalents and derivative assets held for trading purposes.

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## 27. Events after the reporting period

The company, at its meeting held on January 20, 2016 has decided to purchase Alarko Ağır Metal Sanayi A.Ş. of ownership; Istanbul Province Tuzla District, Central District, Kanlımandır the resort, 17 layouts of land, 6408 parcels registered 62.655 m<sup>2</sup> facial measurements and located on real estate in order to improve the projects at the price TL 143.500.000 exception the V.A.T and has decided to make payment at the time the land transferred. To be used real estate financing; the company has decided to use credit 5 years term, amount of TL 150.000.000 and within the scope of use of credit. Pledge as a collateral has decided to mortgage on mentioned real estate in favour of T. İş Bankası A.Ş.

The Company, as of January 8, 2016, has been without announcement to public offering arrangement with selling methods to being qualified investors in parts of TL 400.000.000 capital ceiling up to 1.200 days fixed term issuance of debt instruments applied to the Capital Market Board.

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

The main accounts of separate financial statements		Related regulation	31 December 2015	31 December 2014
<b>A</b>	Capital and money market instruments	III-48.1. Article 24/(b)	123.908.125	139.035.941
<b>B</b>	Real estates, rights supported by real estates and real estate projects	III-48.1. Article 24/(a)	3.810.485.275	2.651.413.202
<b>C</b>	Affiliates	III-48.1. Article 24/(b)	500.000	500.000
	Due from related parties (other receivables)	III-48.1. Article 23/(f)	--	--
	Other assets		190.307.179	117.993.739
<b>D</b>	<b>Total assets</b>	III-48.1. Md. 3/(k)	<b>4.125.200.579</b>	<b>2.908.942.882</b>
<b>E</b>	Loans and borrowings	III-48.1. Article 31	710.590.133	477.526.885
<b>F</b>	Other financial liabilities	III-48.1. Article 31	53.732	41.096
<b>G</b>	Financial lease obligations	III-48.1. Article 31	--	-
<b>H</b>	Due to related parties (other payables)	III-48.1. Article 23/(f)	--	-
<b>I</b>	Equity	III-48.1. Article 31	2.790.634.851	2.260.566.664
	Other liabilities		623.921.863	170.808.237
<b>D</b>	<b>Total liabilities and equity</b>	III-48.1. Article. 3/(k)	<b>4.125.200.579</b>	<b>2.908.942.882</b>
Other separate financial information		Related regulation	31 December 2015	31 December 2014
<b>A1</b>	Capital and money market instruments amount held for 3-year real estate payments	III-48.1. Article 24/(b)	--	-
<b>A2</b>	Time balances/demand balances TL/foreign currency	III-48.1. Article 24/(b)	93.645.638	68.754.157
<b>A3</b>	Foreign capital market instruments	III-48.1. Article 24/(d)	--	-
<b>B1</b>	Foreign real estates, rights supported by real estates and real estate projects	III-48.1. Article 24/(d)	--	-
<b>B2</b>	Inactive land	III-48.1. Article 24/(c)	34.478.919	29.471.500
<b>C1</b>	Foreign affiliates	III-48.1. Article 24/(d)	450.000	-
<b>C2</b>	Participating to operating company	III-48.1. Article 28	50.000	500.000
<b>J</b>	Non-cash loans	III-48.1. Article 31	34.304.026	25.279.648
<b>K</b>	Mortgage amounts of the mortgaged lands that the project will be developed on without ownership	III-48.1. Article 22/(e)	--	-
<b>L</b>	The sum of investments in money and capital market instruments in a single company	Series:VI No:11, Article.22/(l)	--	--

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

Portfolio restrictions	Related regulation	31 December 2015	31 December 2014	Min/Max ratio
1 Mortgage amounts of the mortgaged lands that the project will be developed on without ownership	III-48.1. Article 22/(e)	0%	0%	Max 10%
2 Real estates, rights supported by real estates and real estate projects	III-48.1. Article 24/(a) , (b)	92%	91%	Min 51%
3 Capital and money market instruments and subsidiaries	III-48.1. Article 24/(b)	3%	5%	Max 49%
4 Foreign real estates, rights supported by real estates and real estate projects, affiliates and capital market instruments	III-48.1. Article 24/(d)	0%	0%	Max 49%
5 Inactive land	III-48.1. Article 24/(c)	1%	1%	Max 20%
6 Participating to operating company	III-48.1. Article 28	0%	0%	Max 10%
7 Borrowings limits	III-48.1. Article 31	27%	22%	Max 500%
8 Time balances/demand balances TL/foreign currency	III-48.1. Article 22/(e)	2%	2%	Max 10%
9 The sum of investments in money and capital market instruments in a single company	Series: VI No:11, Article.22/(I)	0%	0%	Max 10%

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