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# İŞ REIC IN BRIEF

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

Blending its market prestige backed by the deep-rooted corporate principles and financial strength of its parent İşbank Group with its sectoral experience and vision, İş REIC develops distinguished projects and maintains a healthy growth process since the day it was founded.

One of the sector's prominent companies with its diversified and well-balanced portfolio and robust financial structure, İş REIC focuses on providing its investors with an optimal possible risk-return trade-off.

Using its solid shareholders' equity, funding facilities and sustainable sources generated on regular rental income derived on its high quality portfolio to finance its new investments, İş REIC takes sure-footed steps based on its determination to strengthen its position in the sector.

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.

Using its solid shareholders' equity, funding facilities and sustainable sources generated on regular rental income derived on its high quality portfolio to finance its new investments, İş REIC takes sure-footed steps based on its determination to strengthen its position in the sector.



Registered Capital  
**TL 2 billion**

Date / Price of IPO  
**1-3 December 1999 - TL 1.4**

BIST Trading Symbol  
**ISGYO**

Date of Trading (BIST)  
**9 December 1999**

BIST Indices  
**BIST 100 / BIST Dividend 25 /  
BIST All / BIST Dividend /  
BIST REIC / BIST Financial /  
BIST 100-30**

Issued Capital  
**TL 958,750,000**

Tax Office / No  
**İstanbul - Large-Size Taxpayers  
4810137715**

Trade Registry Office / No  
**İstanbul / 402908**

Registered e-Mail  
**isgyo@hs02.kep.tr**

MERSİS  
(Central Registry System)  
**0481013771500018**

## 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.

## 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.

## KEY FINANCIAL HIGHLIGHTS

Balance Sheet (TL million)	2016	2017	2018
Current Assets	323.0	968.0	752.7
Non-current Assets	4,564.1	4,343.9	4,469.6
Total Assets	4,887.0	5,311.9	5,222.3
Short-term Liabilities	188.5	873.3	1,091.6
Long-term Liabilities	1,537.2	1,158.0	573.8
Shareholders' Equity	3,161.3	3,280.6	3,556.9

Financial Indicators (TL million)	2016	2017	2018
Sales Revenue	404.5	439.6	1,098.3
Cost of Sales	209.7	253.6	837.5
Gross Profit/Loss	194.8	186.0	260.8
Net Period Income	420.5	179.9	341.6
Return on Assets	8.6%	3.4%	6.5%
Return on Equity	13.3%	5.5%	9.6%

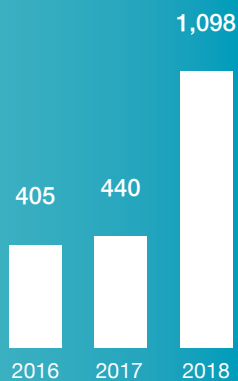
Financial Structure (TL million)	2016	2017	2018
Total Liabilities	1,725.7	2,031.3	1,665.4
Shareholders' Equity	3,161.3	3,280.6	3,556.9
Financial Liabilities	1,054.7	1,185.5	1,314.8
Equity Ratio (%)	65%	62%	68%
Financial Leverage Ratio (%)	35%	38%	32%
Financial Liabilities/Total Assets (%)	22%	22%	25%

In 2018, İş REIC increased its revenues by 2.5 folds to TL 1,098.3 million, while its net profit boosted by 90% to TL 341.6 million.

Total Assets  
(TL million)



Sales Revenue  
(TL million)



Shareholders' Equity  
(TL million)



Total Portfolio Value  
(TL million)



Portfolio Breakdown - 2018	(TL million)	% Share
Office	2,737	55.5
Shopping Mall	1,171	23.7
Project	428	8.7
Inventory <sup>(1)</sup>	289	5.9
Land	226	4.6
Money & Capital Market Instruments	54	1.1
Hotel	27	0.5
Subsidiaries	3	0.1
<b>Total</b>	<b>4,935</b>	<b>100.0</b>

<sup>(1)</sup> Reflects the cost of units on sale in Manzara Adalar and Ege Perla.

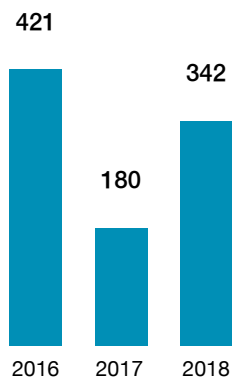
Development of the Portfolio (TL million)	2016	2017	2018
Real Estate Portfolio	4,763	5,132	4,877
Total Portfolio Value	4,890	5,215	4,935
Total Assets	4,887	5,312	5,222

#### REIC Sector

Market Capitalization of the REICs <sup>(1)</sup>	(TL million)	% Share
İş REIC	1,035	5.6
Other REICs	17,349	94.4
<b>Market Total</b>	<b>18,384</b>	<b>100.0</b>

<sup>(1)</sup> BIST data.

#### Net Period Income (TL million)



#### Credit Ratings

Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş.

**(TR) A1+**

Short Term National Rating

**Outlook: Stable**

**(TR) AA**

Long Term National Rating

**Outlook: Stable**

# CAPITAL AND SHAREHOLDER STRUCTURE

In 2018, İş REIC's issued capital was increased from TL 913.75 million to TL 958.75 million.

## Capital Structure

İş REIC's issued capital amounts to TL 958,750,000, 47.44% of which is held by Türkiye 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 958,750,000 shares, each with a nominal value of TL 1; out of these shares, the portion corresponding to TL 1,369,642.817 make up Group A shares and the portion corresponding to TL 957,380,357.183 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.

In line with the profit distribution proposal approved at the 2017 General Meeting and with the Board of Directors decision of 4 April 2018, the Company's issued capital was increased by TL 45 million to TL 958,750,000 so as to remain within the registered capital of TL 2 billion, which incremental amount will be covered from 2017 profit share. The process for the exercise of rights in relation to bonus shares reached completion on 8 May 2018. 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 İstanbul Trade Registry on 22 May 2018 has been promulgated in the Turkish Trade Registry Gazette issue 9587 dated 28 May 2018.

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. During the 2018 reporting period, İş REIC did not buy 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. The Company's articles of association contain no provisions pertaining to special voting rights.

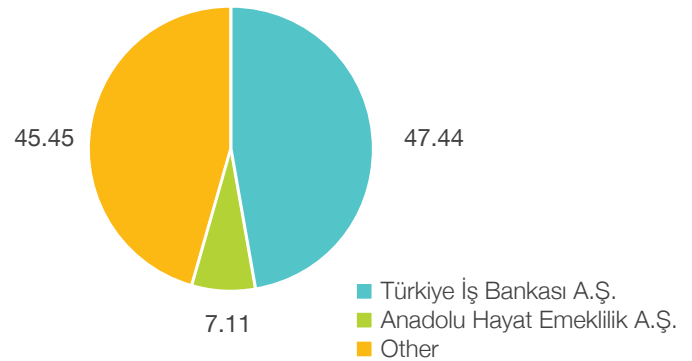
## Shareholder Structure

There were no significant changes in the Company's shareholder structure during the reporting period.

Shareholder Structure	TL	Share (%)
Türkiye İş Bankası A.Ş.	454,800,582	47.44
Anadolu Hayat Emeklilik A.Ş.	68,151,714	7.11
Other	435,797,704	45.45
<b>Total</b>	<b>958,750,000</b>	<b>100.00</b>

\*Source: Public Disclosure Platform.

According to MKK's 31 December 2018 report, the nominal value of the Company's publicly-traded shares was TL 420.7 million, which corresponds to 43.87% of the Company's capital. According to year-end settlement data, foreign investors represent about 13.52% of the Company's capital.



## Subsidiaries

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

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

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

Kanyon, set up on 6 October 2004 in which İş REIC and Eczacıbaşı Holding each controlled a 50% stake, was created primarily to engage in the management, operation and marketing activities of the residence, store, commercial or office buildings.

# STOCK PERFORMANCE

With a market capitalization of TL 1,035 million as of 31 December 2018, the Company represents approximately 5.6% of the real estate investments sector.

During 2018, BIST 100 Index lost value by 21%, BIST REIC Index by 35% and İş REIC stock by nearly 12% in terms of Turkish lira.

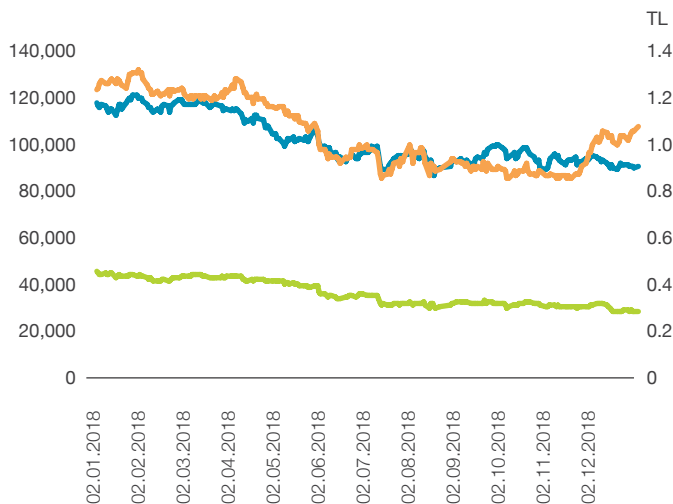
The daily trading volume of the Company stock traded on the Collective Investment Products and Structured Products Market was worth nearly TL 6 million in 2018.

Based on BIST's monthly data on "transactions realized on behalf and account of foreign banks/brokerage houses or individuals", foreign investors' net sales on Borsa İstanbul (including all markets) amounted to nearly USD 2 billion.

Purchases of İş REIC stock, on the other hand, totaled USD 42.6 million and sales of the same amounted to USD 42 million during the year. Total net purchasing balance of the stock was USD 0.6 million. According to year-end settlement data, foreign investors represent about 13.52% of the Company's capital (2017 year-end: 13.48%).

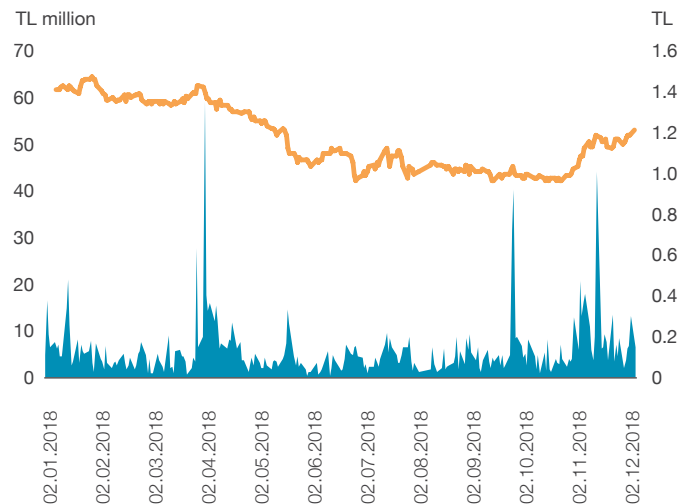
Stock Performance	31.12.2016	31.12.2017	31.12.2018
Market Capitalization (TL million)	1,326	1,243	1,035
Market Share (%)	5.4	4.6	5.6
Earnings per Share (TL)	0.49	0.20	0.36
P/E Ratio	3.18	6.9	3.03
P/BV	0.42	0.38	0.29

**BIST 100 Index, BIST REIC Index and ISGYO Price Chart**



— BIST 100 (left axis) — BIST REIC Index (left axis)  
— ISGYO Price (right axis)

**Trading Volume**



— Trading Volume (left axis) — ISGYO Price (right axis)

## MILESTONES IN İŞ REIC'S HISTORY

Ever since its incorporation, İŞ REIC has been working with the goal of bringing the Company to a stronger position in keeping with the criteria of creating shareholder value and sustainability.

### 1999

The Company went public and its shares began to be traded on the Stock Exchange.

### 2006

Kanyon, Turkey's first semi-open air shopping mall, opened its doors.

Review Architectural Award was presented to Kanyon.

### 2004

The foundations for Kanyon Mixed-Use Project were laid in the most valuable location in İstanbul.



### 2005

The Company was named the "Best Developer in Turkey" by Euromoney magazine.

### 2007

Esenyurt Hypermarket project developed on a turnkey-delivery basis opened for service.

### 2009

Marmara Park investment, a regional shopping center, was initiated upon creation of the superficies right in the name of Ece Turkey for 72 years.

### 2010

Kapadokya Lodge Hotel and Club Magic Life Kemer Imperial Hotel were added to the portfolio, thus giving momentum to tourism investments.

### 2011

Sign of the City-award-winner Tuzla Çınarlı Bahçe Residential Project construction and sales began.



### 2012

The Marmara Park Shopping Mall opened.

The foundation was laid for Ege Perla, the first mixed-use project in İzmir.

Construction work began for Tuzla Technology and Operation Center Project, which will be developed on turnkey-delivery model for İşbank, and for the Tuzla mixed-use project.



### 2013

Taksim Office Lamartine project was completed and opened.



### 2014

Property was purchased for the collective housing project to be developed in Topkapı, which marked the first step of İŞ REIC & Nef investment.

Manzara Adalar project launch took place, which will be built in Kartal, the up-and-coming district of İstanbul.



## 2015

Istanbul Project launch took place.

Istanbul International Financial Center Project construction began.

Kartal Manzara Adalar project claimed the bronze award at the Crystal Apple Turkey Advertising Awards with its advertising film.



Kartal Manzara Adalar Project was elected the "Premium Project" in the "Best Marketing Campaign" category at the Sign of the City Awards.

The Company was assessed to be in "investment" category, and assigned a long-term national rating of (TR) AA, and a short-term national rating of (TR) A1+.

Istanbul Project 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.

## 2016

Tuzla Technology and Operation Center Project and Tuzla Mixed-Use Project were completed and became operational.

Rental income increased significantly after Tuzla Technology and Operation Center Project and Tuzla Mixed-Use Project became operational.

A plot was purchased for the planned residential investment development in Tuzla.

Manzara Adalar received the "Best High-Rise Residence" award at the Sign of the City Awards.



The Company acquired a 45% stake in the hotel investment project, which is planned to be developed in Kadıköy.

## 2017

İş REIC was assigned a corporate governance rating of 9.48.

Ege Perla Shopping Mall opened.

Ege Perla Project claimed the best office and the best local shopping mall awards at the Sign of the City Awards.



## 2018

Ankara İş Tower was let to T.R. Ministry of Interior.

Deliveries started at Manzara Adalar.

Deliveries of 1<sup>st</sup> and 2<sup>nd</sup> phases started at Istanbul.

İş REIC's long and short-term national ratings within investment category were confirmed as (TR) AA and (TR) A1+, respectively.

"Inspiring Minds", the Company's first corporate social responsibility project was launched.

Tuzla Technology & Operation Center and Tuzla Mixed-Use projects were awarded "LEED Gold", the world's most prestigious green building endorsement.

Office blocks of Manzara Adalar project were awarded "LEED Platinum", one of the most eminent green building endorsements in the world, whereas the housing blocks were awarded "LEED Gold".



## MESSAGE FROM THE CHAIRMAN



Ömer Karakuş  
Chairman

Distinguished Stakeholders,

**With respect to global economy, the year 2019 indicates at a period of relatively increased risks and heightened unfavorable anticipations.**

In 2018, protectionism in global trade exacerbated the trade wars between the US and China, and made the headlines as a threat hovering over global economic growth. Having realized rate hikes in 2018, the Fed downsized its balance sheet in accordance with the projections; these steps created effects that served to tighten global liquidity conditions and curb the growth rates of emerging countries, particularly those with a high saving deficit. As global liquidity was channeled mostly to secure markets in 2018, capital flows to emerging countries, with which Turkey belongs, were weak.

The World Economic Outlook released by the IMF in January 2019 underlined that the expansion of global economy slowed down. The IMF preserved its estimation of 3.7% global growth for 2018, and revised its 2019 growth projection as 3.5%.

The protectionist interventions in global trade negatively affected the exports performance of the Eurozone as well, leading to region-wide economic deceleration. In addition, the European Union continues to be pressured by various political tensions stemming mainly from the Brexit process, and from some of its members including Italy and France.

**Growth of the Turkish economy adopted a sharp deceleration trend, and the economy is projected to display a low performance also in 2019.**

After registering 7.2% and 5.3% growth rates in the first and second quarters of 2018, the Turkish economy began losing momentum amid the environment of soaring exchange, inflation and interest rates. Growth decelerated rapidly in the third quarter of the year to 1.6%. In the process, domestic demand declined, while industrial production decreased and employment was negatively affected.

When the risks in global economy, volatility in capital flows and the ongoing vulnerabilities in the Turkish economy are taken into consideration, 2019 is predicted to be a tough year for the national economy.

While the “New Economy Program” declared by the government in September 2018 set reconstitution of price stability and financial stability as the main goals, emphasis was also placed on economic stabilization to be experienced in this process and on budget discipline. We are of the opinion that the outcomes of the implementation of the declared program will come at the top of the factors that will determine the economic outlook in the period ahead.

The main strategy of İş REIC is to increase sustainable income flow and profitability through a solid portfolio composition, and create high value for its stakeholders.

**Our sector is going through a rough period.**

In 2018, the construction industry suffered from a sharper loss of momentum than the overall economy, and grew by a mere 0.1% in the first three quarters, taking 7.6% share out of the GDP in the same timeframe.

The problems that became evident in the economy in the second half of 2018 and the rise in housing loan rates led to 2.4% drop in housing sales on an annual basis. In an attempt to restrain the decline in housing sales, various actions were taken including reduction of the VAT and title deed charges imposed on housing sales, and low-rate housing loan campaigns.

It is believed that the stagnation experienced in the real estate market, sales and leases will persist also in 2019. Reinstatement of confidence and stability, along with a decrease in interest rates to reasonable levels are considered as the key elements to overcome the demand and financing issues suffered in our sector in the year ahead. On the other hand, public incentives to be provided to the sector will also be telling with respect to the performance of the sector.

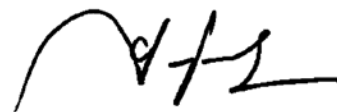
**Our goal is to share a more livable future.**

Despite the overall economic hardships and stagnation in its operating environment, İş REIC effectively managed its real estate portfolio, and took the necessary actions amid variable market conditions on the back of its strong structure in 2018.

The main strategy of İş REIC is to increase sustainable income flow and profitability through a solid portfolio composition, and create high value for its stakeholders. Always developing projects that are compatible with the natural environment and the texture of the city, are focused on driving their locations toward improvement, and observe contemporaneity and convenience, İş REIC is committed to signing its name under new achievements while adhering strictly to its priorities also in the period coming.

On behalf of our Board of Directors and myself, I would like to thank all our stakeholders, who, I am confident that, will always stand by us as we carry our goals further and forward.

Sincerely,



Ömer Karakuş  
Chairman

## MESSAGE FROM THE CEO



Hasan K. Bolat  
CEO

Esteemed Stakeholders,

The economic conditions that our country underwent, the unfavorable operating environment, the spiral of high exchange rate and high inflation rate in 2018 created a repressing effect upon our sector. Our Company took the necessary actions in spite of the negative conjuncture and gave priority to delivery, sales and rental targets of the existing projects, securing increase in rental income and sales revenues. Ultimately, our Company ended the year with profitability.

İş REIC's rental income grew by 10% to reach TL 217 million in 2018, while total sales revenues were up by 150% to TL 1,098 million, 99% of it generated on real estate. Net profit for the period was registered as TL 342 million at year-end, 90% higher than it was the year before. Our shareholders' equity at 2018 year-end reached TL 3.5 billion, and the Company's issued capital was raised to TL 958,750,000. Total assets of the Company were recorded as TL 5.2 billion, and the total portfolio value as TL 4.9 billion. As at 31 December 2018, İş REIC represented nearly 5.6% of the real estate investment company sector with a market capitalization of TL 1,035 million.

### An overview of 2018 ...

In 2018, İş REIC delivered the title deeds for the Manzara Adalar Project in Kartal, where settlement started. In İstanbul project realized in Topkapı, İstanbul, title deed deliveries began for residential units delivered in Gala and Lokal phases. Residential unit deliveries for Hayat and Konsept that make up the 3<sup>rd</sup> and 4<sup>th</sup> phases of the project where 70% of construction has been finalized are targeted to occur during 2019. During the reporting period, Ankara İş Tower has been rented out to T.R. Ministry of Interior in its entirety.

During the year, there have been some developments regarding the projects that İş REIC is planning to realize in the future. The investment for nearly 1,000 housing units targeted to be developed in Tuzla, for which the building permit has been received, was postponed until suitable market and marketplace conditions materialize, whereas the process for obtaining a building permit went on in 2018 for the project planned to be developed on the property located in Üsküdar. On the other hand, project development continued for the project in Kadıköy covering hotel and commercial spaces, in which 45% stake is decided to be acquired.

Preserving its prestigious position in the sector with its well-balanced portfolio, healthy financial structure and credibility, İş REIC was rated to be within “investment category” by a rating agency during the reporting period.

#### İş REIC remains one of the leading actors in its sector.

Preserving its prestigious position in the sector with its well-balanced portfolio, healthy financial structure and credibility, İş REIC was rated to be within “investment category” by a rating agency during the reporting period, earned the “LEED” certificate, the world’s most prestigious green building certification, with its Manzara Adalar, Tuzla Technology and Operation Center and Tuzla Mixed-Use projects, thus endorsing that sustainability is reflected with all of its aspects in the Company’s projects.

“Inspiring Minds”, the corporate social responsibility initiative launched on the basis of the core values of İş REIC brand, its goals, and positive social influence the Company seeks to create in the public opinion, was put into life in 2018. Aimed at building on children’s creativity, knowledge and skills, the project was scientifically proven to be efficient, and as such, presents the potential to be referenced in the literature.

#### We are holding an optimistic outlook for the future...

İş REIC will keep implementing its strategies with a focus on creating value for its stakeholders, by effectively managing its portfolio and achieving its goals with respect to sustainable rental income, sales revenue and profitability. İş REIC will continue to make a difference in its sector drawing on its philosophy built upon its financial capabilities, deep-rooted culture and customer satisfaction, and will increase the value it contributes to its customers, stakeholders and the sector by keeping a close eye on the changes both across the world and in the sector.

I would like to extend my thanks first and foremost to our principal shareholder İşbank, to our Board of Directors, all our business partners, employees and investors, for their continued support and confidence in our Company.

Sincerely,



Hasan K. Bolat  
CEO

## BOARD OF DIRECTORS



**Ömer Karakuş**  
Chairman



**Süleyman H. Özcan**  
Vice Chairman



**Aysel Tacer**  
Board Member



**Prof. Dr. Arzu Erdem**  
Independent Board Member



**Haluk Büyükbaş**  
Independent Board Member



**Nihat Uzunoğlu**  
Independent Board Member



**İ. Hakkı Akşener**  
Board Member



**Mehmet Türk**  
Board Member



**Murat Doğan**  
Board Member

**Ömer Karakuş****Chairman**

21.03.2018-26.03.2019

Ömer Karakuş received his degree in Public Administration from Gazi University, Faculty of Economics and Administrative Sciences. Having started his career at İşbank in 1989 as an Assistant Inspector on the Board of Inspectors, he was appointed Assistant Manager in the Accounting Department in 1998, where he later served as Unit Manager. He was appointed Head of Accounting Department in 2005, Manager of Yenişehir Branch in Ankara in 2007, Head of HR Department in 2008, and Head of the Board of Inspectors on 15 January 2016. Mr. Karakuş was promoted to Deputy Chief Executive Officer of İşbank on 27 April 2017. He held a seat as a member on the Boards of Directors of Nemtaş Nemrut Liman İşletmeleri A.Ş. (2005-2006), Anadolu Anonim Türk Sigorta A.Ş. (2006-2010), Anadolu Hayat Emeklilik A.Ş. (2010-2012), Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş. (2012-2013) and İşbank AG (2013-2016). Mr. Karakuş does not hold any in-group positions apart from his role as Deputy Chief Executive of İşbank and his seat as a member on the Board of Directors of İş REIC. Mr. Karakuş has been a member of İş REIC's Board of Directors since 16 May 2017.

**Süleyman H. Özcan****Vice Chairman**

21.03.2018-26.03.2019

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. He is also a Member of İşbank's Corporate Governance Committee. Mr. Özcan has been serving as a Member of İş REIC's Board of Directors since 8 December 2014 and is also a member of the Corporate Governance Committee.

**Aysel Tacer****Board Member**

21.03.2018-26.03.2019

Aysel Tacer received her degree in Business Administration from Marmara University, Faculty of Economics and Administrative Sciences. She started her career at İşbank as an Officer at Taksim Branch in 1980. Ms. Tacer served as Assistant Section Head and Financial Analyst in the Credit Information and Financial Analysis Department from 1983 to 1989; became Assistant Credit Analyst in 1989 and Assistant Manager in 1993 at Şişli Branch. Between 1996 and 2011, she served as Manager of Akatlar, Çarşı-Bakırköy, Bakırköy, Güneşli and Güneşli Corporate Branches. Ms. Tacer was a member of the Board of Auditors at Tuba Sim İnş. Konsorsiyumu A.Ş. (1994-1996), a member of the Board of Auditors at İş Faktoring Finansman Hizmetleri A.Ş. (1999-2001), and a member of the

Board of Directors at Camiş Madencilik A.Ş. (2001-2005), at Anadolu Anonim Türk Sigorta Şirketi (2005-2009) and at İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (2009-2011). Ms. Aysel Tacer was elected to İşbank's Board of Directors on 31 March 2011 and on 28 March 2014. She has served as member of the Board of Directors until 21 March 2016, and functioned, in tandem, as a Member of Corporate Social Responsibility Committee and as Alternate Member of the Credit Committee. She retired from İşbank effective 30 June 2015. Ms. Tacer has been serving as a Member of İş REIC's Board of Directors since 11 April 2016 and does not hold any in-group position apart from her seat on the Board of Directors of İş REIC.

**Prof. Arzu Erdem****Independent Board Member**

21.03.2018-26.03.2019

Prof. Arzu Erdem received her bachelor's degree from the Faculty of Architecture, İstanbul Technical University as an architect in 1983, her master's degree from the Graduate School of Social Sciences in 1985, and her doctorate degree from the Graduate School of Science Engineering and Technology in 1995 at the same University. Having started her career as a Project Coordinator at STFA Yapı Yatırımları A.Ş. in 1986, Ms. Erdem was a visiting research fellow at the Los Angeles Graduate School of Architecture and Urban Planning, University of California between 1991 and 1992. She worked as Research Associate, Assistant Professor, Associate Professor and Professor at the Faculty of Architecture, İstanbul Technical University between 1988 and 2009, where she served as Head of the Architecture Department in 2012 and 2013. Having functioned as the Dean of the Faculty of Architecture, Abdullah Gül University between 2015 and 2017, Ms. Erdem retired from the Faculty of Architecture, İstanbul Technical University in 2017. She is currently the Vice Rector and the Dean of the Faculty of Art and Design, Kadir Has University. Ms. Erdem undertook national and international academic and professional researches and roles; served as a jury member in competitions; participated in and was awarded for contest projects; produced professional architectural projects, applications, and studies; and authored numerous scientific articles and presentations. Ms. Erdem also serves as a member of the Board of Rubicon Foundation (The Netherlands), which carries out studies and researches on natural life and biodiversity. She is also a member of the Turkish Scientific Committee for the International Architecture Exhibition at La Biennale di Venezia. Serving as a member of the Board of Directors of İş REIC since 21 March 2018, Ms. Erdem is also the Head of Corporate Governance Committee, and member of the Committee for Early Detection of Risk at İş REIC. Ms. Erdem does not hold any in-group positions apart from her roles at İş REIC.

## BOARD OF DIRECTORS

### Haluk Büyükbaş

#### Independent Board Member

21.03.2018-26.03.2019

Haluk Büyükbaş received his BSc and MSc in Electrical Engineering from the Middle East Technical University, Faculty of Engineering in 1980 and 1983, respectively. He started to work as an Engineer at the Research and Planning Department of the Turkish Electricity Administration, where he functioned as an Engineer, Chief Engineer, and Project Manager in the Transmission Lines and Substations Project Department between 1981 and 1989. Mr. Büyükbaş worked as Department Head at the T.R. Prime Ministry Housing Development Administration from 1989 to 1995, and served as Deputy General Manager of the General Directorate of Public Finance of the T.R. Prime Ministry Undersecretariat of Treasury between 1995-1997. Mr. Büyükbaş served as Vice President of the T.R. Prime Ministry Privatization Administration between 1997 and 2003, during which time he handled the privatizations of oil and energy companies. He worked as President's Advisor at the Privatization Administration from 2003 until 2005 when he retired from civil service. During his civil service, Mr. Büyükbaş also served as a member on the boards of directors and boards of auditors of various companies including Tüpraş, Petkim, Erdemir and ÇEAŞ. He was the Secretary General of the Turkish Contractors Association (TCA) from August 2005 until January 2019. In connection with this post, he represented TCA before the European Construction Industry Federation (FIEC) and he has been a Governor at the World Water Council based in Marseille from March 2006 until November 2018. Mr. Büyükbaş has been a Member of İş REIC's Board of Directors since 24 March 2016 and he is also the Head of the Committee for Early Detection of Risk and member of the Committee for Audit. Mr. Büyükbaş does not hold any other in-group position apart from his roles at İş REIC.

### Nihat Uzunoğlu

#### Independent Board Member

21.03.2018-26.03.2019

Nihat Uzunoğlu received his degree in Political Sciences from Ankara University in 1981 and started to work as Junior Accountant at the Ministry of Finance the same year. He was appointed to the position of Accountant in 1984, ranking first in his term, and to the position of Chief Accountant in 1991. Mr. Uzunoğlu conducted studies and research on "Self-Regulation Organization in the British Tax System" for one year in the UK, between 1989-1990. On 13 March 1994, he was assigned as the first Director of the Foreign Trade Tax Administration that was just established, in which post he served for 3.5 years. He then served as the Assistant Head of Provincial Treasury of İstanbul from July 1997 to August 2004. Mr. Uzunoğlu was re-appointed to the Tax Inspectors Board as Chief Tax Inspector in August 2004, where he served in various functions including member of the Reading Commission and member of the Advisory Commission. Mr. Uzunoğlu served as the President of the Finance Tax Inspectors Association for four terms between 2005 and 2009, and retired from civil service in January 2014. He currently offers advisory in tax, insurance and other financial legislation at RSM TR Yeminli Mali Müşavirlik A.Ş. and also provides training activities on tax implementations at the "HUZ ACADEMY", which is a joint institution of the Tax Inspectors Association and Tax Inspectors Foundation. Mr. Uzunoğlu is the author of a two-volume book set titled Herkes İçin Katma Değer Vergisi Kanunu Yorum ve Açıklamaları (Value Added Tax Law Interpreted and Explained for the Layman) published by the Finance Tax Inspectors Association. Mr. Uzunoğlu has been a Member of İş REIC's Board of Directors since 24 March 2016 and he is also the head of the Committee for Audit. Mr. Uzunoğlu does not hold any other in-group position apart from his roles at İş REIC.



**İ. Hakkı Akşener****Board Member**

21.03.2018-26.03.2019

İ. Hakkı Akşener received his bachelor's degree in Electrical and Electronics Engineering from the Middle East Technical University, and started his career as an Electrical Engineer in the Property Development Department of İşbank in 1985. He served as an Assistant Manager in the IT Department in 1993, where he became a Group Manager in 1998. Mr. Akşener worked as the General Manager of İş Net, a subsidiary of İşbank between 2003 and 2010. Having assumed the position of the General Coordinator of TUTOM as Counselor to General Manager of İşbank on 25 February 2010, Mr. Akşener was appointed as the Head of the Construction and Property Management on 27 April 2017. In addition to the said post and his membership on İş REIC's Board of Directors, Mr. Akşener also holds in-group positions as a member of the Board of Directors of Softtech Yazılım Teknolojileri Araştırma Geliştirme ve Pazarlama Ticaret A.Ş. and İş-Altınhas İnşaat Taahhüt ve Tic. A.Ş. Mr. Akşener has been a member of İş REIC's Board of Directors since 21 March 2018.

**Mehmet Türk****Board Member**

21.03.2018-26.03.2019

Mehmet Türk received his bachelor's degree in Civil Engineering from the Middle East Technical University, his master's degree in "Advanced Investment Management" program from the Department of Business Administration, Virginia Polytechnic Institute and State University, and his doctorate degree in contemporary business management from the Graduate School of Social Sciences, Işık University. He is the author of several research articles published in international journals on finance and economy. He started to work as an Associate Specialist in the Treasury Department of İşbank in 2000, where he was promoted to Assistant Manager and Unit Manager positions in 2009 and 2016, respectively, in the same Department. Since 28 November 2017, Mr. Türk has been serving as the Treasury Manager in the Treasury Department of İşbank. Mr. Türk does not hold any in-group positions other than his position in İşbank and his seat as a member of the Board of Directors at İş REIC. Mr. Türk has been a member of İş REIC's Board of Directors since 21 March 2018.

**Murat Doğan****Board Member**

21.03.2018-26.03.2019

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 Real Estate Investments 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. and İş-Altınhas İnşaat Taahhüt ve Tic. 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.

# BOARD OF DIRECTORS

## Changes in Management During the Reporting Period

At the General Assembly Meeting held on 21 March 2018, Prof. Arzu Erdem, Mr. İ. Hakkı Akşener and Mr. Mehmet Türk have been elected to serve until the next General Assembly Meeting to fill the member seats' vacated by Ms. D. Sevdil Yıldırım, Mr. Mete Uluyurt and Ms. Sakine İigen Dokuyucu whose terms of office had expired.

In addition, the Company's CEO Turgay Tanes retired from his position during the year.

## 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 nine members, three of whom are independent board members.

Pursuant to the Corporate Governance Communiqué of the Capital Markets Board of Turkey (CMB), following the General Assembly Meeting, delegation of duties was realized for the Board of Directors, heads and members of the Committees set up under the Board of Directors were elected and publicly disclosed in the reporting period.

## 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

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 eight times and passed 59 decisions. Full attendance was achieved in all of the Board meetings held during the reporting period. 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.

There is a Board of Directors Secretariat at the Company.

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

The permission of the General Assembly of Shareholders must be granted in order for the members of the Board of Directors to carry out the transactions specified in "Article 395 - Dealing with the company, borrowing from the company" and "Article 396 - Non-competition" of the TCC. The Board members were granted the said permission to engage in the said transactions falling under the scope of the said articles at the General Assembly meeting held on 21 March 2018.

There are no set rules governing the Board members' undertaking other duties outside the Company; the same are subject to general rules. If the members of the Board of Directors take on an executive role or hold a seat on the board of directors of, or offer consultancy services to, another company, they act with the awareness that such external role must not cause a conflict of interest, and they also act so as to maintain the independence criteria defined 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.

The Company's Board members Mr. Murat Doğan and Mr. İ. Hakkı Akşener serve as board members at İş-Altınhas İnşaat Taahhüt ve Tic. A.Ş., and the said situation does not lead any conflict of interest.

## Remuneration of the Members of the Board of Directors

The remuneration of the Board members is determined at the General Assembly meeting as per the relevant provision of the Company's articles of association, and the remuneration principles for all executives and employees are put into writing. The Company's Remuneration Policy has been presented for the information of shareholders at the General Assembly and publicly disclosed.

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. At the General Assembly Meeting convened on 21 March 2018, monthly gross remuneration to be paid to each Board member is set as TL 9,500, and all Board members are remunerated equally. The gross value of all remuneration provided to members of the Board of Directors during the reporting period was TL 999 thousand.

Besides the remuneration decided upon by the General Assembly of Shareholders, members of the Board of Directors are not granted any rights that will yield financial benefits such as premiums or bonuses. 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, nor did it stand guarantee for them such as providing suretyship in their favor.

### Operating Principles of 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.

Operating principles have been defined and publicly disclosed for each committee. Committees perform their functions within the frame of those principles.

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	Member	Member	Member
Prof. Dr. Arzu Erdem Independent Board Member (non-executive)	Süleyman H. Özcan Board Member (non-executive)	Murat Doğan Board Member (non-executive)	Ayşegül Şahin Kocameşe Board Member (executive)

#### Committee for Early Detection of Risk

Head	Member	Member
Haluk Büyükbaş Independent Board Member (non-executive)	Prof. Dr. Arzu Erdem Independent Board Member (non-executive)	Murat Doğan Board Member (non-executive)

#### Committee for Audit

Head	Member
Nihat Uzunoğlu Independent Board Member (non-executive)	Haluk Büyükbaş Independent Board Member (non-executive)

A member of the Board of Directors can serve on more than one committee in order to be able to form the Board of Directors committees and to make sure that they function effectively. All

due consideration is given to the requirements of Corporate Governance Principles when selecting committee members.

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.

During the reporting period, the Corporate Governance Committee considered the candidacy of four independent Board member nominees and presented its assessment to the Board of Directors. In the light of these assessments, the Board of Directors finalized the list of independent member nominees, which was publicly disclosed.

During the year, no events took place that prejudiced the independence of independent Board members.

The Committees did not receive consultancy for their activities during the reporting period.

### 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.

CMB's Corporate Governance Principles were adhered to during the election of the heads and members of the committees. Accordingly;

- Committees are headed by independent board members,
- All members of the Committee for Audit consist of independent board members,
- The senior executive in charge of the Investor Relations Department serves as a member on the Corporate Governance Committee.

Within the frame of the Board of Directors decision dated 28 March 2018, the Committees formed under the Board of Directors and Committee memberships were publicly disclosed.

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 2018 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

## BOARD OF DIRECTORS

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 11 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, in order to oversee 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,
- Effectively supervised the activities of the Investor Relations Department.

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 7 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 4 meetings during the reporting period and presented four written reports to the Board of Directors.

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 of the interim and annual financial reports to be publicly disclosed 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 Internal Systems 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.

## 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.

**Prof. Dr. Arzu Erdem**  
Independent Board Member



**Haluk Büyükbaş**  
Independent Board Member



**Nihat Uzunoğlu**  
Independent Board Member



## SENIOR MANAGEMENT



**Hasan K. Bolat**  
CEO



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



**Ayşegül Şahin Kocameşe**  
Head of Financial Reporting and Investor Relations Group



**Gülfem Sena Tandoğan**  
Head of Sales and Marketing Group



**Ömer Barlas Ülkü**  
Head of Financial and Administrative Affairs Group



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



**Kaan Özsoy**  
Head of Project Management Group

### Hasan Kimya Bolat CEO

Appointed as the CEO of İş REIC on 11 June 2018, Hasan Kimya Bolat graduated from Ankara University, Faculty of Political Sciences, Division of International Relations. He began his career as an auditor at İşbank in 1988, where he later worked in various branches of the bank as Branch Manager, followed by Regional Director of Commercial Loans Department, and Director of SME Loan Allocation Department. In tandem, he held a member's seat on the boards of directors of various subsidiaries of İşbank Group. Having served as the General Manager of İş Leasing between 2013-2017, Mr. Bolat was also the Chairman of the Leasing Representation Board and the Deputy Chairman of the Association of Financial Institutions of Turkey. Currently he is a Board member at TİBAŞ Foundation and GulssEye A.Ş., and Chairman of the Board at Kanyon Yönetim İşl. ve Paz. A.Ş. and İş Altınhas İnşaat Taahhüt ve Ticaret A.Ş. Furthermore, Mr. Bolat serves as a Board member of several major civil society organizations of the real estate sector, namely GYODER (The Association of Real Estate and Real Estate Investment Companies), KONUTDER (Association of Housing Developers and Investors) and AYD (Council of Shopping Centers Turkey).

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

Pinar 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. Ms. Kollu is a Board member of GYODER (The Association of Real Estate and Real Estate Investment Companies) and the President of the Women Leaders in Real Estate Platform. She 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. She serves as a member of the Board of Directors of Kanyon Yönetim, İşletim ve Pazarlama A.Ş.

### Ayşegül Şahin Kocameşe Head of Financial Reporting and Investor Relations 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 License, and Corporate Governance Rating License, as well as a Real Estate Appraisal 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 Financial Reporting and Investor Relations Group. Ms. Kocameşe also serves as a member on the Corporate Governance Committee.

### Gülfem Sena Tandoğan Head of Sales 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 Sales and Marketing Group. Ms. Tandoğan is also a Board member at Kanyon Yönetim, İşletim ve Pazarlama A.Ş.

### Ömer Barlas Ülkü Head of Financial and Administrative Affairs 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 and Administrative Affairs Group. Mr. Ülkü is also a Board member at Kanyon Yönetim, İşletim ve Pazarlama A.Ş.

### K. Sertaç Seviner Head of Internal Systems 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 Internal Systems Audit of İş REIC in December 2012.

### Kaan Özsoy Head of Project Management Group

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 in 2001, Mr. Özsoy was promoted to Chief Architect, Project Implementation Assistant Manager and Project Implementation Manager and Architectural Projects Coordinator. Mr. Özsoy, who is also a Real Estate Appraiser, currently serves as the Head of Project Management Group at İş REIC.

## REAL ESTATE SECTOR IN 2018

After expanding by approximately 10% in the first three quarters of 2017, the construction sector grew by a mere 0.1% in the first nine months of 2018.

Having sustained the growth trend of 2017 in the first quarter of 2018, the construction sector grew by 6.7% year-over-year, but began contracting due to the prevailing problems from the second quarter and registered 1% growth in the second quarter followed by 5.3% contraction in the third quarter as compared with the respective periods in 2017. Hence, after expanding by approximately 10% in the first three quarters of 2017, the construction sector grew by a mere 0.1% in the first nine months of 2018. It is estimated that the shrinkage persisted also in the last quarter of the year, and the construction sector ended 2018 with contraction. The share of the industry within GDP was 7.9%, 8.3% and 6.6% in the first three quarters of 2018, respectively, following the revision on the basis of current prices.

Due to the shrank demand and soaring financing costs, along with the disrupted financing facilities of companies, the decline in construction projects became strikingly evident. The current level of the construction projects slid down to 50.8 points in December, corresponding to a decrease by half as compared with its level in 2010 when the index was launched.

New orders in the construction industry continue to narrow down, and the New Undertakings Level Index was down from 66 points in December 2017 to 39.3 points in December 2018, hitting the lowest level since 2010.

The Construction Costs Index shot up by 30% in November on a year-over-year basis.

The 'Construction Industry Confidence Index' was down by 2.1% in December as compared with November, preserving its downtrend of November. On the other hand, the decline as compared to November 2017 comes to 32%.

In November, 'Quarterly Construction Activities' Index remained flat with the previous month, but sustained a drastic drop of 36% as compared with November 2017.

### Housing Market

Building permits obtained for housing units across the country in the January-November 2018 period fell by 59% on an annual basis.

The number of housing units sold in 2018 was 1,375,398 all over Turkey. 51% of this figure consisted of first hand sales. Housing sales dropped on an annual basis for the first time since 2013 and slimmed by 2.4% as compared with the previous year.

The rise in housing loan rates, in particular, led to declined housing demand and sales. Lower VAT and title deed charges implemented by the government curbed the decline in the housing sales.

In 2018, new regulations were introduced which promote housing sales to non-nationals. In addition, as a result of the significant depreciation of the Turkish currency, the FC prices of housing units in Turkey got lower for foreigners. In connection therewith, housing sales to non-nationals showed a perceptible rise in 2018 for the first time ever, and rose to 39,663, up by a remarkable 78% as compared with the previous year. 12% on average in 2017, housing loan rates went up to as high as 29% as of October 2018. Due to the high level of housing loan rates, the share of mortgage sales within all sales in Turkey plummeted from 26% in December 2017 to 5% in December 2018.

The housing prices have been sustaining their decline in real terms since July. An assessment of the housing price index in Turkey's three biggest cities shows a decline in İstanbul and İzmir, as opposed to a rise in Ankara in November on a monthly basis.



## Office Market

In the aftermath of the Decree Amending the Decree no. 32 Regarding the Protection of the Value of Turkish Currency published in September 2018 and the Communiqué Amending the Communiqué on the Exceptions to the Restriction of Foreign Currency Contracts published in November, the İstanbul Office Market entered into a harmonization process.

As a result of the developments in 2018, the reductions on announced list prices reflected on average rental fees in the İstanbul office market, and the average rental fees in the market continuously declined throughout the year. It is observed that the commercial terms in office rental agreements turned totally in favor of the users.

The vacancy rate in Class-A office buildings in the Central Business District (CBD) was registered as 30.3%, whereas that in Class-B office buildings was 17.6%. Rental fees in CBD averaged 20.9 USD/m<sup>2</sup>/month and 9.4 USD/m<sup>2</sup>/month for Class-A and Class-B office buildings, respectively.

The vacancy rate in Non-CBD Europe was determined to be 20.2%, and average rent as 13.2 USD/m<sup>2</sup>/month.

The vacancy rate in Non-CBD Asia was 21.8% with rents averaging 14.3 USD/m<sup>2</sup>/month.

Based on the total Class-A office stock size reached at the end of the fourth quarter of 2018, CBD got 34% share out of the stock, while Non-CBD Europe had 18%, Non-CBD Asia 25% and Emerging Office Districts (Kağıthane, Bomonti-Piyalepaşa, Kartal-Maltepe, Batı Ataşehir) 23%.

In İstanbul, office supply increased by 376,631 m<sup>2</sup> in 2018 and reached 6.18 million m<sup>2</sup> in total. While office spaces rented in 2018 totaled 279,127 m<sup>2</sup>, this figure was nearly 65,564 m<sup>2</sup> in the fourth quarter. Rental transactions in the last quarter showed a decline by 7.78% and 20.22% as compared with the previous quarter and the last quarter of 2017, respectively, due to the effect of the communiqués concerning the Protection of the Value of Turkish Currency.

Approximately 503,262 m<sup>2</sup> office stock that will be put on the market in the next two years on the Asian and European sides is in construction and planning phase. The distribution of the said office stock shows that 60% of it will be supplied on the Asian side, whereas 40% will be on the European side. Great majority of the near-future stock in planning and construction phase is concentrated in Kozyatağı/Ataşehir and CBD. The future stock figure is considerably lower when compared with the previous periods.

## Retail Market

While there were 412 shopping malls operating across Turkey as at the third quarter of 2018, 119 of them were operating in İstanbul and 16 others were in construction phase. 22 shopping malls are under construction in cities other than İstanbul.

New supply to the market in the third quarter of the year was 136,630 m<sup>2</sup>. Total new shopping mall supply in 2018 came to 494,530 m<sup>2</sup> bringing the total supply to 12.89 million m<sup>2</sup>.

Prime rent figures on main streets in İstanbul retail market dropped by 27.8% as compared with 2017. Prime return rate, on the other hand, was found to be 6.50%.

Due to the communiqués compelling conversion of lease contracts into TL, the contracts began to be made in Turkish currency. This stabilized FC-related fluctuations, and the Government-set exchange rate that is lower than the current rate drove the rents down quickly.

Based on shopping centers retail data released by the Council of Shopping Centers - Turkey (AYD) and Akademetre Research Company, the turnover index non-adjusted for inflation was 21.6% higher in November 2018 than what it was in November 2017, and reached 293 points, showing a parallel trend with the 21.62% inflation rate measured for the same period.

Productivity per leasable square meter (m<sup>2</sup>) in shopping centers was registered as TL 1,379 in İstanbul and as TL 940 in Anatolia in November 2018. In the same period, productivity per square meter across Turkey reached TL 1,116.

When compared with November 2017, number of SC Visits Index remained flat at 98 points. However, December results are anticipated to see increased footfall owing to the New Year's Eve shopping.

## BOARD OF DIRECTORS ACTIVITIES IN 2018



In 2018, our Company increased both rental and sales income generated on its real estate portfolio, and effectively managed its high quality portfolio that preserves its value despite the contraction in the overall economy.

In 2018, our Company increased both rental and sales income generated on its real estate portfolio, brought its ongoing investments to completion at a major extent, and took the necessary actions against the variable market dynamics thanks to its robust balance sheet structure, and effectively managed its high quality portfolio that preserves its value despite the contraction in the overall economy. During 2018, the real estate sector was heavily affected by the overall economic contraction; based on detailed scrutiny of the sector dynamics, the status of our financial capabilities and the timelines for our projects targeted to be realized in the future were reviewed. Our work in relation to our planned projects continued throughout 2018, and priority was given to achieving the rental, sales and delivery targets of our existing projects.

Standing as a symbol of the transition to modern structures at the time of its construction, Ankara İş Tower has always been an ideal office building for companies with its central location. Having served as the head office of significant establishments in the past (of İşbank for 24 years and of the Banking Regulation and Supervision Agency –BRSA- for 15 years), Ankara İş Tower was leased to T.R. Ministry of Interior in 2018. With the said lease, the building reached 100% occupancy. Improvement and renovation works inside the building have been finalized and the building was handed over to the Ministry in December 2018.



Apartment deliveries started in February 2018 at the Manzara Adalar Project that our Company put into life in Kartal, one of the nicest and most valuable locations on the Anatolian side of İstanbul. In this framework, title deeds were delivered to 81% of homebuyers. In response to the shrank housing sales across the sector, the Company took part in the sales campaigns carried out by the sector associations and the government in order to support the housing sales within the scope of the project, while observing the project's profitability balance. During the year, it was aimed to increase the sales rate of the project within the scope of the government incentives and arrangements. Cooperation was established with agencies having ties with foreign countries in order to take advantage of the VAT advantage and citizenship right granted to non-nationals through the amended laws and regulations, and payment schedules were customized for foreigners. During the year, work continued for renting out office and commercial spaces, while favorable sales opportunities were also utilized.

Within the scope of the cooperation between our Company and Timur Gayrimenkul (Nef), housing unit deliveries of Gala and Lokal projects covered in İstanbul were completed during 2018, which is being realized on a plot equally owned by the two companies in Zeytinburnu district in İstanbul. Life already began in 83% of these units. 70% of the construction has been completed at Hayat and Konsept projects, which make the other two components of İstanbul that consists of four different projects. Deliveries in these projects are slated to begin during 2019. 98% of the residential units in İstanbul, which stands out with its central location and concept, have been sold.

While 70% of residential and office spaces have been sold at Ege Perla, İzmir's first mixed-use project, the shopping mall continues to operate with a high occupancy. Having completed its first year in operation, Ege Perla Shopping Mall infused a breath of fresh air to the entertainment and shopping experience in this city by incorporating the TOY Theater under its roof, the first of its kind in İzmir. İzmir's first LEGO Store opened its doors at Ege Perla and was welcomed with great interest from families and children. The concerts, children and family events, special film screenings, and workshops featuring celebrities organized during the year were targeted at visitor acquisition, and weight was given to recognition and promotion efforts for the shopping mall. With its powerful shop mix and distinctive concept, Ege Perla will continue to serve as the meeting point of the city.

Having taken on a major role in transforming Tuzla into a center of attraction through investments made in the region since 2011, our Company has purchased a plot to develop a new residential project in Tuzla that it believes to have high potential for thriving. However, despite its decision to carry on with its investments in the region, it was decided to postpone the residential project planned to be developed until suitable investment circumstances materialize, due to the economic volatilities in 2018 and the current conjuncture. The market conditions are being watched actively for the project that will cover nearly 1,000 residential units.

## BOARD OF DIRECTORS ACTIVITIES IN 2018



In 2018, project development work continued for the Kadıköy Hotel Project that our Company is planning to be a co-developer with 45% share.

The process for obtaining the building permit continued during the reporting period for the project our Company is planning to develop on the Üsküdar-Altunizade plot included in its portfolio.

During the reporting period, the Company's investments in relation to its projects in progress amounted to approximately TL 422 million, which were financed with bank loans and debt instrument issues, as well as with rental income and sales revenues. Within the frame of its financing policies, our Company also considers alternative methods for optimization of its financing costs; accordingly, funds were created by selling Ankara Ulus Office Building in its portfolio during 2018.

Believing in the importance of corporate governance, our Company acts with an awareness of its social and environmental responsibilities for a sustainable future in the projects it realizes. Our Company's environmentally-compatible and eco-sensitive approach has been recognized by the U.S. Green Building Council (USGBC).

In 2019, our Company will maintain a close watch on the changes in the world and in our country, and will keep working towards sustainability criteria and creating value for its stakeholders, a goal nurtured ever since its incorporation, while continuing to contribute added value to its sector driven by its deep-rooted and innovative character.

In this context, the following endorsements have been received during the reporting period:

- "LEED Gold" certificate for Tuzla Technology and Operation Center, and Tuzla Mixed-Use Project,
- "LEED Platinum" certificate for the office blocks of Manzara Adalar project, and
- "LEED Gold" certificate for the residential blocks of Manzara Adalar project.

Our Company's sustainability approach to its development projects will be taken further in the future and will reflect on its projects.

In 2019, our Company will maintain a close watch on the changes in the world and in our country, and will keep working towards sustainability criteria and creating value for its stakeholders, a goal nurtured ever since its incorporation, while continuing to contribute added value to its sector driven by its deep-rooted and innovative character.

## STRATEGY



Diversifying its portfolio by investing in projects entailing components such as retail spaces and residences, İş REIC adopts the strategy of generating maximum benefit for its shareholders by increasing its ongoing revenues and profitability. 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

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.

The top priority of İş REIC is to bring all of its ongoing investments to completion within the projected timelines, to capture the targeted profitability, lease and sales figures, and to carry on with contemporary, ethical and sustainable project developments that will serve as models for the sector and will result in optimum use and benefits on properties included in its portfolio.

Besides all these activities, the Company closely monitors investment opportunities relating to projects and real estate properties that will secure the Company's organic and revenue growth, and assesses them in line with its investment strategy.

When planning for the forthcoming years, risks that may stem from the business environment are also taken into consideration, a close eye is kept on exchange rate and interest rate risks in investment and funding decisions, and the necessary measures are adopted for managing interest rate and exchange rate risks.

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.

# ACTIVITIES OF THE INVESTOR RELATIONS DEPARTMENT

The Investor Relations Department efficiently managed the processes associated with the exercise of shareholder rights.

Set up at the Company in 2005 in accordance with the related regulations of the Capital Markets Board of Turkey (CMB), the Investor Relations Department reports to the Financial Reporting and Investor Relations Group Head.

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

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. The Department manager physically participates in the Board of Directors meetings.

The Department takes on an active role for establishing the communication between shareholders and the Company, whereas the Corporate Governance Committee, which serves as a bridge between the Department and the Board of Directors, actively oversees the Department's activities during the year, and meets regularly.

The manager of the Department, being a member of the Corporate Governance Committee, participated in all of the Committee meetings held during the year, and provided information to the Committee about the Department's activities, material developments that took place during the reporting period, and the assessments and analyses of shareholders in particular, and investment companies in general. The documents prepared in relation to the decisions passed in Committee meetings and the topics discussed were shared with the Board of Directors following the meetings.

Besides the regular reports presented to the Board of Directors, the Department draws up the "Annual Investor Relations Activity Report", which is then submitted for the information of the Board of Directors.

Additionally, the Investor Relations Department also handles the secretarial tasks of the Corporate Governance Committee as indicated in the operating principles of the Committee.

## Public Disclosure and Provision of Information

During the reporting period, the Investor Relations Department held one-on-one meetings with analysts and fund managers from domestic and international investment companies at the Company's headquarters, took part in an investor conference, and had contacts with investors through teleconferences at the Company headquarters.

During the year, the Investor Relations Department responded to nearly 200 queries, most of which were received by e-mail. Information requests from local and foreign shareholders or investment companies 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 60% of all requests for information consisted of individual queries, while the remaining about 40% were of an institutional nature.

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

All information requests and queries related to the scope of investor relations, which are received from stakeholders such as analysts, portfolio managers, and public institutions, as well as from shareholders, are responded and support is given for questionnaires and academic studies.

Necessary records in relation to information requests 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 or model updating 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 balance sheets, income statements and other financial tables prepared within the scope of financial statements, along with material event disclosures made through the Public Disclosure Platform (KAP) are posted on the corporate website within 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, access to accurate and up-to-date information is made available especially to shareholders and investment companies 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 per the regulation governing the websites of equity companies published by the Ministry of Customs and Trade. Investors are linked to the MKK portal via the Information Society Services section and can access fundamental information about the Company also through this link.

Moreover, investors are provided with easy access to stock performance data as well as to the Company's material event disclosures via the data provided by the data provider under the "Investor Relations/Stock Performance" section on the Company website. Stock performance data is also available on the English website.

Additionally, shareholders or investment company employees who sign up in the "Mailing List" of the Investor Relations Department receive emails about material event disclosures, financial results and similar topics.

## ACTIVITIES OF THE INTERNAL SYSTEMS AUDIT GROUP

When performing oversight and analysis activities that are carried out independently and impartially, it is aimed to establish the culture of auditing at the Company, and to evaluate the efficiency and effectiveness of the internal control, risk management and corporate governance systems.

The Internal Systems 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 organized in accordance with international practices, principles and organization framework. Established in November 2008, the Internal Systems Audit Group 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 are also handled by the Internal Systems Audit Group at the Company.

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 Internal Systems Audit Group, the duties, powers and responsibilities of the Group employees, along with operating principles and procedures. The Internal Systems Audit Group 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 have been placed under the responsibility of Internal Systems Audit Group since September 2018. This group'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.



# HUMAN RESOURCES

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

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, 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.

Employees are informed about decisions and developments that concern them. There is not a trade union set up under the Company organization. On the other hand, while the Company supports the effective recognition of the freedom of association and the right to collective bargaining, the Company has not received any such request from the employees to date.

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.

Employees are informed on matters such as employment conditions, career path and advancement requirements, monetary arrangements and fringe benefits. 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 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 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.

# HUMAN RESOURCES

İş REIC's priority is to make training programs available for all Company employees within the frame of equality of opportunity.

## 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.

### “Journey to Development”

The “Performance and Competence Development System” launched in 2017 is considered as a Journey to Development for all Company employees. The system is intended to boost job satisfaction and motivation while clarifying the attitudes and behaviors expected of employees as they work to achieve their goals within their responsibility areas and allowing them to see their contribution to the overall business. To this end, the “Development Maps” clarifying development areas were created and a number of training programs were organized also in 2018.

## 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. During 2018, Company employees participated in different refresher training programs to update professional knowledge such as Tax, Finance, Accounting, Human Resources, Protection of Personal Data, Real Estate Development and Information Security, as well as programs focused on competence development such as Transactional Analysis, 7 Habits of Highly Effective People, and Social Media Use. Internal conversation sessions were held, which tackle different current topics with the participation of various guests, also in 2018. Licensing training programs, which are legally required in order for employees to perform business processes, were completed in 2018 as well.

## Fringe Benefits Granted to Employees

Upon completion of the 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 and life insurance. Moreover, subsidized meals and shuttle bus service are provided to all employees.

## Organizational Structure

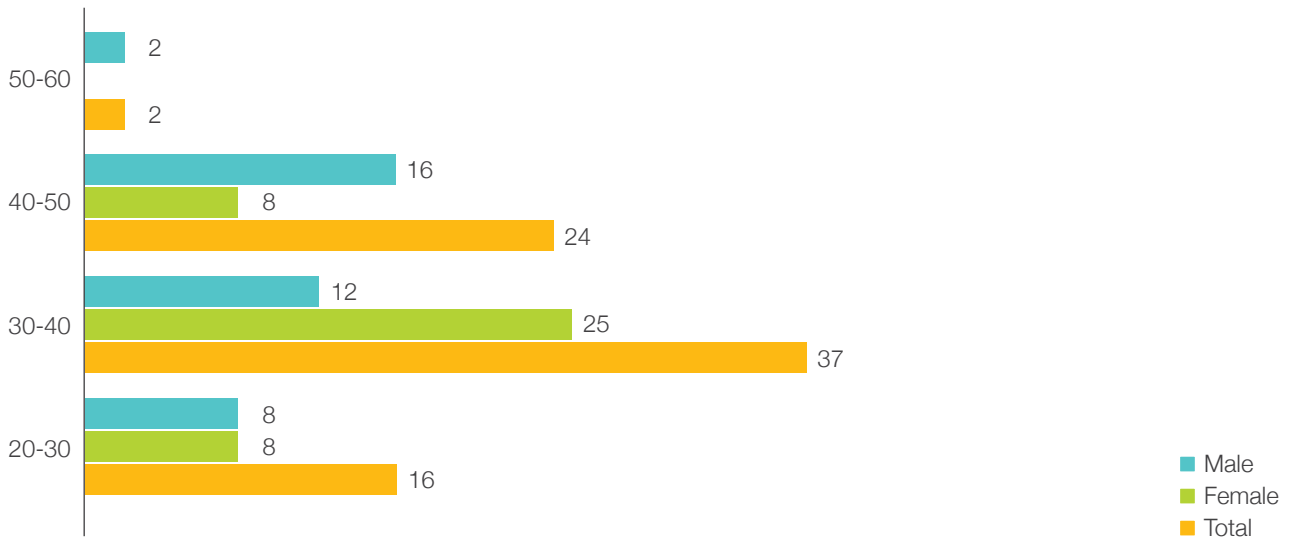
Groups and Coordinators within İş REIC's organizational structure are presented below:

- Project Management Group
- Legal Counseling & Human Resources and Education Group
- Financial Reporting and Investor Relations Group
- Financial and Administrative Affairs Group
- Sales and Marketing Group
- Internal Systems Audit Group
- Project Development & Feasibilities Coordination Group

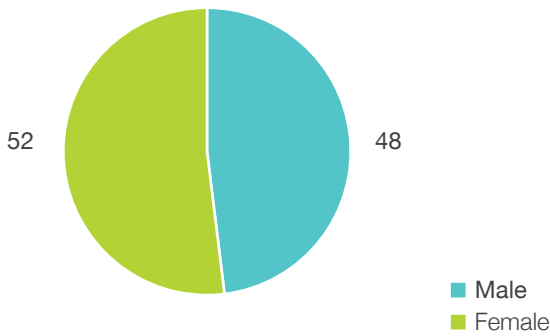
The average seniority of employees at the Company is seven years. Managers are promoted from within. During 2018, ten employees were promoted to higher positions.

İş REIC had 79 employees in total as at 2018 year-end.

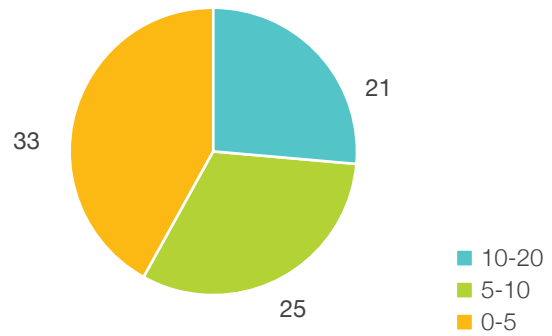
**Age Breakdown** (person)



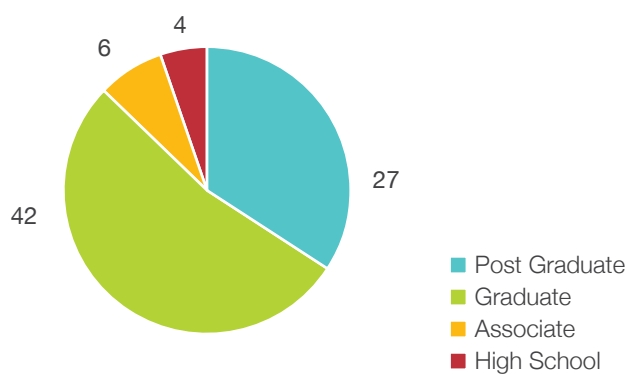
**Number of Employees (%)**



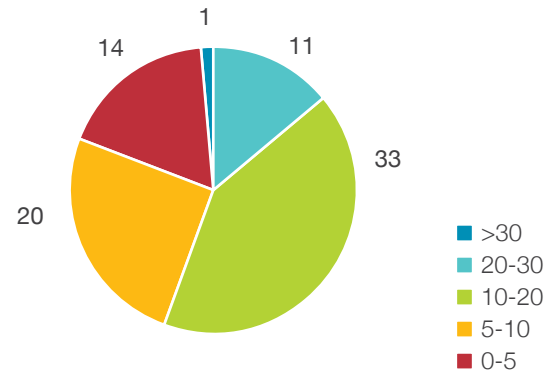
**Work Experience at İş REIC** (person)



**Educational Status** (person)



**Total Work Experience** (person)



# 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 community life and the environment within the scope of its corporate social responsibility concept.

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 community 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.

In line with our policy to carry out social investments with tangible benefits, which will serve as examples to all the segments of the society, the sector and the business world, we have formulated our Corporate Social Responsibility Policy at İş REIC on the center of our priority topics, which puts giving children equal access to educational, cultural, environmental and social means in the focal point.

Launched in a bid to reveal our commitment to finding solutions in view of social issues, needs and expectations as İş REIC and to reflect our social vision, our social responsibility initiative has been formulated with the involvement of all Company employees. The perspectives and contributions of all our employees in this process, whereby various projects and implementations were developed, have been crucial.

The studies carried out revealed the presence of a high “social investment” expectation from our Company and the need for İş REIC to make social investments. The common sentiment harvested can be summed up as follows: “As İş REIC, we consider it our priority that everybody reaches better living conditions, and we are working to equip, influence, guide and motivate everyone we can reach in this direction”. Our social investment principle is formulated as identifying the true need on the basis of comprehensive analysis in the area of the issue in our focus, and developing an inclusive model that will bring about real benefit for the target audience in need and that will create change. The tendencies that consistently gained the foreground were children and education as the focal point of all projects that arose in the process.

Erected upon the core values of İş REIC brand, its goals, and the positive social influence sought to be created in the public opinion, this initiative was put to life in 2018, and evolved into

a project presenting the potential to be referenced in the world literature.

## Inspiring Minds

The issue İş REIC Corporate Social Responsibility team focused on for nearly two years was determined as the shortcoming of the existing education system to contribute to equipping the children with a vision and build on their competencies. The analyses performed established that the creativity potential of children was one of the most important values, and that efforts to further children’s creativity would prove to be the most valuable gain. Accordingly, the solution suggestion that emerged has been to develop alternative educational and support programs for children without access to alternative educational, training and development means. It was agreed to create a pool of a broad range of means varying from culture and arts to nature, from technology to history awareness for children to be reached within the scope of the project.

On the other hand, it was resolved to work on creativity that is considered as the single skill that is necessary to be improved and perfected in children in the rapidly digitizing world; to develop and implement an educational program aimed at building on children’s creative thinking and producing skills.

In keeping with the goal of identifying the priority fields we will be working in, and devising and introducing the social projects that will be conducted in these areas, an Academic Advisory Board was established with academics from Koç University, and the roadmap for the project and program content have been set jointly with them. TOÇEV Foundation for Educating Children was designated as the NGO partner in this initiative, and contacts were initiated regarding the program, cities to be covered, and the children to receive education.

In all the studies and literature reviews performed by İş REIC Corporate Social Responsibility Team, a project with proven results as to improving the children’s creativity could not be identified either in Turkey or in the world; hence, in an effort to devise a solution for this need, the Project “Inspiring Minds” was put into life. The Project Inspiring Minds focused on “creativity”, which is a cognitive development process on which usually either no or small impact can be created and which is considered as one of the 21<sup>st</sup> century skills.



In order to achieve the targeted gains, through the nine-week program centered around 5 themes, children are encouraged to manifest their creative thinking, and training programs custom-designed with the support of experts were implemented to help the children build on their creativity capability. The training programs were offered to 264 children in total aged 9 and 10 in İstanbul and Samsun. Launched in cooperation with TOÇEV Foundation for Educating Children that champions the right to education of millions of children based on the motto “Education is the right of every child”, all of the project participants were selected from among children from low socio-economic status.

Scientific methods were employed by academicians to measure whether Inspiring Minds program is effective, and it was proven that the project has the potential to go down in the world literature. Inspiring Minds Project is a first in Turkey and in the world, when the need determination process, corporate social responsibility strategy formulation, implementation methodology designing, method of involving managers and employees in the initiative, planning of social investments, project development, collaboration model, measurement and the outcome achieved are evaluated as a whole.

Due to this successful result attained, it was decided to implement Inspiring Minds Project for a second term. In order to further increase the efficiency of the program in the light of the data obtained from the first term, Inspiring Minds Program Development, Measurement and Assessment teams made some revisions to the education content for optimizing effectiveness. The second term of the project whereby we will reach 450 children will start upon completion of the training for trainers in March 2019, and the nine-week program will be run in İstanbul and Samsun following the preparatory process for the trainers.

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 2018.

During the reporting period, the Company maintained its support to sectoral development by sponsoring the Real Estate Summit organized by GYODER (Association of Real Estate and Real Estate Investment Companies), and the Shopping Mall

The Project Inspiring Minds focused on “creativity”, which is a cognitive development process on which usually either no or small impact can be created and which is considered as one of the 21<sup>st</sup> century skills.

Investments Conference organized by AYD (Council of Shopping Centers – Turkey).

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 2018.

#### Donation Policy

The Company may make charitable donations that are in line with its sense of social responsibility and that 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 perception of its sensitivity about the fulfillment of its social responsibilities and on condition that it shall do so without seeking any financial or commercial benefit therefrom.

Education, health, culture, law, art, scientific and scholarly research, environmental protection, sport, and similar social endeavors; or

Natural disasters that have occurred in Turkey or elsewhere.

The Company did not make any donations in the reporting period.

# 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, purchasing and selling transactions of 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 2018, the Company received a total of TL 115,641,781 as rental income from related parties. As of the end of the reporting period (31 December 2018), total cash and cash equivalents belonging to İş REIC and held in accounts with İşbank amounted to TL 50,180,305 in value. As of the same date, İş REIC had received, from İşbank, a letter of guarantee worth TL 38,144,132. İşbank also holds prior and second liens over some of İş REIC's real estate properties amounting in total to USD 136,000,000 and TL 685,000,000. At the end of the reporting period, İş REIC's accounts showed a financial liability of TL 573,997,902 to İşbank on account of the loan taken out from that bank. Furthermore, out of the bonds İş REIC issued, the portion corresponding to TL 42,934,501 was held by group companies as at 31 December 2018. During 2018, the Company sold real estate worth TL 25,800,000 to İş Asset Management First Real Estate Investment Fund and real estate worth TL 49,885,000 to İşbank.

More detailed information about related party transactions, which İş REIC was involved in during 2018, 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 2018 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 sanctions were imposed against the Company or the members 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. Therefore, there was no need to adopt further measures in addition to the said arrangements in force. The Company did not sustain any losses by reason of the absence of additional measures.

## Disclosure under Principles 1.3.6 and 1.3.7 of Corporate Governance Principles

Neither shareholders having management control, nor the Board Members, nor executives with administrative responsibility or their spouses or relatives by marriage unto the second degree engaged in any material transaction that our Company became aware of and needs to be reported under principle 1.3.6 of the Corporate Governance Principles.

The Company's Board members Mr. Murat Doğan and Mr. İ. Hakkı Akşener serve as board members at İş-Altınhas İnşaat Taahhüt ve Tic. A.Ş., whereas the Company's CEO Mr. Hasan K. Bolat serves as the Chairman of the Board at the same company, and the said situation does not lead any conflict of interest.

Some of the Company executives with administrative responsibility serve on the Board of Directors of Kanyon Yönetim İşletim ve Pazarlama A.Ş., a subsidiary of the Company, and the said situation is specified in the resumés of these executives. These roles undertaken by the said executives with administrative responsibility do not lead to any conflict of interest.

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.

### Financial Rights Provided to Senior Management

The financial benefits provided to the senior management consist of salaries and bonuses. The financial rights provided to the senior management (CEO and Heads of Groups) during the reporting period amounted to TL 4,863 thousand gross. 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 senior manager, nor did it stand guarantee for them such as providing suretyship in their favor.

## MAIN SERVICE PROVIDERS

### Tax Consultants

PwC Yeminli Mali Müşavirlik A.Ş.

### Independent Auditors

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

### Credit Rating Agency

Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş.

### Real Estate Appraisal Firms from Which Services Were Procured in 2018

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

### Management Companies from which Services were Procured in 2018

- İş Merkezleri Yönetim ve İşletim A.Ş. (İŞMER)
- Kanyon Yönetim İşletim ve Pazarlama 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 necessary measures 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.

## CHANGES IN LEGISLATION DURING THE REPORTING PERIOD

The following legal arrangements were published during the reporting period, which may potentially bear an impact upon the Company's activities:

- "Communiqué (II-15.1.b) Amending the Material Events Communiqué (II-15.1)" and "Communiqué (VII-128.1.ç) Amending the Share Communiqué (VII-128.1)" published in the Official Gazette issue 30331 dated 13 February 2018,
- "Law Amending Certain Laws for Improving the Investment Environment" published in the Official Gazette issue 30356 dated 10 March 2018,
- "General Communiqué on Tax Procedure Law (Serial No.: 493)" published in the Official Gazette issue 30367 dated 21 March 2018,
- "Communiqué (III-48.1.c) Amending the Communiqué on Principles Governing Real Estate Investment Companies (III-48.1)" published in the Official Gazette issue 30417 dated 10 May 2018,
- "Regulation Amending the Regulation on the Principles and Procedures of Occupational Health and Safety Training of Employees" published in the Official Gazette issue 30430 dated 24 May 2018,
- "Regulation on Immovable Property Trade" published in the Official Gazette issue 30442 dated 5 June 2018
- "Principles and Procedures of Issuing Building Registration Certificate" published in the Official Gazette issue 30443 dated 6 June 2018,
- "Zoning Regulation for Ankara Metropolitan Municipality" published in the Official Gazette issue 30445 dated 8 June 2018,
- "Principles and Procedures Amending the Principles and Procedures of Issuing Building Registration Certificate" published in the Official Gazette issue 30541 dated 20 September 2018,
- "Communiqué (No: 2018-32/51) Amending the Communiqué on the Decree no. 32 for Protection of the Value of Turkish Currency (Communiqué No: 2008-32/34)" published in the Official Gazette issue 30557 dated 6 October 2018,
- "Regulation Amending the Zoning Regulation for Planned Areas" published in the Official Gazette issue 30578 dated 27 October 2018,
- "Communiqué (No: 2018-32/52) Amending the Communiqué on the Decree no. 32 for Protection of the Value of Turkish Currency (Communiqué No: 2008-32/34)" published in the Official Gazette issue 30597 dated 16 November 2018,
- "Communiqué (II.15.1.c) Amending the Material Events Communiqué (II-15.1)" published in the Official Gazette issue 30598 dated 17 November 2018,
- "Regulation Amending the Regulation on the Implementation of Turkish Citizenship Law (Decree No.: 418)" published in the Official Gazette issue 30618 dated 7 December 2018.

The said changes to the regulatory framework are being assessed with respect to the operations of İş REIC and all necessary work, was or is being, undertaken for achieving compliance with the legislation.

# PORTFOLIO INFORMATION

## COMMERCIAL PROPERTIES\*

- İstanbul İş Towers Complex (Tower 2 - Tower 3 - Kule Çarşı Shopping Mall)
- Ankara İş Tower
- İstanbul Maslak Office Building
- İstanbul Kanyon Shopping Mall
- İstanbul Marmara Park Shopping Mall
- İstanbul Taksim Office Lamartine
- Nevşehir Kapadokya Lodge Hotel
- Muğla Marmaris Mallmarine Shopping Mall
- İstanbul Tuzla Technology & Operation Center
- İstanbul Mixed-Use (Office and Meydan Mall)
- İzmir Ege Perla Shopping Mall, Residential Units and Office Units
- İstanbul Kartal Manzara Adalar Office Units, Residential Units and Commercial Space
- İstanbul Tuzla Çınarlı Bahçe Commercial Space

## REAL ESTATE PROJECTS

### Ongoing Projects

- İstanbul Financial Center Project
- İstanbul İnistanbul Housing Project

### Lands

- İstanbul Tuzla land (53,459 m<sup>2</sup>)
- İstanbul Üsküdar land (32,081 m<sup>2</sup>)
- İstanbul Levent İş Towers land (7,613 m<sup>2</sup>)

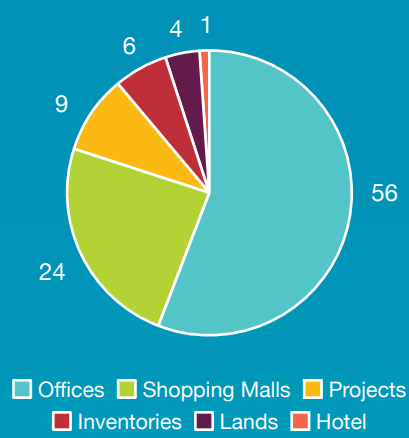




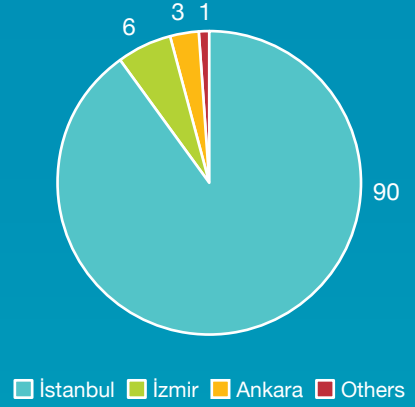
Rental Income (TL million)



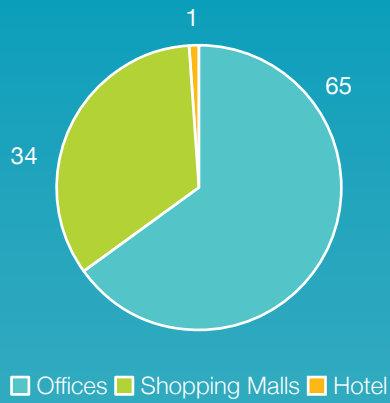
Value of the Portfolio - Breakdown by Type (%)



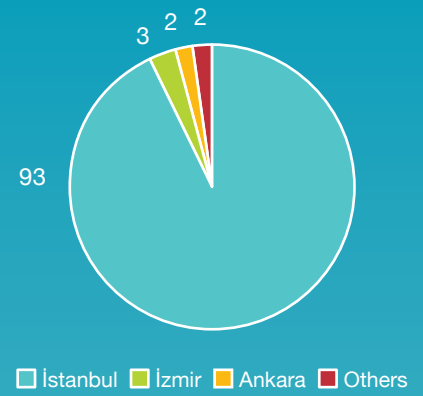
Value of the Portfolio - Breakdown by Region (%)



Rental Income - Breakdown by Type (%)



Rental Income - Breakdown by Region (%)



## İSTANBUL İŞ TOWERS COMPLEX (Tower 2 - Tower 3 - Kule Çarşı Shopping Mall)

### Location:

İstanbul-Beşiktaş, Levent

### Acquisition Date:

1999

### Gross Area (m<sup>2</sup>):

109,438

### Appraised Value (TL):

971,685,000

### 2018 Rental Income (Excluding VAT) (TL):

38,283,533\*



\* The current occupancy of Tower 3 is around 40%; hence partial rental income was derived on the complex.

## İSTANBUL KANYON SHOPPING MALL



### Location:

İstanbul-Beşiktaş, Levent

### Opening Date:

2006

### Gross Area (m<sup>2</sup>):

81,761\*

### Appraised Value (TL):

575,512,500\*\*

### 2018 Rental Income (Excluding VAT) (TL):

38,835,859\*\*



\* Total gross area of the shopping mall

\*\* İş REIC holds 50% title in the shopping mall, and both the appraised value and rental income represent the share of İş REIC.

## İSTANBUL MARMARA PARK SHOPPING MALL



**Location:**  
İstanbul-Esenyurt

**Opening Date:**  
2012

**Gross Area (m<sup>2</sup>):**  
204,160

**Appraised Value (TL):**  
185,675,000

**2018 Rental Income (Excluding VAT) (TL):**  
21,808,806\*



\* The Company derives superficies right income on the plot on which Marmara Park Shopping Mall has been developed.

## İZMİR EGE PERLA (Shopping Mall, Residential Units and Office Units)



**Location:**  
İzmir-Konak

**Completion Date:**  
2017

**Gross Area (m<sup>2</sup>):**  
147,391

**Appraised Value (TL):**  
315,504,000\*

**2018 Rental Income (Excluding VAT) (TL):**  
7,626,230

**Architectural Design:**  
Emre Arolat



\* Represents the value for the shopping mall and the residential units and offices in the portfolio.



## İSTANBUL TUZLA TECHNOLOGY AND OPERATION CENTER



### Location:

İstanbul-Tuzla

### Completion Date:

2015

### Gross Area (m<sup>2</sup>):

184,600

### Appraised Value (TL):

1,076,500,000

### 2018 Rental Income (Excluding VAT) (TL):

76,379,761

### Architectural Design:

SOM | Skidmore, Owings & Merrill LLP



## İSTANBUL TUZLA MIXED-USE (Office and Meydan Mall)

### Location:

İstanbul-Tuzla

### Completion Date:

2015

### Gross Area (m<sup>2</sup>):

93,100

### Appraised Value (TL):

290,160,000

### 2018 Rental Income (Excluding VAT) (TL):

18,597,188

### Architectural Design:

SOM | Skidmore, Owings & Merrill LLP



## İSTANBUL TAKSİM OFFICE LAMARTİNE



**Location:**  
İstanbul-Beyoğlu

**Completion Date:**  
2013

**Gross Area (m<sup>2</sup>):**  
4,624

**Appraised Value (TL):**  
53,035,000

**2018 Rental Income (Excluding VAT) (TL):**  
1,820,594

*ofis  
Lamartine*

## İSTANBUL MASLAK OFFICE BUILDING

**Location:**  
İstanbul-Şişli-Ayazağa

**Acquisition Date:**  
2001

**Gross Area (m<sup>2</sup>):**  
13,559

**Appraised Value (TL):**  
112,540,000

**2018 Rental Income (Excluding VAT) (TL):**  
5,818,977



## ANKARA İŞ TOWER

**Location:**

Ankara-Çankaya

**Acquisition Date:**

1999

**Gross Area (m<sup>2</sup>):**

28,998

**Appraised Value (TL):**

149,630,000

**2018 Rental Income (Excluding VAT) (TL):**

973,877\*



\* Partial rental income was generated during the year. The anticipated rental income in 2019 is TL 5.3 million.

## NEVŞEHİR KAPADOKYA LODGE HOTEL



**Location:**

Nevşehir-Uçhisar

**Acquisition Date:**

2010

**Gross Area (m<sup>2</sup>):**

11,115

**Appraised Value (TL):**

27,000,000

**2018 Rental Income (Excluding VAT) (TL):**

2,181,787



## İSTANBUL KARTAL MANZARA ADALAR

(Office Units, Residential Units and Commercial Space)



**Location:**  
İstanbul-Kartal

**Completion Date:**  
2018

**Gross Area (m<sup>2</sup>):**  
135,675

**Appraised Value (TL):**  
474,799,020\*

**Architectural Design:**  
Perkins Eastman



\* Represents the value pertaining to the residential, office and commercial spaces in the portfolio.

## MUĞLA MARMARİS MALLMARİNE SHOPPING MALL

**Location:**  
Muğla-Marmaris

**Acquisition Date:**  
2001

**Gross Area (m<sup>2</sup>):**  
6,399

**Appraised Value (TL):**  
14,975,000

**2018 Rental Income (Excluding VAT) (TL):**  
911,708



## İSTANBUL İNİSTANBUL HOUSING PROJECT



### Location:

İstanbul-Zeytinburnu

### Investment Cost\* (TL):

TL 1,120 million

### Construction Area (m<sup>2</sup>):

400,000

### Appraised Value (TL):

669,222,000\*\*

### Architectural Design:

Perkins & Will



\* The investment cost (excluding financing costs) is the full investment cost jointly undertaken with Nef.

\*\* Represents İş REIC's 50% share.

Within the scope of İnistanbul Project, phases 1 and 2 were completed and deliveries were made. Construction is in progress in phases 3 and 4. Total sales ratio of the project is 98%.



inistanbul

## İSTANBUL FINANCIAL CENTER PROJECT



### Location:

İstanbul-Ümraniye

### Investment Cost\* (TL):

TL 270-280 million

### Construction Area (m<sup>2</sup>):

70,000

### Appraised Value (TL):

200,103,000

### Total Leasable Area (m<sup>2</sup>):

33,000

### Architectural Design:

HOK Architecture & DOME Mimarlık

\* Excludes financing costs



(Convenience translation of a report originally issued in Turkish)

# INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS



Güney Bağımsız Denetim ve  
SMMM A.Ş.  
Maslak Mahallesi Eski Büyükdere  
Cad. Orjin Maslak Plaza No: 27  
Sarıyer 34485  
İstanbul - Türkiye

Tel: +90 212 315 3000  
Fax: +90 212 230 8291  
ey.com  
Ticaret Sicil No: 479920

To the Shareholders of İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

## 1) Opinion

We have audited the annual report of İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi ("the Company") for the period of January 1 – December 31, 2018.

In our opinion, the financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Company are presented fairly and consistent, in all material respects, with the audited full set financial statements and the information we obtained during the audit.

## 2) Basis for Opinion

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

## 3) Our Auditor's Opinion on the Full Set Financial Statements

We have expressed an unqualified opinion in our auditor's report dated January 31, 2019 on the full set financial statements of the Company for the period of January 1 – December 31, 2018.

## 4) The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC") and the provisions of the Communiqué II-14.1 on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") of the Capital Market Board ("CMB"), the management of the Company is responsible for the following items:

- Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.
- Preparation and fair presentation of the annual report; reflecting the operations of the Company for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the financial statements. The development of the Company and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.
- The annual report also includes the matters below:

- Subsequent events occurred after the end of the fiscal year which have significance,
- The research and development activities of the Company,
- Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Customs and Trade and related institutions.

## 5) Auditor's Responsibilities for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code and the Communiqué, on whether the financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Company's audited financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAS and the standards on auditing as issued by the Capital Markets Board of Turkey. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the financial statements.

The name of the engagement partner who supervised and concluded this audit is Yaşar Bivas.

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



February 27, 2019  
İstanbul, Turkey

# ORDINARY GENERAL ASSEMBLY MEETING OF SHAREHOLDERS AGENDA

İş Gayrimenkul Yatırım Ortaklığı A.Ş.

Agenda for the Ordinary General Assembly Meeting of Shareholders of İş Gayrimenkul Yatırım Ortaklığı A.Ş. to be held on 26 March 2019

1. Opening, establishment of the Chairmanship Council,
2. Reading and discussion of the Board of Directors' Annual Report on 2018 activities and reading the Auditor's Report on activities in 2018,
3. Reading, discussion and approval of the financial statements of the year 2018,
4. Discharge of the Board Members for their activities in 2018,
5. Discussion and decision of the Board of Directors' proposal on the distribution of the operating profit in 2018,
6. Election of the Board Members and determining the terms of their service,
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. Informing the shareholders on the Company's donations made in 2018, and setting the limit for the donations to be made in 2019,
11. Informing the General Assembly of Shareholders under principle no. 1.3.6 of the Corporate Governance Principles,

# SUMMARY ACTIVITY REPORT OF THE BOARD OF DIRECTORS

Dear Shareholders,

In 2018, high inflation that resulted particularly from escalated exchange rates pushed the domestic demand down, which serves as the main engine of growth. In conjunction therewith, the decline in the industrial production reflected in a similar pattern on growth. Following respective growth rates of 7.2% and 5.3% in the first and second quarters of 2018, the Turkish economy registered 1.6% growth in the third quarter of the year as the loss of momentum in economic activity became pronounced.

While the “New Economy Program” declared by the government in September 2018 set reconstitution of price stability and financial stability as the main goals, emphasis was also placed on economic stabilization to be experienced in this process and on budget discipline. We are of the opinion that the outcomes of the implementation of the program will come at the top of the factors that will determine the economic outlook of the period ahead.

During 2018, the construction sector shrank at a higher ratio than the economy and showed an expansion of merely 0.2% in the first three quarters, getting 7.6% share out of the GDP in the same timeframe. The problems that became evident in the economy in the second half of 2018 and the rise in housing loan rates led to 2.4% drop in housing sales on an annual basis in the reporting period. As part of the government’s measures seeking to restrain the decline in housing sales, VAT was charged as 8% instead of 18%, 1 point reduction was granted on title deed charges, accompanied with low-rate campaigns (0.98% per month). The highly depreciated Turkish lira, on the other hand, created a stagnating impact with respect to rental activities of commercial properties and the retail sector.

In order to overcome the demand and financing issues experienced by the sector in the period ahead, inflation, exchange and interest rates need to adopt a downtrend in

the stabilization period. On the other hand, continuation of the government incentives provided to increase the purchasing power on the demand side in 2019 will be supportive for the expansion of the real estate sector.

In 2018, our Company increased both rental and sales income generated on its real estate portfolio, brought its ongoing investments to completion at a major extent, and took the necessary actions against the variable market dynamics thanks to its robust balance sheet structure. The Company also efficiently managed its high quality portfolio that preserves its value despite the contraction in the overall economy. During 2018, the real estate sector was heavily affected by the overall economic contraction; based on detailed scrutiny of the sector dynamics, the status of our financial capabilities and the timelines for our planned future projects were reviewed. Our work in relation to planned projects continued throughout 2018, and priority was given to achieving the rental, sales and delivery targets of our existing projects.

As at 31 December 2018, İş REIC registered;

- TL 5,222 million in total assets,
- TL 3,557 million in shareholders’ equity,
- TL 4,935 million in total portfolio value, and
- TL 4,877 million in total real estate portfolio.

Our Company’s net profit for the period expanded by nearly 90% and reached TL 342 million.

We would like to thank all our shareholders for their support and confidence.

Sincerely,

İş Gayrimenkul Yatırım Ortaklığı A.Ş.  
Board of Directors

## 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.

### Information about the Distribution of Profit for the Period in 2017

At the Company's Ordinary General Assembly Meeting convened on 21 March 2018, it was decided to distribute bonus shares worth TL 45,000,000 and cash dividends in the amount of TL 68,531,250, which will be covered from the net profit for the period within the framework of the Board of Directors' profit distribution proposal for the distribution of net profit for the period in 2017. In this context, cash dividend payments to shareholders were completed on 29 March 2018, and bonus share distribution formalities were completed on 8 May 2018.

## PROFIT DISTRIBUTION PROPOSAL BY THE BOARD OF DIRECTORS FOR THE PERIOD IN 2018

Under the Capital Markets Board of Turkey (CMB) legislation, the Company's articles of association and the Company's dividend policy, it is proposed that:

- no dividends be distributed in order to optimize the Company's financing costs and cash flows in view of the general economic conjuncture,
- after legal reserves that need to be set aside pursuant to legislation out of the net profits for the period descended in the financial statements drawn up according to the capital market legislation and in legal records; the balance remaining from the profit that results according to the Tax Procedure Law be transferred to extraordinary reserves, and the balance remaining from the profit that results according to financial statements drawn up in accordance with the capital market legislation be transferred to prior year profits.

### İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. Profit Distribution Table for the Year 2018 (TL)

	Based on CMB	Based on Legal Records
1. Paid-in/Issued Capital		958,750,000
2. General Legal Reserve (based on legal records)		64,357,640.16
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
3. Profit for the Period	341,610,873.00	127,762,164.37
4. Taxes (-)	0.00	0.00
5. Net Profit for the Period	341,610,873.00	127,762,164.37
6. Prior Period Losses (-)	0.00	0.00
7. General Legal Reserve (-)	6,388,108.22	6,388,108.22
8. NET DISTRIBUTABLE PROFIT FOR THE PERIOD	335,222,764.78	121,374,056.15
9. Donations Made within the Year (+)	0.00	
10. Net Distributable Current-Year Profit Including Donations	335,222,764.78	
11. First Dividend to Shareholders	0.00	
- Cash	0.00	
- Bonus	0.00	
- Total	0.00	
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	0.00	
16. General Legal Reserves	0.00	
17. Statutory Reserves	0.00	
18. Special Reserves	0.00	
19. EXTRAORDINARY RESERVES	335,222,764.78	121,374,056.15
20. Other Distributable Reserves	0.00	0.00

### İş Gayrimenkul Yatırım Ortaklığı A.Ş. Dividend Ratio Table for 2018

GROUP	TOTAL DIVIDENDS		TOTAL DIVIDENDS/NET DISTRIBUTABLE PERIOD PROFIT	OF TL 1 NOMINAL VALUE DISTRIBUTED PROFIT	
	CASH (TL)	BONUS (TL)	RATIO (%)	AMOUNT (TL)	RATIO (%)
NET					
A	0.00	0.00	0.0%	0.00	0.0%
B	0.00	0.00	0.0%	0.00	0.0%
TOTAL	0.00	0.00	0.0%	0.00	0.0%

# STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Believing in the importance of Corporate Governance Principles and observing compliance with them, the Company espouses the four main elements of Corporate Governance Principles, which are equality, transparency, accountability and responsibility, in its activities.

In this context, the Company acts in line with the applicable regulations with respect to exercising of shareholding rights and public disclosure, makes sure that its relations with all stakeholders are carried out within the frame of publicly disclosed "Code of Ethics", and the Company's Board of Directors carries out its activities in compliance with the principles through the Committees and mechanisms set up.

The Company's Investor Relations Department efficiently managed the processes associated with the exercising of shareholder rights, public disclosure and information sharing activities in particular, as well as General Assembly and capital increase formalities. The Department actively took part in the public disclosure of the matters related to the said processes, ensured that the sections of the Company website that concerns shareholders are kept up-to-date, and oversaw the exercising of shareholder rights.

The Company's Board of Directors is formed of 9 non-executive members, 3 of which are independent members. Board members are elected to serve until the next general assembly meeting, and 3 new members were elected to the Board of Directors at the General Assembly meeting convened during the reporting period, while the other 6 members were reelected. Information such as the number of years Board of Directors members have been serving on the Company's Board, and the external positions they hold is provided in their resumé.

Carrying out its activities as per the operating principles that have been made public, the Board of Directors met regularly during the year; Board meetings were held with the full participation of Board members, and decisions were passed unanimously.

The Committee for Audit, the Committee for Early Detection of Risk, and the Corporate Governance Committee have been set up under the Board of Directors, and the Committees efficiently carried out their activities according to the accepted operating principles and within the scope of their duties and responsibilities defined in the Corporate Governance Principles. The Committees contributed to the activities of the Board of Directors with the reports produced and advisory decisions taken.

The Company displays the required sensitivity for compliance with Corporate Governance Principles; the Corporate Governance Committee was set up at the Company in 2007, and as part of its principal duties, the Committee follows up corporate governance activities, monitors the Company's compliance with the principles, identifies improvement areas, takes necessary actions and makes proposals to the Board of Directors, thus playing an active role in continuously improving the corporate governance system.

Also functioning as the Nomination Committee and the Remuneration Committee, the Corporate Governance

Committee has evaluated proposed independent membership nominees for seats on the Board of Directors taking into consideration whether they satisfy the independence criteria, presented them in a report, and submitted it to the Board of Directors. Moreover, the committee passed advisory decisions for determining the remuneration to be paid to Board of Directors members and managers with administrative responsibility, and presented them for the information of the Board of Directors.

The Board of Directors reviewed the effectiveness of the risk management and internal control systems, and produced a report on the operation and efficiency of the Company's internal systems during the reporting period.

The Company implements all of the compulsory Corporate Governance Principles, takes care to maximize its compliance with optional principles that are not compulsory to be implemented, and complies with the majority of optional principles.

From out of the non-compulsory principles, the Company partially complies with the principles numbered 3.3.5, 3.3.8., 4.4.2, 4.4.7., 4.6.1, 4.6.5., whereas it does not comply with the principles numbered 1.5.2., 3.2.1., 4.3.9., and 4.5.5. During the year, no conflicts of interest arose due to optional principles that it has achieved partial or no compliance with.

Explanations about the Company's compliance level with the principles and partially complied or non-complied optional principles are provided in detail in the Corporate Governance Principles Compliance Report. Partially complied or non-complied optional principles mostly relate to matters that necessitate extensive arrangements, that are not widely implemented in our country, or not subjected to additional arrangements given the Company's existing scale or Board of Directors organization. The Company does not have any short-term plans to achieve compliance with the relevant principles.

The Company's Corporate Governance Compliance Report and Corporate Governance Information Sheet for 2018 are being publicly disclosed on the Public Disclosure Platform ([www.kap.org.tr](http://www.kap.org.tr)) under the CMB resolution no. 2/49 dated 10 January 2019. Shareholders can access the Corporate Governance Compliance Report for 2018 by clicking on the Corporate Governance Principles Compliance Report heading on the address <https://www.kap.org.tr/en/sirket-bilgileri/ozet/987-is-gayrimenkul-yatirim-ortakligi-a-s>, and the Corporate Governance Information Sheet for 2018 by clicking on the Corporate Governance heading on the same address. Other than these headings, Corporate Governance Compliance Report and Corporate Governance Information Sheet can also be accessed by making an "Notification Search" on the address <https://www.kap.org.tr/tr/sirket-bilgileri/ozet/987-is-gayrimenkul-yatirim-ortakligi-a-s>.

The Corporate Governance Compliance Report and the Corporate Governance Information Sheet for 2018 are also posted under the Corporate Governance Heading of the Investor Relations tab on the Company website for the information of shareholders and all stakeholders.

## REPORT BY THE COMMITTEE FOR AUDIT

Report by the Committee for Audit has been drawn up to disclose our commitment to our responsibilities as the Committee for Audit and how we have performed our duty throughout the year.

### Main Purpose:

The main purpose of the Committee for Audit is to prepare the Company's financial reports in accordance with the applicable legislation, regulations and standards, and to exhibit an efficient management in relation to the operation of the Company's internal systems in accordance with the applicable legislation and the Company's policies, as well as their effectiveness and adequacy.

### Committee Members:

As set out in the CMB's Corporate Governance Communiqué, the Committee for Audit is composed of two members who are independent Board members. The Committee for Audit is constituted by Mr. Nihat Uzunoğlu and Mr. Haluk Büyükbaş who have been elected according to the criteria set out in the Working Guidelines of the Committee for Audit, and it is headed by Mr. Uzunoğlu. The Committee members have been designated to secure their contribution to the Committee with their rich commercial and financial experiences acquired within the frame of their other professional activities.

### Responsibilities:

The duties and responsibilities of the Committee for Audit have been set out in the Committee's Working Guidelines, and are summarized below:

- The Committee for Audit oversees the operation and efficiency of the Company's accounting system, public disclosure of financial information, independent audit and internal control and internal audit system;
- Designation of the independent audit firm, preparation of the independent audit contracts and inception of the independent audit process, and the activities of the independent audit firm at every stage are carried out under the supervision of the Committee for Audit;
- The independent audit firm from which the Company will procure service and the services to be procured from these entities are determined by the Committee for Audit and submitted for the approval of the Board of Directors;
- The Committee for Audit establishes the methods and criteria applicable to the handling and concluding of complaints received by the Company in relation to the Company's accounting, internal control and internal audit systems, as well as their independent auditing, and to the assessment of the Company's accounting and independent audit-related issues reported by the employees within the confidentiality principle;
- The Committee for Audit presents its assessments regarding the conformity of the annual and interim financial statements to be publicly disclosed with the accounting principles pursued by the Company, as well as their accuracy and fairness, by also incorporating the opinions of the Company's responsible managers and independent auditors in writing to the Board of Directors;
- The Committee for Audit fulfills the other duties and responsibilities to be assigned by the Board of Directors.

The Committee's duties and responsibilities, its operating principles and procedures can be found on the Company's corporate website at [www.isgyo.com.tr](http://www.isgyo.com.tr).

### Assessment of the Committee Performance:

As part of the review of the operation and efficiency of the Company's internal systems, the Board of Directors also evaluated the performance of the Committee for Audit. Accordingly, it has been concluded that the Committee worked effectively with respect to public disclosure of the Company's financial data, conduct of independent audit, ensuring efficient operation of internal systems, and actively overseeing the works of the independent auditor through every step.

## REPORT BY THE COMMITTEE FOR AUDIT

### Meetings:

The Committee met 4 times during the reporting period. The meetings were held prior to the Board of Directors meetings so that information could be presented to the Board about the Committee's activities and the Company's financial statements.

One more Committee meeting was held after the end of the calendar year and before the date of this writing.

### Activities:

During the reporting period, the Committee worked in relation to financial reporting, internal audit, internal control, risk management and external audit.

The activities of the Committee are summarized below:

- Oversaw the works of the independent audit firm through every step and the independent audit process through to the evaluation of the annual and interim financial reports to be made public with respect to their fairness, accuracy and conformity to the accounting principles adopted by the Company.
- Monitored the determination of the annual activity plan of the Company's Internal Systems Audit Group and execution of the audit activities in accordance with the plan, and received information about the audit activities in regular meetings.
- Made the necessary coordination for the submission of the findings from the audit activities to the Board of Directors and the Company's Senior Management, and for ensuring that necessary measures are adopted accordingly.

### Auditor's Efficiency:

The efficiency of the independent audit process relies on the accurate determination of the key audit topics at the start of the audit cycle. Every year, independent auditors present the detailed audit plan covering an assessment of the key audit topics to the Committee. The key audit topics for the reporting period consisted of the appraisal of real estate held for investment purposes and recognition of the stocks constituting a substantial portion of the Company's total assets in the accounts. Work in relation to each of these areas was covered in the independent audit report.

Every year, the Committee holds private meetings with the independent auditors in the absence of the executive level, thus offering an additional opportunity for feedback. In general, the topics discussed include the auditor's assessment of business risk and the efficiency of the management, transparency and openness of the mutual communications with the management, whether there exists any restriction imposed by the management, and how they practice professional skepticism.

The Company's independent audit service is being provided by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. for 2017 and 2018 activity years in accordance with the CMB legislation.

**Nihat Uzunoğlu**  
Committee Head

**Haluk Büyükbaş**  
Member






# İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018 WITH INDEPENDENT AUDITORS' REPORT THEREON

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

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## INDEPENDENT AUDITOR'S REPORT

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



Güney Bağımsız Denetim ve  
SMMM A.Ş.  
Maslak Mahallesi Eski Büyükdere  
Cad. Orjin Maslak Plaza No: 27  
Sarıyer 34485  
İstanbul - Türkiye

Tel: +90 212 315 3000  
Fax: +90 212 230 8291  
ey.com  
Ticaret Sicil No: 479920

To the Shareholders of İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

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

#### 1) Opinion

We have audited the financial statements of İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi ("the Company"), which comprise the statement of financial position as at December 31, 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with the Turkish Financial Reporting Standards (TFRS).

#### 2) Basis for Opinion

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

#### 3) Key Audit Matters

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

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<p><b>Presentation of investment properties in the financial statements and significant information disclosed</b></p> <p>As explained in note 2 and 10, the Company recognizes investment properties at their fair values, after initial recognition. As of December 31, 2018, fair value amount of the investment properties disclosed in the financial statements has been valued at TL 4.153.488.099 by independent appraisal firms and details of the valuation have been disclosed in note 10. Due to the fact that investment properties are significant part of the Company's assets and applied valuation methods contain significant judgements and assumptions, we have considered the valuation of investment properties as a key audit matter.</p>	<p>We assessed the qualifications, competencies and independence of the professional appraisers engaged by the management.</p> <p>In our audit, we assessed whether the valuation methods as applied by appraisers are acceptable for valuation of the underlying investment property. We reconciled the appraised value for independent sections in the valuation report with disclosed amount in note 10. In addition, we reconciled standing data included in the valuation report such as rental income, duration of lease contracts, occupancy rates and administration expenses to source documents.</p> <p>Among the other audit procedures we performed, we verified the assumptions used by the external appraisers in their valuations (including the discount rate, the market rent and the expected occupancy rates) against external data. For this assessment we involved valuation experts of a firm which is in our audit network to our audit procedures.</p> <p>Due to the high level of judgment in the valuation of investment property and the existence of alternative assumptions and valuation methods, we assessed if the result of the external valuation is within an acceptable range.</p> <p>We also examined the suitability of the information in the financial statements and explanatory note, given the importance of this information for users of the financial statements.</p>
<p><b>Inventories</b></p> <p>As of December 31, 2018, in the financial statements of the Company there has been inventories amounting to TL 516.387.334 in the current assets and TL 174.550.000 in the non-current assets. Inventories comprise of cost of land that is held to build housing projects for sale in the short-term and construction costs of housing units. Accounting policy regarding to inventories is disclosed in note 2, related inventory amounts are disclosed in note 11. Due to the fact that inventories are significant part of the Company's assets and matters such as accounting of purchase, conversion-capitalization and other necessary costs which are included to inventories, housing inventories to be sold are considered as key audit matter to our audit.</p>	<p>Within the scope of our audit procedures performed regarding to the subject stated above, it has been focused on the followings;</p> <ul style="list-style-type: none"> <li>- Testing cost of development additions in the current year by comparing with documents such as invoice and progress payment</li> <li>- Review of borrowing costs capitalized to inventories in the current year and review the capitalization ceiling test</li> <li>- Testing of foreign currency differences capitalized and its verification with borrowing costs</li> <li>- Controlling of net realizable value of the inventories with valuation report and realized sales.</li> </ul>

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

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

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

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

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

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

## INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

- 1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on January 31, 2019.
- 2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January – 31 December 2018 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.
- 3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Yaşar Bivas.

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



January 31, 2019  
İstanbul, Turkey

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## İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2018 STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

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

		<i>Audited</i>	<i>Audited</i>
	<i>Notes</i>	31 December 2018	31 December 2017
<b>ASSETS</b>			
<b>Current assets</b>		<b>752.744.479</b>	<b>967.988.419</b>
Cash and cash equivalents	5	54.236.749	83.117.592
Trade receivables	8	107.442.054	47.442.849
<i>Trade receivables from related parties</i>	24	4.680.762	1.600.761
<i>Trade receivables from third parties</i>		102.761.292	45.842.088
Other receivables	9	718.345	1.078.243
<i>Other receivables from related parties</i>	24	35.610	--
<i>Other receivables from third parties</i>		682.735	1.078.243
Derivatives	6	59.536.713	3.865.901
Inventories	11	516.387.334	757.111.894
Prepaid expenses	16	14.386.026	75.331.788
<i>Prepaid expenses to related parties</i>	24	2.788.312	65.354.311
<i>Prepaid expenses to third parties</i>		11.597.714	9.977.477
Other current assets	16	37.258	40.152
<b>Non-current assets</b>		<b>4.469.588.445</b>	<b>4.343.958.837</b>
Trade receivables	8	44.389.008	16.225.269
<i>Other trade receivables from third parties</i>		44.389.008	16.225.269
Inventories	11	174.550.000	344.153.094
Equity accounted investees	3	3.088.133	2.527.108
Investment properties	10	4.153.488.099	3.834.870.889
Tangible assets	12	33.814.159	31.005.753
Intangible assets	13	1.015.609	847.706
Prepaid expenses	16	5.982.425	4.240.543
<i>Prepaid expenses to third parties</i>		5.982.425	4.240.543
Other tangible assets	16	53.261.012	110.088.475
<b>TOTAL ASSETS</b>		<b>5.222.332.924</b>	<b>5.311.947.256</b>

## İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2018 STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

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

	Notes	Audited 31 December 2018	Audited 31 December 2017
<b>LIABILITIES</b>			
<b>Short-term liabilities</b>		<b>1.091.581.932</b>	<b>873.322.937</b>
Current portion of long term borrowings	7	742.664.172	169.179.394
<i>Loans and borrowings to related parties</i>	24	235.002.422	154.258.179
<i>Loans and borrowings to third parties</i>		507.661.750	14.921.215
Current portion of long term financial leases	7	--	696.316
<i>Financial leasing to related parties</i>	24	--	696.316
Trade payables	8	34.901.072	89.527.218
<i>Trade payables to related parties</i>	24	16.360.219	45.355.703
<i>Trade payables to third parties</i>	8	18.540.853	44.171.515
Other payables	9	20.833.806	8.989.614
<i>Other payables to third parties</i>	9	20.833.806	8.989.614
Deferred income	16	286.719.461	597.513.536
<i>Deferred income from related parties</i>	24	257.870	493.827
<i>Deferred income from third parties</i>		286.461.591	597.019.709
Short-term provisions		5.205.156	3.921.968
<i>Provisions for employee benefits</i>	15	390.946	317.880
<i>Other short-term provisions</i>	14	4.814.210	3.604.088
Other short-term liabilities	16	1.258.265	3.494.891
<b>Long-term liabilities</b>		<b>573.811.637</b>	<b>1.158.047.332</b>
Loans and borrowings	7	572.183.948	1.015.606.839
<i>Loans and borrowings to related parties</i>	24	381.929.982	518.177.339
<i>Loans and borrowings to third parties</i>		190.253.966	497.429.500
Deferred revenue	16	--	140.667.466
Long term provisions		1.627.689	1.773.027
<i>Provisions for employee benefits</i>	15	1.627.689	1.773.027
<b>EQUITY</b>		<b>3.556.939.355</b>	<b>3.280.576.987</b>
Share capital	17	958.750.000	913.750.000
Inflation restatement difference on share capital	17	240.146.090	240.146.090
Share premium	17	423.981	423.981
Other comprehensive income that will never be reclassified to profit or loss		30.669.212	27.386.467
<i>Revaluation and classification of gains / losses</i>		31.053.049	27.610.009
<i>Other earnings/ losses</i>		(383.837)	(223.542)
Restricted reserves	17	59.561.684	46.188.875
Prior years' profits	17	1.925.777.515	1.872.724.737
Net profit for the period		341.610.873	179.956.837
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5.222.332.924</b>	<b>5.311.947.256</b>

**İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ**  
**STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

		<i>Audited</i>	<i>Audited</i>
	Notes	1 January - 31 December 2018	1 January - 31 December 2017
Revenue	18	1.098.332.491	439.658.518
Cost of revenue (-)	18	(837.501.802)	(253.628.515)
<b>Gross profit</b>		<b>260.830.689</b>	<b>186.030.003</b>
General administrative expense (-)	19	(24.458.694)	(20.261.894)
Marketing expenses (-)	19	(22.287.736)	(23.754.981)
Other operating income	21	341.170.105	207.696.656
Other operating expense (-)	21	(75.436.309)	(123.919.259)
<b>Operating profit</b>		<b>479.818.055</b>	<b>225.790.525</b>
Share of profit of equity-accounted investees	3	1.311.025	1.363.515
<b>Operating Profit Before Finance Expense</b>		<b>481.129.080</b>	<b>227.154.040</b>
Financial income	22	60.395.502	3.829.974
Financial expenses (-)	22	(199.913.709)	(51.027.177)
<b>Operating Profit before Tax From Continuing Operations</b>		<b>341.610.873</b>	<b>179.956.837</b>
<b>Tax Expense From Continuing Operations</b>			
- Corporate tax charge		--	-
- Deferred tax benefit		--	-
<b>Net profit for the period</b>		<b>341.610.873</b>	<b>179.956.837</b>
Earnings per share	23	0,0036	0,0020



**İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ**  
**STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

		<i>Audited</i>	<i>Audited</i>
	Notes	1 January - 31 December 2018	1 January - 31 December 2017
<b>Net profit for the period</b>		<b>341.610.873</b>	<b>179.956.837</b>
<b>Other comprehensive income</b>			
<b>Other comprehensive income that will never be reclassified to profit or loss</b>		<b>3.282.745</b>	<b>3.024.494</b>
Revaluation and classification of gains / losses	12	3.443.040	3.383.375
Actuarial gain/(loss) arising from defined benefit plans	15	(160.295)	(358.881)
<b>Other comprehensive income</b>		<b>3.282.745</b>	<b>3.024.494</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>344.893.618</b>	<b>182.981.331</b>

## İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

### STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED DECEMBER 31, 2018

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

	Notes	Share capital	Inflation restatement difference on share capital	Share premium
<b>Balances at January 1, 2017</b>		850.000.000	240.146.090	423.981
Transfers		--	--	--
Total comprehensive income		--	--	--
Capital Increase (from internal sources)		63.750.000	--	--
Dividends		--	--	--
<b>Balances at December 31, 2017</b>	<b>17</b>	<b>913.750.000</b>	<b>240.146.090</b>	<b>423.981</b>
<b>Balances at January 1, 2018</b>		913.750.000	240.146.090	423.981
Transfers		--	--	--
Total comprehensive income		--	--	--
Capital Increase (from internal sources)		45.000.000	--	--
Dividends		--	--	--
<b>Balances at December 31, 2018</b>	<b>17</b>	<b>958.750.000</b>	<b>240.146.090</b>	<b>423.981</b>

Other comprehensive income that will never be reclassified to profit or loss						
Net change in remeasurements of defined benefit liability	Net change in revaluation of tangible assets	Legal reserves	Prior years' profits	Net profit for the period	Equity	
135.339	24.226.634	36.305.282	1.589.596.928	420.511.402	3.161.345.656	
--	--	9.883.593	410.627.809	(420.511.402)	--	
(358.881)	3.383.375	--	--	179.956.837	182.981.331	
--	--	--	(63.750.000)	--	--	
--	--	--	(63.750.000)	--	(63.750.000)	
					--	
<b>(223.542)</b>	<b>27.610.009</b>	<b>46.188.875</b>	<b>1.872.724.737</b>	<b>179.956.837</b>	<b>3.280.576.987</b>	
<b>(223.542)</b>	<b>27.610.009</b>	<b>46.188.875</b>	<b>1.872.724.737</b>	<b>179.956.837</b>	<b>3.280.576.987</b>	
--	--	13.372.809	166.584.028	(179.956.837)	--	
(160.295)	3.443.040	--	--	341.610.873	344.893.618	
--	--	--	(45.000.000)	--	--	
--	--	--	(68.531.250)	--	(68.531.250)	
					--	
<b>(383.837)</b>	<b>31.053.049</b>	<b>59.561.684</b>	<b>1.925.777.515</b>	<b>341.610.873</b>	<b>3.556.939.355</b>	

## İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

# STATEMENT OF CASH FLOW

## FOR THE YEAR ENDED DECEMBER 31, 2018

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

		<i>Audited</i>	<i>Audited</i>
	Notes	1 January - 31 December 2018	1 January - 31 December 2017
<b>A. Cash flows from operating activities</b>			
<b>Net profit for the period</b>		<b>341.610.873</b>	<b>179.956.837</b>
<b>Profit adjustments for:</b>			
Adjustments to depreciation and amortization	12, 13	1.754.156	1.731.040
Adjustments to impairment or cancelation		44.551.397	1.251.360
- Adjustments to impairment of receivables	8	1.246.896	1.251.360
- Adjustments to impairment of inventories	11	43.304.501	--
Adjustments for provisions	15	471.074	433.459
- Adjustments to provision for employee severance indemnity		471.074	433.459
Adjustments for (gain)/losses on fair value		(355.782.765)	(83.648.522)
- Adjustments to (gain)/losses on fair value of investment properties	10	(295.387.274)	(79.819.103)
- Adjustments to (gain)/losses on fair value of derivatives	21	(60.395.491)	(3.829.419)
Adjustments for retained earnings of investments valued by equity method		(1.311.025)	(1.363.515)
- Adjustments for retained earnings of subsidiaries	3	(1.311.025)	(1.363.515)
Adjustments for (gain)/losses on sales of non-current assets		4.275.408	(4.000.102)
- Adjustments for (gain)/losses on sales of tangible assets		--	(1.034)
- Adjustments for (gain)/losses on sales of investment property	18	4.275.408	(3.999.068)
Adjustments to interest income and expense		102.934.269	20.823.047
- Adjustments to interest income	18	(8.976.171)	(8.220.872)
- Adjustments to interest expense	21	111.910.440	29.043.919
Adjustments to foreign exchange differences		(471.671)	1.619.564
<b>Operating profit from before the changes in working capital</b>		<b>138.031.716</b>	<b>116.803.168</b>
<b>Changes in working capital</b>			
Changes in trade receivables		(89.409.840)	(36.149.177)
- Changes in trade receivables from related parties		(3.080.001)	(1.278.450)
- Changes in trade receivables from third parties		(86.329.839)	(34.870.727)
Changes in other receivables		1.109.898	533.574
- Changes in other receivables from related parties		714.390	400.000
- Changes in other receivables from third parties		395.508	133.574
Changes in inventories		367.023.153	(294.146.624)
Changes in derivatives		(119.447)	(35.916)
Changes in prepaid expenses		59.203.880	(5.505.173)
Changes in trade payables		(54.626.146)	55.328.465
- Changes in trade payables from related parties		(28.995.484)	40.085.238
- Changes in trade payables from third parties		(25.630.662)	15.243.227
Changes in other payables		11.844.192	(27.623.284)
- Changes in other payables from third parties		11.844.192	(27.623.284)
Changes in deferred revenue		(451.461.541)	154.301.467
Other changes in working capital		55.803.853	(14.551.333)
- Changes in other assets		56.830.357	(6.803.871)
- Changes in other liabilities		(1.026.504)	(7.747.462)
		<b>37.399.718</b>	<b>(51.044.833)</b>
<b>Cash generated from operating activities</b>			
Employee termination benefits paid	15	(703.641)	(177.756)
Interest received	5, 18	8.898.940	8.022.435
<b>Net cash provided by / (used in) operating activities</b>		<b>45.595.017</b>	<b>(43.200.154)</b>
<b>B. Cash flows from investing activities</b>			
Cash outflows arising from purchases of investment properties	10	(92.342.187)	(224.027.792)
Cash inflows arising from sales of investment properties		64.836.843	187.644.068
Cash outflows arising from purchases of tangible and intangible assets	12, 13	(1.287.425)	(1.167.509)
- Cash outflows arising from purchases of tangible assets		(582.426)	(438.622)
- Cash outflows arising from purchases of intangible assets		(704.999)	(728.887)
<b>Net cash used in investing activities</b>		<b>(28.792.769)</b>	<b>(37.551.233)</b>
<b>C. Cash flows from financing activities</b>			
Dividends paid	17	(68.531.250)	(63.750.000)
Cash inflows from derivatives		4.844.126	--
Borrowings received		398.356.624	227.620.696
Borrowings paid		(298.264.787)	(102.279.581)
Interest paid		(82.636.706)	(23.563.073)
<b>Net cash provided by financing activities</b>		<b>(46.231.993)</b>	<b>38.028.042</b>
<b>Increase / (decrease) in cash and cash equivalents before effect of changes in foreign currency rates</b>		<b>(29.429.745)</b>	<b>(42.723.345)</b>
Effect of changes in foreign currency rates over cash and cash equivalents		471.671	(1.619.564)
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(28.958.074)</b>	<b>(44.342.909)</b>
Cash and cash equivalents at the beginning of the period	5	82.425.118	126.768.027
<b>Cash and cash equivalents at the end of the period</b>	5	<b>53.467.044</b>	<b>82.425.118</b>

The accompanying notes form an integral part of these financial statements

# İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

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

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

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

The Company has 79 employees as of December 31, 2018 (December 31, 2017: 78).

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

#### 2. Basis of presentation of financial statements

##### 2.1 Basis of presentation

##### Statement of compliance

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

The financial statements as at December 31, 2018 have been approved for issue by the Board of Directors on January 31, 2019. The General Assembly and the legal authorities have the authority to amend the statutory financial statements and these financial statements.

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

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

##### Preparation of financial statements

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

##### Functional and presentation currency

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

##### Basis of measurement

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

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

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

# İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2018

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

#### Interest in Joint Arrangements

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

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

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

#### Foreign currency transactions

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

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

#### 2.2 Changes in accounting policies and estimates

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

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

The accounting policies adopted in preparation of the financial statements as at December 31, 2018 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2018. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs

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

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

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

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

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

# İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2018

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

#### TFRS 4 Insurance Contracts (Amendments)

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

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

The interpretation issued by POA on 19 December 2017 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

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

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

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

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

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

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

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

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

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

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

- TAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying TFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are applied for annual periods beginning on or after 1 January 2018.

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

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

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

## İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

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

### TFRS 16 Leases

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

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

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

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

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

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

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

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

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

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

### TFRIC 23 Uncertainty over Income Tax Treatments

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

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

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

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

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



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### Annual Improvements - 2015-2017 Cycle

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

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

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

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

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

In January 2019, the POA published Amendments to TAS 19 "Plan Amendment, Curtailment or Settlement" The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. An entity shall apply these amendments for annual reporting periods beginning on or after 1 January 2019, early application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact. The Company is in the process of assessing the impact of the interpretation on financial position or performance of the Company.

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

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

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

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted. The amendment are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

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

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

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

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

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#### Definition of a Business (Amendments to IFRS 3)

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

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

The amendments to IFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted. The standard is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

#### Definition of Material (Amendments to IAS 1 and IAS 8)

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to IAS 1 and IAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted. Overall, the Company expects no significant impact on its balance sheet and equity.

#### 2.4 Summary of significant accounting policies

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

##### 2.4.1 Accounting of income and expense

###### Revenue

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

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

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

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

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

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

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

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

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

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

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#### Other income and expense

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

#### **2.4.2 Investment property**

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

Terrains and buildings which hired to use for production of goods and services or administrative use or to be sold or rented in the ordinary course of business or in the purpose of appreciation, or for both are classified as investment properties and are evaluated by fair value measurement. Profit or loss that inflicting by a change in the fair value of an investment property, is included to the comprehensive income statement in its consisting time. (Note 21)

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

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

#### **2.4.3 Tangible assets**

As of December 31 2004 the Company were reflecting tangible assets purchased before January 1 2005 on cost restated for the effects of inflation. In the following period were reflecting purchase cost, after allocating accumulated depreciation and permanent impairment provisions to the financial statements. Due to the changes in accounting policies since 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 24.226.634.

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

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

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

#### Depreciation

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

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

#### Subsequent costs

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

#### **2.4.4 Intangible assets**

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

#### Amortization

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

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### 2.4.5 Impairment of non-financial assets

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

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

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

### 2.4.6 Inventories

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

### 2.4.7. Financial instruments

#### i) Financial assets

##### *Classification*

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

##### *Recognition and Measurement*

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

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

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

##### *Derecognition*

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

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#### **Impairment**

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

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

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

#### **Trade receivable**

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

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

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

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

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

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

#### **Reverse repurchase agreements**

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

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

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

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

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

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

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

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

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

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#### v) Paid-in capital

##### *Ordinary shares*

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

##### **2.4.8 Offsetting**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

##### The Company

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

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

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

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

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

#### 2.4.15 Employee benefits / Retirement pay provisions

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

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

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

#### 2.4.16 Share capital and dividends

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

#### 2.4.17 Related parties

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

#### 2.4.18 Leasing

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

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

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

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

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

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

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

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

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

#### **2.4.20 Segment reporting**

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

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

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

#### **2.6 Accounting estimates**

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

- Note 10 Investment property
- Note 11 Inventories
- Note 15 Provision for employee benefits



## İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

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

### Working capital ratio

As of 31 December 2018, current assets of the Company are amount to TL 752.744.479 and short term liabilities of the Company are amount to 1.091.581.932. Short term liabilities exceeded current assets TL 338.837.453. In addition, there are advances received are amount to TL 279.436.381 arising from house sales are included to short term liabilities.

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

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

### 3. Equity accounted investees

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

	Ownership (%)	December 31, 2018	Ownership (%)	December 31, 2017
Kanyon	50	3.088.133	50	2.527.108
		<b>3.088.133</b>		<b>2.527.108</b>

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

Kanyon	December 31, 2018	December 31, 2017
Current assets	24.125.281	24.835.674
Non-current assets	1.753.880	1.865.027
Short-term liabilities	(18.945.317)	(20.582.289)
Long-term liabilities	(757.578)	(1.064.197)
<b>Net assets</b>	<b>6.176.266</b>	<b>5.054.215</b>

Kanyon	January 1 - December 31, 2018	January 1 - December 31, 2017
Income for the period	130.005.926	112.688.800
Expense for the period (-)	(127.383.876)	(109.961.770)

The Company recognized profit amounting to TL 1.311.025 resulting from consolidation of Kanyon with equity method for the year ended December 31, 2018 (December 31, 2017: TL 1.363.515) in the accompanying statement of profit and loss.

## İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

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

### 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 Office Building	Muğla Marmaris Mallmarine Shopping Mall	İş Bankası Ankara Merkez Building	Istanbul Kanyon Shopping Mall	Istanbul Marmara Park Shopping Mall	Nevşehir Kapadokya Lodge Hotel
<b>December 31, 2018</b>								
<u>Sales Revenue</u>								
Rent income	973.877	38.283.533	5.818.977	911.708	1.843.090	38.835.859	--	2.181.787
Income from right of construction	--	--	--	--	--	--	21.808.806	--
Income from sales of real estate	--	--	--	--	--	--	--	--
Sales income from investment property	--	--	--	--	49.885.000	--	--	--
Income fees and service	--	91.554	--	--	--	136.756	--	--
Other income	--	203.060	--	--	--	133.132	--	--
<b>Total Revenue</b>	<b>973.877</b>	<b>38.578.147</b>	<b>5.818.977</b>	<b>911.708</b>	<b>51.728.090</b>	<b>39.105.747</b>	<b>21.808.806</b>	<b>2.181.787</b>
Insurance expense	24.780	730.124	20.636	23.573	4.229	332.050	--	20.613
Administrative expense	852.541	8.149.426	--	--	--	7.424.383	--	--
Cost of sales of real estate	--	--	--	--	--	--	--	--
Cost of sales of investment property	--	--	--	--	49.860.000	--	--	--
Tax and duty and other charges	303.186	2.196.703	219.764	24.985	3.709	1.858.862	2.485.279	36.463
Other	85.790	158.094	--	--	80.000	135.025	24.144	14.752
<b>Cost of Sales</b>	<b>1.266.297</b>	<b>11.234.347</b>	<b>240.400</b>	<b>48.558</b>	<b>49.947.938</b>	<b>9.750.320</b>	<b>2.509.423</b>	<b>71.828</b>
<b>Gross Profit</b>	<b>(292.420)</b>	<b>27.343.800</b>	<b>5.578.577</b>	<b>863.150</b>	<b>1.780.152</b>	<b>29.355.427</b>	<b>19.299.383</b>	<b>2.109.959</b>
Prepared based on IFRS 8 "Operating Segments"								
<b>Capital investments</b>	<b>38.653.848</b>	<b>841.469</b>	<b>350.207</b>	<b>--</b>	<b>100.000</b>	<b>5.465.836</b>	<b>--</b>	<b>742.936</b>

Taksim Office Lamartine	Tuzla Technology and Operating Center	Istanbul Tuzla Combined	İzmir Ege Perla Shopping Mall	İzmir Ege Perla Residence/ Office	Kartal Manzara Adalar	Topkapı İstanbul	Other Real Estates	Total
1.820.594	76.379.761	18.597.188	7.380.222	246.008	332.982	--	1.987.914	195.593.500
--	--	--	--	--	--	--	--	21.808.806
--	--	--	--	24.056.794	368.091.354	397.133.626	--	789.281.774
--	--	--	--	--	30.300.000	--	--	80.185.000
224.583	--	206.527	678.418	--	--	--	--	1.337.838
--	--	--	--	147.064	55.608	--	358	539.222
<b>2.045.177</b>	<b>76.379.761</b>	<b>18.803.715</b>	<b>8.058.640</b>	<b>24.449.866</b>	<b>398.779.944</b>	<b>397.133.626</b>	<b>1.988.272</b>	<b>1.088.746.140</b>
13.140	925.024	519.102	497.195	3.579	--	--	2.414	3.116.459
189.903	--	917.871	11.367.278	1.161.944	--	--	28.050	30.091.396
--	--	--	--	19.302.835	336.858.745	345.179.249	--	701.340.829
--	--	--	--	--	34.600.408	--	--	84.460.408
110.239	1.109.430	582.740	947.519	137.983	7.549.071	--	5.619	17.571.552
6.534	13.374	20.041	258.391	--	119.693	--	5.320	921.158
<b>319.816</b>	<b>2.047.828</b>	<b>2.039.754</b>	<b>13.070.383</b>	<b>20.606.341</b>	<b>379.127.917</b>	<b>345.179.249</b>	<b>41.403</b>	<b>837.501.802</b>
<b>1.725.361</b>	<b>74.331.933</b>	<b>16.763.961</b>	<b>(5.011.743)</b>	<b>3.843.525</b>	<b>19.652.027</b>	<b>51.954.377</b>	<b>1.946.869</b>	<b>251.244.338</b>
<b>351.024</b>	<b>79.858</b>	<b>16.473</b>	<b>9.339.552</b>	<b>--</b>	<b>199.830.746</b>	<b>136.053.057</b>	<b>30.178.485</b>	<b>422.003.491</b>

## İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

### NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2018

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

	Ankara İş Kule Building	Istanbul İş Kuleleri Complex	Maslak Office Building	Muğla Marmaris Mallmarine Shopping Mall	İş Bankası Ankara Merkez Building	İş Bankası Ankara Kızılay Building	İş Bankası Antalya Merkez Building	Istanbul Kanyon Shopping Mall
<b>December 31, 2017</b>								
<u>Sales Revenue</u>								
Rent income	732.821	30.348.612	5.133.387	731.341	4.267.850	2.166.251	1.152.880	36.581.502
Income from right of construction	--	--	--	--	--	--	--	--
Income from sales of real estate	--	--	--	--	--	--	--	--
Sales income from investment property	--	--	--	--	--	45.000.000	24.000.000	--
Income fees and service	--	299.733	--	--	--	--	--	147.419
Other income	--	130.416	11.765	--	--	--	--	39.631
<b>Total Revenue</b>	<b>732.821</b>	<b>30.778.761</b>	<b>5.145.152</b>	<b>731.341</b>	<b>4.267.850</b>	<b>47.166.251</b>	<b>25.152.880</b>	<b>36.768.552</b>
Insurance expense	66.242	905.559	29.856	25.470	20.577	6.765	5.555	357.178
Administrative expense	830.506	8.516.219	--	2.806	--	--	--	13.218.499
Cost of sales of real estate	--	--	--	--	--	--	--	--
Cost of sales of investment property	--	--	--	--	--	45.335.257	24.345.257	--
Tax and duty and other charges	283.457	1.639.995	170.142	23.472	11.484	50.569	29.814	1.720.989
Other	29.000	169.923	42.500	--	20.500	12.800	--	--
<b>Cost of Sales</b>	<b>1.209.205</b>	<b>11.231.696</b>	<b>242.498</b>	<b>51.748</b>	<b>52.561</b>	<b>45.405.391</b>	<b>24.380.626</b>	<b>15.296.666</b>
<b>Gross Profit</b>	<b>(476.384)</b>	<b>19.547.065</b>	<b>4.902.654</b>	<b>679.593</b>	<b>4.215.289</b>	<b>1.760.860</b>	<b>772.254</b>	<b>21.471.886</b>
Prepared based on IFRS 8 "Operating Segments"								
<b>Capital investments</b>	--	12.888.829	--	--	<b>44.819</b>	--	--	1.664.843

Real Hipermerket	Istanbul Marmara Park Shopping Mall	Neşehir Kapadokya Lodge Hotel	Taksim Office Lamartine	Tuzla Çınarlıbahçe	Tuzla Technology and Operating Center	Istanbul Tuzla Combined	İzmir Ege Perla	Other Real Estates	Total
9.316.288	--	82.943	1.764.737	100.156	67.179.525	16.561.286	2.778.090	--	178.897.669
--	18.274.776	--	--	--	--	--	--	--	18.274.776
--	--	--	--	--	--	--	41.674.317	--	41.674.317
118.644.068	--	--	--	--	--	--	--	--	187.644.068
--	--	--	319.256	--	--	295.464	--	--	1.061.872
77.766	--	--	1.527	3.184	--	--	--	--	264.289
<b>128.038.122</b>	18.274.776	82.943	2.085.520	103.340	67.179.525	16.856.750	44.452.407	--	427.816.991
95.078	--	62.916	14.376	1.542	534.004	283.433	192.943	--	2.601.494
--	--	99.790	225.129	56.931	--	2.480.799	9.620.560	--	35.051.239
--	--	--	--	--	--	--	30.913.903	--	30.913.903
116.779.887	--	--	--	--	--	--	--	--	186.460.401
396.708	351.724	32.498	78.783	4.655	960.467	506.411	141.235	--	6.402.403
--	--	8.750	--	--	30.209	65.930	14.822	--	394.434
117.271.673	351.724	203.954	318.288	63.128	1.524.680	3.336.573	40.883.463	--	261.823.874
10.766.449	17.923.052	(121.011)	1.767.232	40.212	65.654.845	13.520.177	3.568.944	--	165.993.117
--	--	527.591	--	--	24.709.675	2.924.504	80.206.834	420.487.592	543.454.687

## İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

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

### Reconciliation of income, assets and liabilities

	January 1 - December 31, 2018	January 1 - December 31, 2017
<b>Sales Revenue</b>		
Segment revenue	1.088.746.140	427.816.991
Undistributed revenue	9.586.351	11.841.527
<b>Total Revenue</b>	<b>1.098.332.491</b>	<b>439.658.518</b>
<b>Cost of Sales</b>		
Segment Costs	837.501.802	261.823.874
<b>Total cost of sales</b>	<b>837.501.802</b>	<b>261.823.874</b>
<b>Assets</b>	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Segment assets	4.844.425.433	4.936.135.877
Other assets	151.831.062	63.668.118
Non-segment related assets	226.076.429	312.143.261
<b>Total assets</b>	<b>5.222.332.924</b>	<b>5.311.947.256</b>
<b>Liabilities</b>	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Segment liabilities	1.627.629.732	1.980.695.660
Other liabilities	37.763.837	50.674.609
<b>Total liabilities</b>	<b>1.665.393.569</b>	<b>2.031.370.269</b>

### 5. Cash and cash equivalents

	December 31, 2018	December 31, 2017
Demand deposits	4.776.633	9.647.133
Time deposits	45.406.340	59.381.733
Mutual funds	3.951.277	13.793.590
Receivables from reverse repos	--	85.786
Other cash equivalents	102.499	209.350
	<b>54.236.749</b>	<b>83.117.592</b>
Interest accrued on cash and cash equivalents	(769.705)	(692.474)
<b>Total cash and cash equivalents in the statement of cash flows</b>	<b>53.467.044</b>	<b>82.425.118</b>

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

	December 31, 2018	
	Cost	Fair Value
Mutual Funds	3.950.930	3.951.277
<b>Total</b>	<b>3.950.930</b>	<b>3.951.277</b>

## İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

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

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

### 6. Financial investments / Derivatives

	December 31, 2018	December 31, 2017
<b>Derivative instruments</b>		
Derivative assets held for trading	59.536.713	3.865.901
<b>Total</b>	<b>59.536.713</b>	<b>3.865.901</b>

### 7. Loans and borrowings

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

	December 31, 2018	December 31, 2017
<b>Short-term borrowings</b>		
Current portion of long term borrowings	234.092.940	169.179.394
Bonds issued	508.571.232	--
<b>Total</b>	<b>742.664.172</b>	<b>169.179.394</b>

	December 31, 2018	December 31, 2017
<b>Long-term borrowings:</b>		
Long-term bank borrowings	471.899.456	612.773.620
Bonds issued	100.284.492	402.833.219
<b>Total</b>	<b>572.183.948</b>	<b>1.015.606.839</b>

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

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

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

## İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

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## FOR THE YEAR ENDED DECEMBER 31, 2018

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

Currency	Interest rate (%)	Original amount	December 31, 2017	
			Short-term (TL)	Long-term (TL)
Euro	Euribor+3,50	7.277.122	10.959.669	21.900.175
US Dollar	Libor + 4,25	53.694.971	36.124.709	166.407.353
TL	11,75-14,50	546.561.108	122.095.016	424.466.092
<b>Total</b>			<b>169.179.394</b>	<b>612.773.620</b>

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

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

ISIN CODE	Interest rate (%)	Issued Nominal Amount (TL)	Issue Date	December 31, 2018	
				Amortization Date	Net Book Value
TRISISGYE1915	Benchmark+2.50	87.000.000	October 11, 2016	October 10, 2019	92.241.098
TRISISGY61912	Benchmark+2.50	100.000.000	June 29, 2016	June 28, 2019	100.103.723
TRISISGY31915	Benchmark+2.50	213.000.000	April 5, 2016	March 29, 2019	213.220.930
TRISISGY32111	Benchmark+2.50	100.000.000	March 23, 2018	March 23, 2021	100.284.492
TRISISGYK1917	TRLIBOR + 2.50	100.000.000	November 20, 2018	November 25, 2019	103.005.481
<b>Total</b>					<b>608.855.724</b>

ISIN CODE	Interest rate (%)	Issued Nominal Amount (TL)	Issue Date	December 31, 2017	
				Amortization Date	Net Book Value
TRISISGYE1915	Benchmark+2.50	87.000.000	October 11, 2016	October 10, 2019	89.734.143
TRISISGY61912	Benchmark+2.50	100.000.000	June 29, 2016	June 28, 2019	100.031.654
TRISISGY31915	Benchmark+2.50	213.000.000	April 5, 2016	March 29, 2019	213.067.422
<b>Total</b>					<b>402.833.219</b>

The Company has issued 3-year maturity, variable-rate, 3-month coupon payment bond amounting to TL 100.000.000 to the qualified investors through İş Yatırım Menkul Değerler Anonim Şirketi on March 23, 2018. In addition, the Company has issued 6-month maturity 2 discounted commercial papers amounting to TL 50.000.000 to the qualified investors through İş Yatırım Menkul Değerler Anonim Şirketi on January 24, 2018 and March 6, 2018. Together with these issues, a total of TL 200.000.000 of debt instruments has issued within scope of issue ceiling is amounting to TL 400.000.000. These discounted commercial papers has amortized on July 24, 2018 and September 3, 2018. In addition, the Company has issued 368-day maturity, variable rate, 3-month coupon payment bond amounting to TL 100.000.000 to the qualified investors through İş Yatırım Menkul Değerler Anonim Şirketi on November 20, 2018.

The Company has obtained 6-month maturity loan amounting to TL 50.000.000 from T. İş Bankası on September 28, 2018. The loan has paid early on November 16, 2018.

### 8. Trade receivables and payables

#### Short-term trade receivables and payables

	December 31, 2018	December 31, 2017
<u>Trade receivables</u>		
Notes receivable	2.012.483	487.653
Rediscount of notes receivables (-)	(9.466)	(5.615)
Income accruals	40.249.157	29.505.146
Receivables from customers	60.509.118	15.854.904
Doubtful receivables	3.814.164	2.567.268
Provision for doubtful receivables (-)	(3.814.164)	(2.567.268)
Due from related parties (Note 24)	4.680.762	1.600.761
<b>Total</b>	<b>107.442.054</b>	<b>47.442.849</b>
<u>Trade payables</u>		
Payables to suppliers	18.540.853	44.171.515
Due to related parties (Note 24)	16.360.219	45.355.703
<b>Total</b>	<b>34.901.072</b>	<b>89.527.218</b>



## İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

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As of December 31, 2018, provision for doubtful trade receivables is TL 3.814.164 (December 31, 2017: TL 2.567.268). Provision for doubtful receivables is determined based on the historical collection performance.

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

	December 31, 2018	December 31, 2017
<b>Opening balance, 1 January</b>	<b>(2.567.268)</b>	<b>(1.315.908)</b>
Charge for the period	(3.385.835)	(2.921.896)
Provisions released	2.138.939	1.670.536
<b>Closing balance</b>	<b>(3.814.164)</b>	<b>(2.567.268)</b>

### Long Term Trade Receivables

	December 31, 2018	December 31, 2017
Trade receivables		
Income accruals	6.448.884	1.811.662
Receivables from customers	37.940.124	14.413.607
<b>Closing balance</b>	<b>44.389.008</b>	<b>16.225.269</b>

### 9. Other receivables and payables

	December 31, 2018	December 31, 2017
Other short-term receivables	718.345	1.078.243
<b>Total</b>	<b>718.345</b>	<b>1.078.243</b>

	December 31, 2018	December 31, 2017
Other payables - short-term		
Deposits and guarantees given	17.013.919	8.989.614
Other short-term payables <sup>(1)</sup>	3.819.887	--
<b>Total</b>	<b>20.833.806</b>	<b>8.989.614</b>

<sup>(1)</sup> The amount is consist of title deed fees which will be repaid to the customers of İnstanbul Project.

### 10. Investment property

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

	December 31, 2018	December 31, 2017
Investment property under operating lease	3.679.192.500	3.381.163.000
Investment property under construction and other	474.295.599	453.707.889
<b>Total</b>	<b>4.153.488.099</b>	<b>3.834.870.889</b>

As of December 31, 2018, total insurance amount on investment properties is TL 2.576.267.652 (December 31, 2017: TL 1.889.917.765).

As of December 31, 2018 there are TL 359.810.249 capitalized financing expenses on the Company's investment properties (December 31, 2017: TL 291.993.361).

## İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

<sup>(1)</sup> In 2018, among the buildings included in the portfolio of the Company, İş Bankası Ankara Merkez Building is sold amounting to TL 49.885.000 + VAT, 18 single space at "Manzara Adalar Office Building Block E" is sold amounting to TL 25.800.000 + VAT and 395 parcel of Kartal Land is sold amounting to TL 5.310.000 + VAT.

The fair values of the Company's investment properties at December 31, 2018 have been arrived at on the basis of valuations carried out in December 2018 by four independent appraiser firms which are not related party of the Company. Appraisal firms are accredited independent firms licensed by the Capital Markets Board of Turkey, and have appropriate qualifications and recent experience in appraising properties in the relevant locations. According to the appraisal reports, the valuations made in accordance with the International Valuation Standards have been performed according to the methods specified in the table below.

	2018	2017
<b>Investment property under operating lease</b>		
Ankara İş Kule Building	Sales comparison approach	Sales comparison approach
Istanbul Marmara Park Shopping Mall	Sales comparison approach	Sales comparison approach
İstanbul İş Kuleleri Complex	Sales comparison approach	Sales comparison approach
İş Bankası Ankara Merkez Building <sup>(1)</sup>	-	Sales comparison approach
Kapadokya Lodge Hotel	Cost capitalization approach	Sales comparison and cost approach
Muğla Marmaris Mallmarine Shopping Mall	Sales comparison approach	Sales comparison approach
Maslak Office Building	Sales comparison approach	Sales comparison approach
Taksim Office Lamartine	Sales comparison approach	Sales comparison approach
Tuzla Çınarlı Bahçe Project	Sales comparison approach	Sales comparison approach
Kanyon Shopping Mall	Discounted cash flow approach	Discounted cash flow approach
Tuzla Combined Project	Directly capitalization approach	Sales comparison approach
Tuzla Technology and Operation Center	Directly capitalization approach	Sales comparison approach
Ege Perla Shopping Mall	Sales comparison approach	Sales comparison approach
<b>Investment property under construction</b>		
İstanbul Finance Center Project	Sales comparison and cost approach	Cost approach
Kartal Manzara Adalar	Sales comparison approach	Sales comparison approach
Levent Land	Fair value based on estate tax	Fair value based on estate tax
Üsküdar Land	Sales comparison approach	Sales comparison approach

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<b>Investment property under operating lease</b>					
Ankara İş Kule Building	128.025.000	--	--	7.395.000	135.420.000
Istanbul Marmara Park Shopping Mall	146.620.000	--	--	15.400.000	162.020.000
İstanbul İş Kuleleri Complex	797.895.000	12.888.829	--	59.121.171	869.905.000
İş Bankası Ankara Kızılay Building <sup>(1)</sup>	38.295.000	--	(44.660.000)	6.365.000	-
İş Bankası Ankara Merkez Building	44.320.000	44.819	--	3.390.181	47.755.000
İş Bankası Antalya Merkez Building <sup>(1)</sup>	22.015.000	--	(23.985.000)	1.970.000	-
Izmir Ege Perla Shopping Mall <sup>(2)</sup>	279.441.000	80.206.834	--	(114.597.834)	245.050.000
Kapadokya Lodge Hotel	24.250.000	527.591	--	610.409	25.388.000
Muğla Marmaris Mallmarine Shopping Mall	12.312.000	--	--	718.000	13.030.000
Maslak Office Building	101.115.000	--	--	6.520.000	107.635.000
Real Hipermarket Building <sup>(1)</sup>	110.000.000	--	(115.000.000)	5.000.000	-
Taksim Office Lamartine	48.890.000	--	--	1.653.000	50.543.000
Tuzla Çınarlı Bahçe Project	2.600.000	--	--	--	2.600.000
Kanyon Shopping Mall	479.965.000	1.664.843	--	28.460.157	510.090.000
Istanbul Tuzla Combined	274.812.000	2.924.504	--	(7.354.504)	270.382.000
Tuzla Technology and Operation Center	862.565.000	24.709.675	--	54.070.325	941.345.000
	<b>3.373.120.000</b>	<b>122.967.095</b>	<b>(183.645.000)</b>	<b>68.720.905</b>	<b>3.381.163.000</b>
<b>Investment property under construction</b>					
İstanbul Finance Center Project	169.600.000	24.283.921	--	(1.966.921)	191.917.000
Kartal Manzara Adalar	128.298.507	76.011.693	--	9.902.772	214.212.972
Levent Land	4.110.487	24.775	--	132.655	4.267.917
Üsküdar Land	39.540.000	740.308	--	3.029.692	43.310.000
	<b>341.548.994</b>	<b>101.060.697</b>	<b>--</b>	<b>11.098.198</b>	<b>453.707.889</b>
<b>Total</b>	<b>3.714.668.994</b>	<b>224.027.792</b>	<b>(183.645.000)</b>	<b>79.819.103</b>	<b>3.834.870.889</b>

<sup>(1)</sup> Among the buildings included in the portfolio of the Company are İş Bankası Ankara Kızılay Building and İş Bankası Antalya Merkez Building was sold to İş Portföy Yönetimi A.Ş. First Real Estate Investment Fund. The transfer procedures were completed on August 22, 2017 and the entire sales price including VAT of TL 81,420,000 was collected. Furthermore, transfer procedures for the sale of the Real Hipermarket Building were completed on August 23, 2017 and the entire sales price including VAT amounting to TL 140,000,000 was collected.

<sup>(2)</sup> Izmir Ege Perla Shopping Mall project was completed and the shopping center opened on September 6, 2017. Ege Perla Shopping Mall has been transferred to investment properties from investment property under operating lease.

As of December 31, 2018, the Company has 1<sup>st</sup> and 2<sup>nd</sup> degree mortgage on the investment properties amounting to USD 136.000.000 and TL 685.000.000 which are established in favor of İş Bank. In the current period, the Company obtained rent income amounting to TL 217.402.306 (December 31, 2017: TL 197.172.445) of its investment property. Total direct operating expenses related to these properties amounting to TL 51.700.565 (December 31, 2017: TL 44.449.570).

### 11. Inventories

<i>Short-term inventories</i>	December 31, 2018	December 31, 2017
<i>Completed residential units</i>		
Kartal Manzara Adalar <sup>(1)</sup>	240.163.575	396.606.760
Topkapı İnistanbul <sup>(2)</sup>	18.259.806	--
İzmir Ege Perla <sup>(3)</sup>	48.606.724	66.331.863
<i>Non-completed residential units</i>		
Topkapı İnistanbul <sup>(2)</sup>	209.357.229	294.173.271
<b>Total</b>	<b>516.387.334</b>	<b>757.111.894</b>

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<i>Long-term inventories</i>	December 31, 2018	December 31, 2017
<i>Non-completed residential units</i>		
Topkapı İnistanbul (*)	--	142.566.368
Tuzla Land (***)	217.854.501	201.586.726
Impairment provision on inventories (-)	(43.304.501)	--
<b>Total</b>	<b>174.550.000</b>	<b>344.153.094</b>

(\*) There are 975 residential units in Kartal Manzara Adalar Project, as of December 31, 2018, 591 residential units has been delivered to the customers. Balance of advances given related with the Project is amounting to TL 6.111.468 (December 31, 2017: TL 227.783.222) (Note 16).

(\*\*) There are 2.724 residential units in Topkapı İnistanbul Project, as of December 31, 2018, 1.676 residential units has been delivered to the customers. Balance of advances given related with the Project is amounting to TL 271.066.101 (December 31, 2017: TL 499.460.375) (Note 16).

(\*\*\*) There are 243 residential units in İzmir Ege Perla Project, as of December 31, 2018, 169 residential units has been delivered to the customers. Balance of advances given related with the Project is amounting to TL 2.258.812 (Note 16).

(\*\*\*\*) The Company has started the Tuzla Land project registered in İstanbul, Tuzla District in January 2016. The Company has bought a land to in order to develop a project, which cost to 143.500.000 TL. As of September 5, 2018, it is decided to postpone the planned housing project until the appropriate investment conditions are taken into consideration considering the current conjuncture. In accordance with this decision, net realizable value of the land has evaluated as of December 31, 2018 and impairment has recorded as amounting to TL 43.304.501 (Note 21).

### 12. Tangible assets

	Buildings (*)	Machinery and equipment	Vehicles	Fixtures	Total
<b>Cost</b>					
Opening balance as of January 1, 2018	32.189.207	85.950	--	3.203.698	35.478.855
Purchases	7.689	--	374.647	200.090	582.426
Disposals	--	--	--	--	--
Fair value difference	3.443.040	--	--	--	3.443.040
<b>Closing balance as of December 31, 2018</b>	<b>35.639.936</b>	<b>85.950</b>	<b>374.647</b>	<b>3.403.788</b>	<b>39.504.321</b>
<b>Accumulated Depreciation</b>					
Opening balance as of January 1, 2018	1.892.431	85.950	--	2.494.721	4.473.102
Current year charge	947.505	--	31.220	238.335	1.217.060
Disposal	--	--	--	--	--
<b>Closing balance as of December 31, 2018</b>	<b>2.839.936</b>	<b>85.950</b>	<b>31.220</b>	<b>2.733.056</b>	<b>5.690.162</b>
<b>Net book value as of January 1, 2018</b>	<b>30.296.776</b>	<b>--</b>	<b>--</b>	<b>708.977</b>	<b>31.005.753</b>
<b>Net book value as of December 31, 2018</b>	<b>32.800.000</b>	<b>--</b>	<b>343.427</b>	<b>670.732</b>	<b>33.814.159</b>

	Buildings (*)	Machinery and equipment	Vehicles	Fixtures	Total
<b>Cost</b>					
Opening balance as of January 1, 2017	28.793.832	85.950	32.447	2.823.388	31.735.617
Purchases	12.000	--	--	426.622	438.622
Disposals	--	--	(32.447)	(46.312)	(78.759)
Fair value difference	3.383.375	--	--	--	3.383.375
<b>Closing balance as of December 31, 2017</b>	<b>32.189.207</b>	<b>85.950</b>	<b>--</b>	<b>3.203.698</b>	<b>35.478.855</b>
<b>Accumulated Depreciation</b>					
Opening balance as of January 1, 2017	913.832	85.950	32.447	2.144.057	3.176.286
Current year charge	978.599	--	--	398.010	1.376.609
Disposal	--	--	(32.447)	(47.346)	(79.793)
<b>Closing balance as of December 31, 2017</b>	<b>1.892.431</b>	<b>85.950</b>	<b>--</b>	<b>2.494.721</b>	<b>4.473.102</b>
<b>Net book value as of January 1, 2017</b>	<b>27.880.000</b>	<b>--</b>	<b>--</b>	<b>679.331</b>	<b>28.559.331</b>
<b>Net book value as of December 31, 2017</b>	<b>30.296.776</b>	<b>--</b>	<b>--</b>	<b>708.977</b>	<b>31.005.753</b>

(\*) As of December 31, 2018, İş Kuleleri Kule: 2 10<sup>th</sup> and 11<sup>th</sup> floor offices are the most important tangible assets item of the Company which are currently used for registered address with amounting to TL 32.800.000. These areas get share from the mortgages amounting to USD 136 million and TL 185 million established in İş Kuleleri and Kule Çarşısı (December 31, 2017: USD 136 million and TL 185 million).

As of December 31, 2018, the Company has tangible assets which is fully depreciated amounting to TL 2.571.964.

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### 13. Intangible assets

	Computer Programs	Total
<b>Cost</b>		
Opening balance as of January 1, 2018	3.397.414	3.397.414
Purchases	704.999	704.999
<b>Closing balance as of December 31, 2018</b>	<b>4.102.413</b>	<b>4.102.413</b>
<b>Accumulated Depreciation</b>		
Opening balance as of January 1, 2018	2.549.708	2.549.708
Current year charge	537.096	537.096
<b>Closing balance as of December 31, 2018</b>	<b>3.086.804</b>	<b>3.086.804</b>
<b>Net book value as of January 1, 2018</b>	<b>847.706</b>	<b>847.706</b>
<b>Net book value as of December 31, 2018</b>	<b>1.015.609</b>	<b>1.015.609</b>
<b>Cost</b>		
Opening balance as of January 1, 2017	2.668.527	2.668.527
Purchases	728.887	728.887
<b>Closing balance as of December 31, 2017</b>	<b>3.397.414</b>	<b>3.397.414</b>
<b>Accumulated Depreciation</b>		
Opening balance as of January 1, 2017	2.195.277	2.195.277
Current year charge	354.431	354.431
<b>Closing balance as of December 31, 2017</b>	<b>2.549.708</b>	<b>2.549.708</b>
<b>Net book value as of January 1, 2017</b>	<b>473.250</b>	<b>473.250</b>
<b>Net book value as of December 31, 2017</b>	<b>847.706</b>	<b>847.706</b>

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

As at December 31, 2018, the Company has intangible assets which is fully depreciated amounting to TL 2.318.629.

### 14. Provisions, contingent assets and liabilities

	December 31, 2018	December 31, 2017
Debt provisions <sup>(1)</sup>	4.814.210	3.604.088
<b>Total</b>	<b>4.814.210</b>	<b>3.604.088</b>
<b>December 31, 2018</b>		
Letters of guarantee received <sup>(2)</sup>	145.521.342	190.095.828
Mortgage received	25.245.505	--
<b>Total</b>	<b>170.766.847</b>	<b>190.095.828</b>

<sup>(1)</sup> As of December 31, 2018, debt provisions consists of title deed fee accruals of delivered houses and accrued real estate taxes to be paid to T. İş Bankası A.Ş. related with Ege Perla project home and office sales.

<sup>(2)</sup> Letters of guarantee consist of the letters received from tenants and suppliers of the Company.

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

	December 31, 2018	December 31, 2017
A. CPM given for companies own legal personality <sup>(1)</sup>	1.438.626.831	1.216.433.473
B. CPM given in behalf of fully consolidated companies	--	--
C. CPM given for continuation of its economic activities on behalf of third parties <sup>(2)</sup>	163.362.012	213.454.488
D. Total amount of other CPM's	--	--
- Total amount of CPM's given on behalf of majority shareholder	--	--
- Total amount of CPM's given on behalf of other Group companies which are not in scope of B and C	--	--
- Total amount of CPM's given on behalf of third parties which are not in scope of C	--	--
<b>Total</b>	<b>1.601.988.843</b>	<b>1.429.887.961</b>

<sup>(1)</sup> CPM given for the Company's own legal personality consists of letters of guarantee amounting to TL 38.144.432 and pledge amounting to USD 136.000.000 and TL 685.000.000. As of December 31, 2018, the investment properties are pledged in favour of İş Bankası amounting to 1<sup>st</sup> degree USD 136.000.000 and TL 500.000.000 and 2<sup>nd</sup> degree TL 185.000.000. (The Company has 1<sup>st</sup> degree mortgage on its investment properties held amounting to USD 136.000.000 in favour of Türkiye İş Bankası. The Company received a counter guarantee amounting to USD 160 million from Türkiye İş Bankası to constitute financing guaranty provided. In this context, 1<sup>st</sup> degree mortgage was constituted in favour of İş Bankası from investment properties portfolio of the Company, Kule-2 and Kule Çarşı amounting to USD 136.000.000 as 1<sup>st</sup> degree mortgage, Kule-2 and Kule Çarşı amounting to TL 185.000.000 as 2<sup>nd</sup> degree mortgage.).

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

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

<sup>(2)</sup> Represents the cost of guarantors given to the related banks in return for the loan amount in case the buyers of the Company's ongoing residential and office projects use mortgage/business loan from contracted banks. In this respect, as of December 31, 2018, the ratio of CPM given by the Company to the Company's shareholders' equity is 5% (December 31, 2017: 6,5%).

As of December 31, 2018, there is no significant legal case required provisions on the financial statements and there are 78 legal cases and 45 enforcement proceedings of the Company is a party.

### Operating leases

The Company, as the lessor in the operating lease transactions

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

	December 31, 2018	December 31, 2017
Less than 1 year	210.963.597	210.620.406
Between 1-5 years	585.164.570	630.875.291
More than 5 years	1.442.614.509	2.316.229.253
<b>Total</b>	<b>2.238.742.676</b>	<b>3.157.724.950</b>

### 15. Provision for employee benefits

	December 31, 2018	December 31, 2017
Unused vacation provisions	390.946	317.880
<b>Total</b>	<b>390.946</b>	<b>317.880</b>

	December 31, 2018	December 31, 2017
Severance pay indemnity	1.627.689	1.773.027
<b>Total</b>	<b>1.627.689</b>	<b>1.773.027</b>

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

The amount payable consists of one month's salary limited to a maximum of TL 5.434 for each period of service as of December 31, 2018 (December 31, 2017: TL 4.732).

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

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

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as of December 31, 2018, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective reporting dates have been calculated assuming an annual inflation rate of 11,30% (estimated salary increase rate) and a discount rate of 16,00%, resulting in a real discount rate of approximately 4,22% (December 31, 2017: the provisions have been calculated assuming an annual inflation rate of 7% (estimated salary increase rate) and discount rate of 11,50%, resulting in a real discount rate of approximately 4,21% discount rate). The anticipated rate of for features is considered. As the maximum liability is revised semi-annually, the maximum amount of TL 5.434 effective from December 31, 2018 has been taken into consideration in calculation of provision from employment termination benefits.

	January 1 - December 31, 2018	January 1 - December 31, 2017
<b>Opening balance at January 1</b>	<b>1.773.027</b>	<b>1.224.737</b>
Service cost	203.898	198.538
Interest cost	194.110	168.627
Retirement pay provisions (-)	(703.641)	(177.756)
Actuarial differences	160.295	358.881
<b>Closing balance as of year end</b>	<b>1.627.689</b>	<b>1.773.027</b>

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

<i>Prepaid expenses - short term</i>	December 31, 2018	December 31, 2017
Job advances <sup>(1)</sup>	10.901.517	9.456.536
Prepaid expenses	696.197	520.941
Related party prepaid expenses (Note 24)	2.788.312	65.354.311
<b>Total</b>	<b>14.386.026</b>	<b>75.331.788</b>

<i>Prepaid expenses - long term</i>	December 31, 2018	December 31, 2017
Job advances <sup>(2)</sup>	4.757.821	2.358.403
Prepaid taxes and dues payable	1.224.604	1.882.140
<b>Total</b>	<b>5.982.425</b>	<b>4.240.543</b>

<sup>(1)</sup> The amount consists of job advance is amounting to TL 4.609.098 to Sera Yapı Endüstri ve Tic. A.Ş. for construction of Topkapı İnistanbul Project (December 31, 2017: TL 4.567.157) and job advance is amounting to TL 3.276.607 to the related directorates within the scope of the construction supervision services of the projects (December 31, 2017: TL 1.140.904).

An agreement has signed in order to bought 45% shares of the land registered in Kadıköy, İstanbul, has 9.043 m<sup>2</sup> of floor space which is ownership of the land is belong to Tecim Yapı Elemanları İnşaat Servis ve Yönetim Hizmetleri San. ve Tic. Limited Şirketi (Tecim Ltd. Şti.). In this context, the expenses incurred until the price of the land is reached in accordance with the terms of the agreement will be accounted in this account.

<i>Other current assets</i>	December 31, 2018	December 31, 2017
Deposits and guarantees given	22.787	36.727
Prepaid taxes and dues payable	14.471	3.425
<b>Total</b>	<b>37.258</b>	<b>40.152</b>

<i>Other non-current assets</i>	December 31, 2018	December 31, 2017
VAT transferred <sup>(3)</sup>	53.261.012	110.088.475
<b>Total</b>	<b>53.261.012</b>	<b>110.088.475</b>

<sup>(3)</sup> The amount of 47.143.727 of VAT transferred has received as cash returned from the tax office in the current year.

<i>Other short-term liabilities</i>	December 31, 2018	December 31, 2017
Taxes and funds payable	1.040.031	3.094.233
Payable social security cuts	218.234	400.658
<b>Total</b>	<b>1.258.265</b>	<b>3.494.891</b>

## İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

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

Deferred revenue - short-term	December 31, 2018	December 31, 2017
Advances received <sup>(1)</sup>	279.436.381	586.576.131
Deferred revenue	7.025.210	10.443.578
Short-term deferred revenue from related party (Note: 24)	257.870	493.827
<b>Total</b>	<b>286.719.461</b>	<b>597.513.536</b>

Deferred revenue - long-term	December 31, 2018	December 31, 2017
Advances received <sup>(2)</sup>	--	140.667.466
<b>Total</b>	<b>--</b>	<b>140.667.466</b>

<sup>(1)</sup> The current year's advances received consist of advances received from sales of Kartal Manzara Adalar Project, Topkapı Project and İzmir Ege Perla Project (Note 11).

<sup>(2)</sup> The balance is comprises of advances received from sales of 3<sup>rd</sup> and 4<sup>th</sup> stage of Topkapı Project (Note 11).

### 17. Shareholder's equity

#### Share capital

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

		December 31, 2018		December 31, 2017
<b>İş Gayrimenkul Yat. Ort. A.Ş.</b>	<b>(%)</b>		<b>(%)</b>	
Türkiye İş Bankası A.Ş.	47,44	454.800.582	44,11	403.081.752
Anadolu Hayat Emeklilik A.Ş.	7,11	68.151.714	7,11	64.952.938
Other	45,45	435.797.704	48,78	445.715.310
<b>Total</b>	<b>100</b>	<b>958.750.000</b>	<b>100</b>	<b>913.750.000</b>

The total number of ordinary shares consists of TL 958.750.000 (December 31, 2017: TL 913.750.000) shares with a par value of TL 1 per share. All of the shares are issued to name and TL 1.369.642,817 (December 31, 2017: TL 1.305.357) of the total amount is Group A and TL 957.380.357,183 (December 31, 2017: TL 912.444.643) of the total amount is Group B shares. Group A shareholders have the privilege to nominate candidates during the Board of Directors member elections. One member of Board of Directors is selected among the candidates nominated by Group B shareholders while the rest is selected among the candidates nominated by Group A shareholders. There is no other privilege given to the Group A shares.

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

The operations regarding to capital increase was completed on May 8, 2018 and the new capital has been registered on May 22, 2018.

#### Adjustment to share capital

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

#### Share premium

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

#### Restricted reserves

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

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



## İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

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

### Prior years' profits

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

### Dividend distribution

According to decision of Ordinary General Assembly Meeting dated March 21, 2018, primary reserve and secondary reserve has been reserved amounting to TL 11.088.434 and TL 2.284.375 respectively by the Company on the basis of net period profit which is amounting to TL 221.768.689 in tax declaration dated December 31, 2017, TL 68.531.250 has been distributed as cash dividend and TL 45.000.000 has been distributed as bonus shares from the net profit of the year 2017.

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

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

### 18. Revenue and cost of revenue

	January 1 - December 31, 2018	January 1 - December 31, 2017
Sales income from investment property	80.185.000	187.644.068
Rent income	195.593.500	178.897.669
Income from sales of real estate	789.386.565	41.674.317
Income from right of construction	21.808.806	18.274.776
Income fees and service	1.337.838	1.061.872
Other revenue	539.222	264.289
<b>Total real estate revenues</b>	<b>1.088.850.931</b>	<b>427.816.991</b>
Interest income on bank deposits	8.964.777	8.209.727
Gain on buy/sell of marketable securities	610.180	3.620.655
Interest income from reverse repos	11.394	11.145
<b>Total debt instruments revenue</b>	<b>9.586.351</b>	<b>11.841.527</b>
Sales discounts (-)	(104.791)	--
<b>Total revenue</b>	<b>1.098.332.491</b>	<b>439.658.518</b>
	<b>January 1 - December 31, 2018</b>	<b>January 1 - December 31, 2017</b>
Cost of sales of investment property	(84.460.408)	(186.460.401)
Cost of administrative expenses	(30.091.396)	(26.855.880)
Cost of sales of real estate	(701.340.829)	(30.913.903)
Taxes and dues	(17.571.552)	(6.402.403)
Insurance expenses	(3.116.459)	(2.601.494)
Other	(921.158)	(394.434)
<b>Total</b>	<b>(837.501.802)</b>	<b>(253.628.515)</b>

## İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

	January 1 - December 31, 2018	January 1 - December 31, 2017
<b>Administrative expenses</b>		
Personnel expenses	(13.592.892)	(10.611.655)
Outsourced service expenses	(6.311.274)	(5.375.365)
Depreciation and amortization	(1.754.156)	(1.731.040)
Taxes and dues	(188.184)	(179.407)
Provision for doubtful receivables	(1.246.896)	(1.251.360)
Other	(1.365.292)	(1.113.067)
<b>Total</b>	<b>(24.458.694)</b>	<b>(20.261.894)</b>
<b>Marketing, selling and distribution expenses</b>		
Advertising expenses	(16.463.776)	(18.960.700)
Sales commission expenses	(3.822.878)	(902.369)
Consultancy expenses	(1.721.367)	(1.850.758)
Sales office expenses	(173.259)	(1.044.958)
Other	(106.456)	(996.196)
<b>Total</b>	<b>(22.287.736)</b>	<b>(23.754.981)</b>

### 20. Expenses by nature

	January 1 - December 31, 2018	January 1 - December 31, 2017
<b>Personnel expenses</b>		
Administrative expenses	13.592.892	10.611.655
<b>Total</b>	<b>13.592.892</b>	<b>10.611.655</b>
<b>Depreciation and amortization</b>		
Administrative expenses	1.754.156	1.731.040
<b>Total</b>	<b>1.754.156</b>	<b>1.731.040</b>

### 21. Other operating income / expense

	January 1 - December 31, 2018	January 1 - December 31, 2017
<b>Other operating income</b>		
Revaluation income of investment property (Note 10)	326.600.140	203.738.363
Foreign exchange gains	12.740.526	2.577.853
Other	1.829.439	1.380.440
<b>Total</b>	<b>341.170.105</b>	<b>207.696.656</b>
<b>Other operating expense</b>		
Impairment provision of inventory (Note 11)	(43.304.501)	--
Revaluation difference of investment property (Note 10)	(31.212.866)	(123.919.259)
Other	(918.942)	--
<b>Total</b>	<b>(75.436.309)</b>	<b>(123.919.259)</b>

## İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

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

### 22. Finance income / expense

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

Finance income	January 1 - December 31, 2018	January 1 - December 31, 2017
Derivative gains	60.395.502	3.829.974
<b>Total</b>	<b>60.395.502</b>	<b>3.829.974</b>
Finance expense	January 1 - December 31, 2018	January 1 - December 31, 2017
Foreign exchange losses	(87.993.792)	(21.977.088)
Interest expenses	(111.910.440)	(29.043.919)
Other interest expense	(9.466)	(5.615)
Derivative losses	(11)	(555)
<b>Total</b>	<b>(199.913.709)</b>	<b>(51.027.177)</b>

### 23. Earnings per share

	January 1 - December 31, 2018	January 1 - December 31, 2017
Period opening of number of shares in circulation	91.375.000.000	85.000.000.000
Bonus shares due to capital increase	4.500.000.000	6.375.000.000
Number of shares in circulation as of year end	<b>95.875.000.000</b>	<b>91.375.000.000</b>
Weighted average number of shares in circulation <sup>(1)</sup>	95.875.000.000	91.375.000.000
Net profit for the period	341.610.873	179.956.837
<b>Earnings per share</b>	<b>0,0036</b>	<b>0,0020</b>
<b>Diluted earnings per share</b>	<b>0,0036</b>	<b>0,0020</b>

<sup>(1)</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 December 31, 2018 capital of the Company consists of 95.875.000.000 shares that are valued TL 0,01 for each one.

### 24. Related party disclosures

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

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

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

Details of related party balances are as follows:

Balances at İş Bankası	December 31, 2018	December 31, 2017
Demand deposits	4.671.458	9.647.133
Time deposits	45.406.348	59.381.733
Other current asset	102.499	209.350
Income from reverse repos	--	85.786
<b>Total</b>	<b>50.180.305</b>	<b>69.324.002</b>

The Company has letters of guarantee amounting TL 38.144.431 (December 31, 2017: TL 18.455.073) from İş Bankası. In addition, 1<sup>st</sup> and 2<sup>nd</sup> degree mortgage is instituted by the Company in favour İş Bankası amounting to USD 136.000.000 and TL 685.000.000 on some investment properties.

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

## İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

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

	December 31, 2018			
	Short Term Trade Receivables	Short Term Prepaid Expenses	Short Term Trade Payables	Deferred Income
<b>Balances with related parties</b>				
İş Merkezleri Yönetim ve İşletim A.Ş.	2.293.499	--	1.732.093	--
İş Girişim Sermayesi A.Ş.	--	--	350	--
İş Finansal Kiralama A.Ş.	--	--	805	--
Türkiye İş Bankası A.Ş. <sup>(1)</sup>	--	--	--	17.438
İş Faktoring A.Ş.	--	--	750	--
Kanyon Yönetim İşl. Paz. Ltd. Şti. A.Ş.	75.754	--	2.602.868	43.479
Anadolu Anonim Türk Sigorta A.Ş.	--	2.788.312	1.495.237	--
Anadolu Cam Sanayii A.Ş.	--	--	--	15.532
Anadolu Hayat Emeklilik A.Ş.	128.968	--	--	--
Camiş Madencilik A.Ş.	--	--	--	5.746
Şişecam Çevre Sistemleri A.Ş.	6.252	--	--	616
Madencilik San. ve Tic. A.Ş.	--	--	--	73
Camiş Elektrik A.Ş.	--	--	--	73
Cam Elyaf San. A.Ş.	642	--	--	73
Trakya Polatlı Cam San. A.Ş.	97	--	--	73
Trakya Yenişehir Cam San. A.Ş.	--	--	--	73
Çayırova Cam San. A.Ş.	1.380	--	--	73
Şişecam Otomotiv A.Ş.	5.407	--	--	4.055
İş Net Elektronik Hizmetler A.Ş.	767	--	13.770	--
Paşabahçe Cam San. ve Tic. A.Ş.	54.872	--	--	41.154
Paşabahçe Mağazacılık A.Ş.	70.507	--	--	8.648
Soda Sanayii A.Ş.	17.176	--	--	12.882
Şişecam Enerji A.Ş.	--	--	--	1.950
Şişecam Elyaf Sanayii A.Ş.	97	--	--	73
Türkiye Şişe ve Cam Fabrikaları A.Ş.	108.444	--	--	81.332
Trakya Cam Sanayii A.Ş.	32.703	--	--	24.527
Softtech Yazılım Teknolojileri A.Ş.	--	--	48.216	--
Maxis Girişim Sermayesi Portföy Yön. A.Ş.	350	--	--	--
Tecim Yapı Elemanları Ltd. Şti.	1.883.847	--	10.097.186	--
Ortaklara borçlar (dividend)	--	--	705	--
Other	--	--	368.239	--
	<b>4.680.762</b>	<b>2.788.312</b>	<b>16.360.219</b>	<b>257.870</b>

<sup>(1)</sup> As of December 31, 2018, there is balance of other short-term receivable is amounting to TL 35.610 from Türkiye İş Bankası A.Ş.

	December 31, 2018	
	Loans and borrowings	
<b>Balances with related parties</b>	Short Term	Long Term
T. İş Bankası A.Ş.	195.688.191	378.309.711
<b>Transactions with related parties</b>	Interest expense on loans	Capitalized interest expense
T. İş Bankası A.Ş.	47.712.639	20.372.369

## İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

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

	December 31, 2017			
	Short Term Trade Receivables	Short Term Prepaid Expenses	Short Term Trade Payables	Deferred Income
<b>Balances with related parties</b>				
Anadolu Anonim Türk Sigorta A.Ş.	3.931	2.472.998	1.374.868	--
Anadolu Cam Sanayii A.Ş.	--	--	--	14.213
Anadolu Cam Eskişehir Sanayi AŞ	--	--	--	--
Anadolu Hayat Emeklilik A.Ş.	--	--	30	--
Cam Elyaf Sanayii AŞ	525	--	--	--
Camiş Madencilik A.Ş.	--	--	--	5.258
Çayırova Cam Sanayii A Ş	525	--	--	--
İş Faktoring A.Ş.	195	--	--	--
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	--	--	--	--
İş Merkezleri Yönetim ve İşletim A.Ş.	498.474	--	2.650.186	--
İş Net Elektronik Hizmetler A.Ş.	--	--	15.116	--
İş Yatırım Menkul Değerler A.Ş.	--	--	--	--
İş Finansal Kiralama A.Ş.	--	--	38.818	--
İş Portföy Yönetimi A.Ş.	--	--	9.543	--
Kanyon Yönetim İşl. Paz. Ltd. Şti.	977.793	--	5.036.048	298.773
Madencilik Sanayii ve Ticaret AŞ	--	--	--	--
Mepa Merkezi Pazarlama AŞ	--	--	--	--
Paşabahçe Cam San. ve Tic. A.Ş.	--	--	--	37.659
Paşabahçe Mağazaları A.Ş.	18.462	--	--	7.913
Soda Sanayii A.Ş.	--	--	--	11.788
Softtech Yazılım Teknolojileri A.Ş.	--	--	--	--
Şişecam Çevre Sistemleri A.Ş.	4.441	--	--	563
Şişecam Dış Ticaret A.Ş.	--	--	--	2.296
Şişecam Enerji A.Ş.	88	--	7.935	1.785
Şişecam Otomotiv A.Ş.	--	--	--	3.711
Şişecam Sigorta Hizmetleri A.Ş.	--	--	766	1.137
Türkiye İş Bankası A.Ş.	--	--	--	14.041
Trakya Cam Sanayii A.Ş.	--	--	--	22.445
Türkiye Şişe ve Cam Fabrikaları A.Ş.	96.327	--	--	72.245
Tecim Yapı Elemanları Ltd. Şti.	--	62.881.313	35.990.000	--
Ortaklara borçlar (dividend)	--	--	597	--
Other	--	--	231.796	--
	<b>1.600.761</b>	<b>65.354.311</b>	<b>45.355.703</b>	<b>493.827</b>

	December 31, 2017	
	Loans and borrowings	
<b>Balances with related parties</b>	Short term	Long term

T. İş Bankası A.Ş.	154.258.179	484.995.840
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	December 31, 2017	
<b>Transactions with related parties</b>	Interest expense on loans	Capitalized interest expense
T. İş Bankası A.Ş.	28.700.640	41.250.185

	December 31, 2017	
	Financial leasing	
<b>Balances with related parties</b>	Short term	Long term

İş Finansal Kiralama A.Ş.	696.316	--
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As of December 31, 2018, the Company entered into an interest option derivative transaction with İş Bankası and there is no (December 31, 2017: TL 11) accrual of this derivative transaction is recognized in the Company's statement of financial position and also TL 11 derivative trading loss (December 31, 2017: TL 555 derivative trading gains) is recognized in the Company's profit or loss for this transaction.

## İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

### NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2018

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

January 1 - December 31, 2018					
<i>Balances with related parties</i>	Purchases <sup>(1)</sup>	Interest received	Rent income	Other income	Other expense
Anadolu Anonim Türk Sigorta A.Ş. <sup>(1)</sup>	4.583.167	--	409.210	7.513	--
Anadolu Hayat Emeklilik A.Ş.	124.089	--	5.918.603	--	--
İş Finansal Kiralama A.Ş.	7.475	--	--	--	2.324
İş Merkezleri Yönetim ve İşletim A.Ş.	11.030.707	--	3.817.803	--	--
İş Yatırım Menkul Değerler A.Ş.	945.041	--	3.475.576	--	--
Türkiye Şişe ve Cam Fabrikaları A.Ş.	--	--	7.669.716	99.356	--
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	--	--	390.118	--	--
İş Net Elektronik Hizmetler A.Ş.	297.564	--	91.958	--	--
İş Portföy Yönetimi A.Ş.	2.026	--	--	--	--
Paşabahçe Mağazacılık A.Ş.	210.652	--	1.840.505	10.796	--
Paşabahçe Cam San. ve Tic. A.Ş.	--	--	3.692.784	51.377	--
Trakya Cam Sanayii A.Ş.	--	--	2.200.859	30.620	--
Soda Sanayii A.Ş.	--	--	1.155.906	16.082	--
Anadolu Cam Sanayii A.Ş.	--	--	1.393.689	19.390	--
Camiş Madencilik A.Ş.	--	--	515.593	7.173	--
Camiş Elektrik A.Ş.	--	--	6.525	24	--
Şişecam Sigorta Hizmetleri A.Ş.	--	--	27.865	1.137	--
Softtech Yazılım Teknolojileri A.Ş.	44.235	--	5.576.781	8.119	--
Şişecam Enerji A.Ş.	--	--	175.008	2.435	--
Şişecam Dış Ticaret A.Ş.	--	--	56.274	2.296	--
Şişecam Otomotiv A.Ş.	--	--	363.854	5.062	--
Şişecam Çevre Sistemleri A.Ş.	--	--	55.235	769	--
Şişecam Elyaf Sanayii A.Ş.	--	--	6.525	24	--
Madencilik San. ve Tic. A.Ş.	--	--	6.525	24	--
Cam Elyaf San. A.Ş.	--	--	6.525	24	--
Trakya Yenişehir Cam San. A.Ş.	--	--	6.525	24	--
Trakya Polatlı Cam San. A.Ş.	--	--	6.525	24	--
Çayırova Cam San. A.Ş.	--	--	6.525	24	--
İş Portföy Yönetimi A.Ş. Birinci Gayrimenkul Yatırım Fonu <sup>(2)</sup>	--	--	--	25.800.000	--
Maxis Girişim Sermayesi Portföy Yön. A.Ş.	--	--	167.911	--	--
İş Faktoring A.Ş.	--	--	53.488	--	87.600
Kültür Yayınları İş Türk A.Ş.	5.889	--	--	--	--
Türkiye İş Bankası A.Ş. <sup>(3)</sup>	--	8.976.171	76.547.370	49.914.590	324.281
	<b>17.250.845</b>	<b>8.976.171</b>	<b>115.641.781</b>	<b>75.976.883</b>	<b>414.205</b>

<sup>(1)</sup> The amount of purchases with Anadolu Anonim Türk Sigorta Anonim Şirketi is related to the insurance of the Company's real estates. The amount of purchases from the İş Merkezleri Yönetim ve İşletim Anonim Şirketi is related to the operation of the Company's investment properties İş Kuleleri, Kapadokya Lodge Hotel and Mallmarine Shopping Center.

<sup>(2)</sup> The amount of other income with İş Portföy Yönetimi A.Ş. Birinci Gayrimenkul Yatırım Fonu is related to the sales of 18 single spaces of the office areas in the Kartal Project.

<sup>(3)</sup> Revenue share compensation is amounting to TL 3.200.889 has paid to T. İş Bankası A.Ş. within the scope of Ege Perla Project in 2018. In addition, there is revenue share compensation is amounting to TL 2.768.012 which is not paid yet as part of debt provisions of 2018.

## İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

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Additionally, revenue share compensation is amounting to TL 46.167.293 has paid to Tecim Yapı Elemanları Ltd. Şti. within the scope of Kartal Manzara Adalar Project in 2018.

<i>Balances with related parties</i>	January 1 - December 31 2017				
	Purchases <sup>(1)</sup>	Interest received	Rent income	Other income	Other expense
Anadolu Anonim Türk Sigorta A.Ş. <sup>(1)</sup>	4.697.393	--	--	--	--
Anadolu Cam Sanayi A.Ş.	--	--	1.140.440	23.200	167.620
Anadolu Cam Eskişehir Sanayi AŞ	--	--	3.557	--	--
Anadolu Cam Yenişehir Sanayi AŞ	--	--	3.557	--	--
Anadolu Hayat Emeklilik A.Ş.	226.069	--	4.459.401	44.861	--
Cam Elyaf Sanayii AŞ	--	--	5.335	--	--
Camiş Madencilik A.Ş.	--	--	421.575	8.583	62.011
Camiş Elektrik Üretim AŞ	--	--	5.335	--	--
Çayırova Cam Sanayii A Ş	--	--	5.335	--	--
İş Faktoring A.Ş.	--	--	4.400	--	4.400
İş Finansal Kiralama A.Ş.	970.792	--	9.242	--	--
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	--	--	476.498	3.356	--
İş Merkezleri Yönetim ve İşletim A.Ş.	21.196.063	--	2.041.168	12.319	--
İş Net Elektronik Hizmetler A.Ş.	410.860	--	21.459	--	--
İş Portföy Yönetimi A.Ş.	--	--	21.826	--	51.805
İş Portföy Yönetimi A.Ş. Birinci Gayrimenkul Yatırım Fonu <sup>(2)</sup>	--	--	--	69.000.000	--
İş Yatırım Menkul Değerler A.Ş.	112.500	--	3.841.764	33.898	1.930
Madencilik Sanayii ve Ticaret AŞ	--	--	5.335	--	--
Maxis Girişim Sermayesi Portföy Yön. A.Ş.	--	--	12.068	--	--
Mepa Merkezi Pazarlama AŞ	--	--	4.001	--	--
Paşabahçe Cam San. ve Tic. A.Ş.	--	--	3.019.406	61.471	444.135
Paşabahçe Mağazacılık A.Ş.	6.307	--	1.463.473	12.917	305.898
Soda Sanayi A.Ş.	--	--	945.127	19.241	139.022
Softtech Yazılım Teknolojileri A.Ş.	9.599	--	4.380.105	--	--
Şişecam Çevre Sistemleri A.Ş.	--	--	45.163	919	6.643
Şişecam Dış Ticaret A.Ş.	--	--	184.050	3.747	--
Şişecam Enerji A.Ş.	86.519	--	143.095	2.913	21.048
Şişecam Elyaf Sanayii A.Ş.	--	--	4.446	--	--
Şişecam Otomotiv A.Ş.	--	--	297.505	6.057	43.761
Şişecam Sigorta Hizmetleri A.Ş.	--	--	91.135	1.855	--
T. Şişe ve Cam Fabrikaları A.Ş.	--	--	6.106.490	123.197	852.020
Trakya Cam Sanayi A.Ş.	--	--	1.799.533	36.636	264.699
Trakya Polatlı Cam Sanayii AS	--	--	5.335	--	--
Trakya Yenişehir Cam Sanayii AŞ	--	--	5.335	--	--
Türkiye İş Bankası A.Ş. <sup>(3)</sup>	--	8.220.872	72.908.603	2.645	134.660
	<b>27.716.102</b>	<b>8.220.872</b>	<b>103.881.097</b>	<b>69.397.815</b>	<b>2.499.652</b>

<sup>(1)</sup> The amount of purchases with Anadolu Anonim Türk Sigorta Anonim Şirketi is related to the insurance of the Company's real estates. The amount of purchases from the İş Merkezleri Yönetim ve İşletim Anonim Şirketi is related to the operation of the Company's investment properties İş Kuleleri and Mallmarine Shopping Center.

<sup>(2)</sup> The amount of other income with İş Portföy Yönetimi A.Ş. Birinci Gayrimenkul Yatırım Fonu is related to the sales of Ankara Kızılay Building and Antalya Bank Service Building from investment property portfolio of the Company. Fair values of the investment properties for sale are TL 68.645.000.

<sup>(3)</sup> Revenue share compensation is amounting to TL 15.547.306 has paid to T. İş Bankası A.Ş. within the scope of Ege Perla Project in 2017. In addition, there is revenue share compensation is amounting to TL 523.328 which is not paid yet as part of debt provisions of 2017.

## İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

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As of December 31, 2018, TL 20.021.745 part of TRSISGY31915 ISIN coded bond which is issued in nominal value TL 213.000.000 TL 2.502.593 part of TRSISGY61912 ISIN coded bond which is issued in nominal value TL 100.000.000, TL 3.620.270 part of TRSISGY32111 ISIN coded bond which is issued in nominal value TL 100.000.000 and TL 16.789.893 part of TRSISGYK1917 ISIN coded bond which is issued in nominal value TL 100.000.000 are in related parties. The paid amount of related bonds is 5.544.152 and breakdowns of balances and transactions are below:

Balance with related parties	December 31, 2018			
	TRSISGY31915	TRSISGY61912	TRSISGY32111	TRSISGYK1917
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	5.005.186	2.502.593	--	309.016
İş Yatırım Menkul Değerler A.Ş.	15.016.559	--	3.620.270	15.450.822
İş Yatırım Ortaklığı A.Ş.	--	--	--	1.030.055
	<b>20.021.745</b>	<b>2.502.593</b>	<b>3.620.270</b>	<b>16.789.893</b>

Balance with related parties	December 31, 2017	
	TRSISGY31915	TRSISGY61912
Anadolu Anonim Türk Sigorta A.Ş.	15.004.748	--
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	5.001.583	2.500.791
İş Yatırım Menkul Değerler A.Ş.	2.671.845	--
İş Yatırım Ortaklığı A.Ş.	4.501.424	3.501.108
	<b>27.179.600</b>	<b>6.001.899</b>

Transactions with related parties	December 31, 2018	
	Anadolu Anonim Türk Sigorta A.Ş.	2.908.500
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	1.454.250	
İş Yatırım Menkul Değerler A.Ş.	559.760	
İş Yatırım Ortaklığı A.Ş.	621.642	
	<b>5.544.152</b>	

### Benefits provided to key management personnel:

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

	January 1-	January 1-
	December 31, 2018	December 31, 2017
Salaries and other short term benefits	4.717.075	4.394.779
Employee termination benefits	479.196	538.465
<b>Total</b>	<b>5.196.271</b>	<b>4.933.244</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.



## İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

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## FOR THE YEAR ENDED DECEMBER 31, 2018

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

### b.1) Credit risk management

Exposure to maximum credit risk as of reporting date	Receivables				Bank deposits	Derivative instruments	Other <sup>(**)</sup>
	Trade receivables		Other Receivables				
	Related parties	Other parties	Related parties	Other parties			
December 31, 2018							
<b>Maximum net credit risk as of the reporting date (A+B+C+D+E) <sup>(*)</sup></b>	<b>4.680.762</b>	<b>147.150.300</b>	<b>--</b>	<b>718.345</b>	<b>50.182.973</b>	<b>59.536.713</b>	<b>4.053.776</b>
- The part of maximum risk under guarantee with collateral etc. <sup>(**)</sup>	--	--	--	--	--	--	--
A: Net book value of financial assets that are neither past due nor impaired	4.680.762	147.150.300	--	718.345	50.182.973	59.536.713	4.053.776
B: Net book value of financial assets which are overdue but not impaired	31.407	9.502.808	--	--	--	--	--
C: Net book value of impaired assets							
- Past due (gross carrying amount)	--	3.814.164	--	--	--	--	--
- Impairment (-)	--	(3.814.164)	--	--	--	--	--
- The part of net value under guarantee with collateral etc.	--	--	--	--	--	--	--
- Not past due (gross carrying amount)	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--
- The part of net value under guarantee with collateral etc.	--	--	--	--	--	--	--
D: Off-balance sheet items with credit risk	--	--	--	--	--	--	--

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

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

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

## İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

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## FOR THE YEAR ENDED DECEMBER 31, 2018

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

Exposure to maximum credit risk as of reporting date	Receivables						
	Trade receivables		Other Receivables		Bank deposits	Derivative instruments	Other (**)
	Related parties	Other parties	Related parties	Other parties			
December 31, 2017							
<b>Maximum net credit risk as of the reporting date (A+B+C+D+E) (*)</b>	<b>1.600.761</b>	<b>45.842.088</b>	<b>--</b>	<b>1.078.243</b>	<b>69.028.866</b>	<b>3.865.901</b>	<b>14.088.726</b>
- The part of maximum risk under guarantee with collateral etc. (**)	--	--	--	--	--	--	--
A: Net book value of financial assets that are neither past due nor impaired	1.600.761	45.842.088	--	1.078.243	69.028.866	3.865.901	14.088.726
B: Net book value of financial assets which are overdue but not impaired	--	1.463.781	--	--	--	--	--
C: Net book value of impaired assets							
- Past due (gross carrying amount)	--	2.567.268	--	--	--	--	--
- Impairment (-)	--	(2.567.268)	--	--	--	--	--
- 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.

## İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

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

December 31, 2018	Receivables		Total
	Trade Receivables	Other Receivables	
Past due 1-30 days	5.600.304	--	5.600.304
Past due 1-3 months	2.117.572	--	2.117.572
Past due 3-12 months	1.765.086	--	1.765.086
Past due 1-5 years	51.253	--	51.253
<b>Total overdue receivables</b>	<b>9.534.215</b>	<b>--</b>	<b>9.534.215</b>
<b>Total collateralized portion</b>	<b>6.854.656</b>	<b>--</b>	<b>6.854.656</b>

December 31, 2017	Receivables		Total
	Trade Receivables	Other Receivables	
Past due 1-30 days	824.711	--	824.711
Past due 1-3 months	382.407	--	382.407
Past due 3-12 months	244.067	--	244.067
Past due 1-5 years	12.596	--	12.596
<b>Total overdue receivables</b>	<b>1.463.781</b>	<b>--</b>	<b>1.463.781</b>
<b>Total collateralized portion</b>	<b>1.177.822</b>	<b>--</b>	<b>1.177.822</b>

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

	December 31, 2018		December 31, 2017	
	Nominal Value	Fair Value	Nominal Value	Fair Value
Letters of guarantee	6.669.324	6.669.324	960.940	960.940
Cash collaterals	110.552	110.552	103.399	103.399
Note payable	74.780	74.780	111.961	111.961
Letters of blockage	--	--	1.522	1.522
	<b>6.854.656</b>	<b>6.854.656</b>	<b>1.177.822</b>	<b>1.177.822</b>

## İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

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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>December 31, 2018</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	1.314.848.120	1.630.380.067	344.684.543	568.713.664	716.981.860	--
Trade payables	24.803.886	24.803.886	24.803.886	--	--	--
Other payables	30.930.992	30.930.992	--	30.930.992	--	--
<b>Total liabilities</b>	<b>1.370.582.998</b>	<b>1.686.114.945</b>	<b>369.488.429</b>	<b>599.644.656</b>	<b>716.981.860</b>	<b>--</b>
<b>December 31, 2017</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	1.185.482.549	1.414.452.979	85.726.140	190.850.660	1.104.594.708	33.281.471
Trade payables	53.537.218	53.537.218	53.537.218	--	--	--
Other payables	44.979.614	44.979.614	--	44.979.614	--	--
<b>Total liabilities</b>	<b>1.283.999.381</b>	<b>1.512.969.811</b>	<b>139.263.358</b>	<b>235.830.274</b>	<b>1.104.594.708</b>	<b>33.281.471</b>

### b.3) Market risk management

#### b.3.1) Foreign currency risk management

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

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

Foreign currency transactions lead to currency risks.

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

	<b>US Dollar</b>	<b>Euro</b>	<b>GBP</b>
December 31, 2018	5,2609	6,0280	6,6528
December 31, 2017	3,7719	4,5155	5,0803

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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:

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

## İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

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

## İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

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

### 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.

December 31, 2018		
	Appreciation of foreign currency	Devaluation of foreign currency
If US Dollar changes against TL by 10%		
US Dollar net asset / liability	(22.951.998)	22.951.998
Portion hedged against US Dollar risk (-)	23.209.853	(23.209.853)
<b>US Dollar net effect</b>	<b>257.855</b>	<b>(257.855)</b>
If Euro changes against TL by 10%		
Euro net asset / liability	(2.892.568)	2.892.568
Portion hedged against Euro risk (-)	--	--
<b>Euro net effect</b>	<b>(2.892.568)</b>	<b>2.892.568</b>
December 31, 2017		
	Appreciation of foreign currency	Devaluation of foreign currency
If US Dollar changes against TL by 10%		
US Dollar net asset / liability	(17.977.845)	17.977.845
Portion hedged against US Dollar risk (-)	--	--
<b>US Dollar net effect</b>	<b>(17.977.845)</b>	<b>17.977.845</b>
If Euro changes against TL by 10%		
Euro net asset/liability	(3.337.790)	3.337.790
Portion hedged against Euro risk (-)	--	--
<b>Euro net effect</b>	<b>(3.337.790)</b>	<b>3.337.790</b>

### b.3.2) Interest rate risk management

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

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

There are no debt securities of the Company classified as financial asset at fair value through profit or loss in accompanying financial statements as of December 31, 2018 and 2017.

The sensitivity analyses have been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period at 1%. If interest rates increase or decrease by 1% as of December 31, 2018, the net profit would decrease or increase by TL 1.864.464 (December 31, 2017: TL 692.063 decrease or increase).

Interest Rate Table		December 31, 2018	December 31, 2017
<b>Fixed Rate Financial Instruments</b>			
Financial Assets	Financial assets classified at fair value through profit or loss	--	--
	Time deposits at banks	45.406.340	59.381.733
	Receivables from reverse repo transactions	--	85.786
Financial Liabilities		440.720.682	547.257.424
<b>Floating Interest Rate Financial Instruments</b>			
Investment Funds		3.951.277	13.793.590
Financial Liabilities		874.127.438	638.225.125

## İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

As of December 31, 2018, company has no equity in their portfolio. Therefore, there is no equity price risk. (December 31, 2017: None)

### **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 banks loans are close to their fair value, since the opening date of the bank loan is close to the reporting period and there is no significant change in the market interest rates. The estimated fair value of fixed rate financial liabilities is calculated by using discounted cash flows using current market interest rates. As of December 31, 2018, net book value of fixed rate loan is TL 440.720.682 and fair value of those loans are TL 440.720.682.

	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Financial liabilities at amortized cost	Carrying value	Note
<b>December 31, 2018</b>					
<b><i>Financial Assets</i></b>					
Cash and cash equivalents	50.285.472	3.951.277	--	54.236.749	5
Trade receivables	147.150.300	--	--	147.150.300	8
Due from related parties	4.680.762	--	--	4.680.762	24
Other financial assets	718.345	--	--	718.345	9
Derivative instruments	--	59.536.713	--	59.536.713	6
<b><i>Financial Liabilities</i></b>					
Loans and borrowings	--	--	697.915.716	697.915.716	7
Loans and borrowings from related parties	--	--	616.932.404	616.932.404	7
Trade payables	--	--	18.540.853	18.540.853	8
Trade payables to related parties	--	--	6.263.033	6.263.033	24
Other payables	--	--	20.833.806	20.833.806	9
Other payables to related parties	--	--	10.097.186	10.097.186	24
<b>December 31, 2017</b>					
<b><i>Financial Assets</i></b>					
Cash and cash equivalents	69.324.002	13.793.590	--	83.117.592	5
Trade receivables	62.067.357	--	--	62.067.357	8
Due from related parties	1.600.761	--	--	1.600.761	24
Other financial assets	1.078.243	--	--	1.078.243	9
Derivative instruments	--	3.865.901	--	3.865.901	6
<b><i>Financial Liabilities</i></b>					
Loans and borrowings	--	--	512.350.715	512.350.715	7
Loans and borrowings from related parties	--	--	673.131.834	673.131.834	7
Trade payables	--	--	44.171.515	44.171.515	8
Trade payables to related parties	--	--	9.365.703	9.365.703	24
Other payables	--	--	8.989.614	8.989.614	9
Other payables to related parties	--	--	35.990.000	35.990.000	24



## İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

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

### 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

Financial assets	December 31, 2018	Level 1	Level 2	Level 3
Investment properties	4.153.488.099	--	4.153.488.099	--
Tangible Assets	33.814.159	--	33.814.159	--
Financial assets held for trading	3.951.277	3.951.277	--	--
Derivatives held for trading	59.536.713	--	59.536.713	--
	<b>4.250.790.248</b>	<b>3.951.277</b>	<b>4.246.838.971</b>	<b>--</b>

Financial assets	December 31, 2017	Level 1	Level 2	Level 3
Investment properties	3.834.870.889	--	3.834.870.889	--
Tangible Assets	31.005.753	--	31.005.753	--
Financial assets held for trading	13.793.590	13.793.590	--	--
Derivatives held for trading	3.865.901	--	3.865.901	--
	<b>3.883.536.133</b>	<b>13.793.590</b>	<b>3.869.742.543</b>	<b>--</b>

### 27. Events after the reporting period

On January 28, 2019, the Company has issued 728-day maturity, TRLIBOR + 2,50% interest rate bond amounting to TL 100.000.000. The maturity date of the bond which is sold to qualified investors through İş Yatırım Menkul Değerler A.Ş. is January 25, 2021.

## İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

	The main accounts of separate financial statements	Related regulation	December 31, 2018	December 31, 2017
<b>A</b>	Capital and money market instruments	III-48.1. Md. 24 / (b)	54.236.749	83.117.592
<b>B</b>	Real estates, rights supported by real estates and real estate projects	III-48.1. Md. 24 / (a)	4.844.425.433	4.936.135.877
<b>C</b>	Affiliates <sup>(1)</sup>	III-48.1. Md. 24 / (b)	3.088.133	2.527.108
	Due from related parties (other receivables)	III-48.1. Md. 23 / (f)	--	--
	Other assets		320.582.609	290.166.679
<b>D</b>	<b>Total assets</b>	III-48.1. Md. 3 / (k)	<b>5.222.332.924</b>	<b>5.311.947.256</b>
<b>E</b>	Loans and borrowings	III-48.1. Md. 31	1.314.848.120	1.184.786.233
<b>F</b>	Other financial liabilities	III-48.1. Md. 31	4.814.210	3.604.088
<b>G</b>	Financial lease obligations	III-48.1. Md. 31	--	696.316
<b>H</b>	Due to related parties (other payables)	III-48.1. Md. 23 / (f)	--	--
<b>I</b>	Equity	III-48.1. Md. 31	3.556.939.355	3.280.576.987
	Other liabilities		345.731.239	842.283.632
<b>D</b>	<b>Total liabilities and equity</b>	III-48.1. Md. 3 / (k)	<b>5.222.332.924</b>	<b>5.311.947.256</b>
	Other separate financial information	Related regulation	December 31, 2018	December 31, 2017
<b>A1</b>	Capital and money market instruments amount held for 3-year real estate payments	III-48.1. Md. 24 / (b)	--	--
<b>A2</b>	Time balances / demand balances TL / foreign currency	III-48.1. Md. 24 / (b)	50.182.973	69.028.866
<b>A3</b>	Foreign capital market instruments	III-48.1. Md. 24 / (d)	--	--
<b>B1</b>	Foreign real estates, rights supported by real estates and real estate projects	III-48.1. Md. 24 / (d)	--	--
<b>B2</b>	Inactive land	III-48.1. Md. 24 / (c)	51.314.379	47.577.917
<b>C1</b>	Foreign affiliates	III-48.1. Md. 24 / (d)	--	--
<b>C2</b>	Participating to operating company	III-48.1. Md. 28	3.088.133	2.527.108
<b>J</b>	Non-cash loans	III-48.1. Md. 31	38.144.431	18.455.073
<b>K</b>	Mortgage amounts of the mortgaged lands that the project will be developed on without ownership	III-48.1. Md. 22 / (e)	--	--
<b>L</b>	The sum of investments in money and capital market instruments in a single company	III-48.1 Md. 22 / (1)	54.131.580	71.994.421

<sup>(1)</sup> From the associates disclosed in Note 3, Kanyon is in the scope of the Company under the scope of Article 28 paragraph 1 of the "Communiqué on Principles Regarding Real Estate Investment Trusts" No: 48.1 of the CMB, III. The Company accounts for this associate according to the equity method in the accompanying financial statements. As of December 31, 2018, the Company's participation in Kanyon is TL 500.000 and does not exceed 10% of the total assets.

	Portfolio restrictions	Related regulation	December 31, 2018	December 31, 2017	Min/Max ratio
<b>1</b>	Mortgage amounts of the mortgaged lands that the project will be developed on without ownership	III-48.1. Md. 22 / (e)	0%	0%	Max 10%
<b>2</b>	Real estates, rights supported by real estates and real estate projects	III-48.1. Md. 24 / (a), (b)	93%	93%	Min 51%
<b>3</b>	Capital and money market instruments and subsidiaries	III-48.1. Md. 24 / (b)	1%	2%	Max 49%
<b>4</b>	Foreign real estates, rights supported by real estates and real estate projects, affiliates and capital market instruments	III-48.1. Md. 24 / (d)	0%	0%	Max 49%
<b>5</b>	Inactive land	III-48.1. Md. 24 / (c)	1%	1%	Max 20%
<b>6</b>	Participating to operating company	III-48.1. Md. 28	0%	0%	Max 10%
<b>7</b>	Borrowings limits	III-48.1. Md. 31	38%	38%	Max 500%
<b>8</b>	Time balances / demand balances TL / foreign currency	III-48.1. Md. 22 / (e)	1%	1%	Max 10%
<b>9</b>	The sum of investments in money and capital market instruments in a single company	III-48.1 Md. 22 / (1)	1%	0%	Max 10%

# APPENDIX: SUMMARY APPRAISAL REPORTS

Subject of Appraisal	Istanbul İş Towers Complex
Application Date and No	5 October 2018-009
Report Prepared by	Terra Gayrimenkul Değerleme ve Danışmanlık A.Ş.
Report Date and Report No	24 December 2018 2018/İŞGYO/009
Appraisal Date	17 December 2018
Appraisal Method Used	Market Value Method
Registry of Deeds	Masonry business center of with an area of 25,909 m <sup>2</sup> registered at İstanbul Province, Beşiktaş District, Rumelihisarı Neighborhood, Sheet No: 81, Block No: 1420, Parcel No: 1
Appraisal Value (TL including VAT/excluding VAT)	TL 971,685,000 (excluding VAT) / TL 1,146,588,300 (including VAT)
Insurance Value (TL)	TL 79,334,872
Subject of Appraisal	Ankara İş Tower
Application Date and No	5 October 2018-012
Report Prepared by	Terra Gayrimenkul Değerleme ve Danışmanlık A.Ş.
Report Date and Report No	22 December 2018 2018/İŞGYO/012
Appraisal Date	18 December 2018
Appraisal Method Used	Market Value Method
Registry of Deeds	Land with an area of 6,287 m <sup>2</sup> and reinforced concrete building on it registered at Ankara Province, Çankaya District, Kavaklıdere Neighborhood, Block No: 5708, Parcel No: 63
Appraisal Value (TL including VAT/excluding VAT)	TL 149,630,000 (excluding VAT) / TL 176,563,400 (including VAT)
Insurance Value (TL)	TL 47,614,716
Subject of Appraisal	Maslak Office Building
Application Date and No	5 November 2018-002
Report Prepared by	Nova Taşınmaz Değerleme ve Danışmanlık A.Ş.
Report Date and Report No	12 December 2018 003-2018/6124
Appraisal Date	6 December 2018
Appraisal Method Used	Market Value Method
Registry of Deeds	Masonry business center with an area of 4,469.5 m <sup>2</sup> registered at İstanbul Province, Sarıyer District, M. Ayazağa Neighborhood, Sheet No: 2, Parcel No: 10, Block No: 10
Appraisal Value (TL including VAT/excluding VAT)	TL 112,540,000 (excluding VAT) / TL 132,797,200 (including VAT)
Insurance Value (TL)	TL 22,365,000
Subject of Appraisal	Kapadokya Lodge Hotel
Application Date and No	22 October 2018
Report Prepared by	Reel Gayrimenkul Değerleme A.Ş.
Report Date and Report No	13 December 2018 İSGY-1810042
Appraisal Date	1 November 2018-12 December 2018
Appraisal Method Used	Market Value Method
Registry of Deeds	Land of with an area of 40,236 m <sup>2</sup> and hotel registered at Nevşehir Province, Merkez District, Uçhisar Village, Nar Deresi Locality, Sheet No: 30.K.1B, Block No: 122, Parcel No: 2-3
Appraisal Value (TL including VAT/excluding VAT)	TL 27,000,000 (excluding VAT) / TL 29,370,000 (including VAT)
Insurance Value (TL)	TL 21,452,784
Subject of Appraisal	Kanyon Shopping Mall
Application Date and No	5 October 2018-010
Report Prepared by	Terra Gayrimenkul Değerleme ve Danışmanlık A.Ş.
Report Date and Report No	14 December 2018 2018/İŞGYO/010
Appraisal Date	7 December 2018
Appraisal Method Used	Market Value Method
Registry of Deeds	Masonry building with an area of 29,427.34 m <sup>2</sup> registered at İstanbul Province, Şişli District, Mecidiyeköy Neighborhood, Sheet No: 303, Block No: 1946, Parcel No: 136. The Company's share is 50%.
Appraisal Value (TL including VAT/excluding VAT)	TL 575,512,500 (excluding VAT) / TL 679,104,750 (including VAT)
Insurance Value (TL)	TL 32,590,248.45
Subject of Appraisal	Mallmarine Shopping Mall
Application Date and No	5 October 2018-007
Report Prepared by	Terra Gayrimenkul Değerleme ve Danışmanlık A.Ş.
Report Date and Report No	18 December 2018 2018/İŞGYO/007
Appraisal Date	11 December 2018
Appraisal Method Used	Market Value Method
Registry of Deeds	6-storeyed building located at the address of Muğla Province, Marmaris District, Kemeraltı Neighborhood, Atatürk Boulevard, No: 28, on a land with an area of 1,166.33 m <sup>2</sup> registered at Sheet No: 2, Block No: 119, Parcel No: 24
Appraisal Value (TL including VAT/excluding VAT)	TL 14,975,000 (excluding VAT) / TL 17,670,500 (including VAT)
Insurance Value (TL)	TL 3,532,632

Subject of Appraisal	Istanbul Marmara Park Shopping Mall
Application Date and No	5 October 2018-011
Report Prepared by	Terra Gayrimenkul Değerleme ve Danışmanlık A.Ş.
Report Date and Report No	17 December 2018 2018/İŞGYO/011
Appraisal Date	11 December 2018
Appraisal Method Used	Market Value Method
Registry of Deeds	Land and reinforced concrete shopping mall with a total area of 63,090.99 m <sup>2</sup> İstanbul Province, Esenyurt District, Yakuplu Neighborhood, Sheet No: 24d-4b, Block No: 21, Parcel No: 102-103-110
Appraisal Value (TL including VAT/excluding VAT)	TL 185,675,000 (excluding VAT) / TL 219,096,500 (including VAT)
Subject of Appraisal	Çınarlı Bahçe Tuzla Commercial Areas
Application Date and No	22 October 2018
Report Prepared by	Reel Gayrimenkul Değerleme ve Danışmanlık A.Ş.
Report Date and Report No	13 December 2018 ISGY- 1810039
Appraisal Date	3 December 2018-12 December 2018
Appraisal Method Used	Market Value Method
Registry of Deeds	Building with an area of 40,983.24 m <sup>2</sup> registered at İstanbul Province, Tuzla District, Merkez Neighborhood, Sheet No: 20, Parcel No: 1329
Appraisal Value (TL including VAT/excluding VAT)	TL 2,600,000 (excluding VAT) / TL 3,068,000 (including VAT)
Insurance Value (TL)	TL 344,000
Subject of Appraisal	Tuzla Technology & Operation Center
Application Date and No	4 October 2018-010
Report Prepared by	Harmoni Gayrimenkul Değerleme ve Danışmanlık A.Ş.
Report Date and Report No	20 December 2018 18_400_290
Appraisal Date	14 December 2018
Appraisal Method Used	Market Value Method
Registry of Deeds	Building and office with an area of 44,395.35 m <sup>2</sup> registered at İstanbul Province, Tuzla District, Merkez Neighborhood, Sheet No: G22B17A1C, Block No: 7301, Parcel No: 1
Appraisal Value (TL including VAT/excluding VAT)	TL 1,076,500,000 (excluding VAT) / TL 1,270,270,000 (including VAT)
Insurance Value (TL)	TL 244,817,100
Subject of Appraisal	Tuzla Mixed
Application Date and No	4 October 2018
Report Prepared by	Harmoni Gayrimenkul Değerleme ve Danışmanlık A.Ş.
Report Date and Report No	12 December 2018 18_400_291
Appraisal Date	7 December 2018
Appraisal Method Used	Market Value Method
Registry of Deeds	Reinforced concrete office with an area of 21,305.29 m <sup>2</sup> registered at İstanbul Province, Tuzla District, Merkez Neighborhood, Sheet No: G22B17A1C, Block No: 7301, Parcel No: 2
Appraisal Value (TL including VAT/excluding VAT)	TL 290,160,000 (excluding VAT) / TL 342,388,800 (including VAT)
Insurance Value (TL)	TL 41,192,411
Subject of Appraisal	İzmir Ege Perla
Application Date and No	15 November 2018-004
Report Prepared by	Nova Taşınmaz Değerleme ve Danışmanlık A.Ş.
Report Date and Report No	27 December 2018 003-2018/6125
Appraisal Date	21 December 2018
Appraisal Method Used	Market Value Method
Registry of Deeds	Reinforced concrete residence and office with an area of 18,392 m <sup>2</sup> registered at İzmir Province, Konak District, Mersinli Neighborhood, Sheet No: 296, Block No: 3324, Parcel No: 106
Appraisal Value (TL including VAT/excluding VAT)	TL 315,504,000 (excluding VAT) / TL 372,294,720 (including VAT)
Insurance Value (TL)	TL 136,780,000
Subject of Appraisal	Taksim Office Lamartine
Application Date and No	22 October 2018
Report Prepared by	Reel Gayrimenkul Değerleme ve Danışmanlık A.Ş.
Report Date and Report No	20 December 2018 ISGY/ 1810043
Appraisal Date	3 December 2018-19 December 2018
Appraisal Method Used	Market Value Method
Registry of Deeds	Building with an area of 578.72 m <sup>2</sup> registered at İstanbul Province, Beyoğlu District, Şehitmuhtar Neighborhood, Lamartin and Cumhuriyet Avenue, Sheet No: 11, Block No: 408, Parcel No: 24
Appraisal Value (TL including VAT/excluding VAT)	TL 53,035,000 (excluding VAT) / TL 62,581,300 (including VAT)
Insurance Value (TL)	TL 7,189,401

Subject of Appraisal	Üsküdar Land
Application Date and No	5 October 2018-008
Report Prepared by	Terra Gayrimenkul Değerleme ve Danışmanlık A.Ş.
Report Date and Report No	12 December 2018 2018/İŞGYO/008
Appraisal Date	6 December 2018
Appraisal Method Used	Market Value Method
Registry of Deeds	Land with an area of 32,081 m <sup>2</sup> registered at İstanbul Province, Üsküdar District, Burhaniye Neighborhood, Block No: 725, Parcel No: 18
Appraisal Value (TL including VAT/excluding VAT)	TL 44,912,500 (excluding VAT) / TL 52,996,750 (including VAT)
Insurance Value (TL)	Not mentioned as it is land.

Subject of Appraisal	Kartal Manzara Adalar
Application Date and No	5 October 2018-013
Report Prepared by	Terra Gayrimenkul Değerleme ve Danışmanlık A.Ş.
Report Date and Report No	28 December 2018 2018/İŞGYO/013
Appraisal Date	24 December 2018
Appraisal Method Used	Market Value Method
Registry of Deeds	Reinforced concrete residence and office with an area of 36,724.88 m <sup>2</sup> registered at İstanbul Province, Kartal District, Yukarı Neighborhood, Sheet No: G22A14B2B, Block No: 10047, Parcel No: 6
Appraisal Value (TL including VAT/excluding VAT)	TL 474,799,020 (excluding VAT) / TL 560,262,843,60 (including VAT)
Insurance Value (TL)	.

Subject of Appraisal	Levent Land
Application Date and No	20 October 2018
Report Prepared by	Reel Gayrimenkul Değerleme ve Danışmanlık A.Ş.
Report Date and Report No	13 December 2018 ISGY- 1810038
Appraisal Date	3 December 2018-12 December 2018
Appraisal Method Used	Market Value Method
Registry of Deeds	Land with an area of 7,613 m <sup>2</sup> registered at İstanbul Province, Beşiktaş District, Levent Neighborhood, Sheet No: 81, Block No: 916, Parcel No: 572 and Rumelihisari Neighborhood, Block No: 916, 629, 630, 631
Appraisal Value (TL including VAT/excluding VAT)	TL 6,401,878 (excluding VAT) / TL 7,554,216 (including VAT)
Insurance Value (TL)	Not mentioned as it is land.

Subject of Appraisal	İstanbul Financial Center Project
Application Date and No	22 October 2018
Report Prepared by	Reel Gayrimenkul Değerleme ve Danışmanlık A.Ş.
Report Date and Report No	27 December 2018 ISGY- 1810041
Appraisal Date	3 December 2018-26 December 2018
Appraisal Method Used	Market Value Method
Registry of Deeds	Land with an area of 4,797.45 m <sup>2</sup> registered at İstanbul Province, Ümraniye District, Küçükbakkalköy Neighborhood, Sheet No: F22D23D4D, Block No: 3328, Parcel No: 9
Appraisal Value (TL including VAT/excluding VAT)	TL 200,103,000 (excluding VAT) / TL 236,121,540 (including VAT)
Insurance Value (TL)	Not mentioned as there is no settlement.

Subject of Appraisal	Topkapı İstanbul Project
Application Date and No	22 October 2018
Report Prepared by	Reel Gayrimenkul Değerleme ve Danışmanlık A.Ş.
Report Date and Report No	21 December 2018 ISGY- 1810040
Appraisal Date	26 November 2018-21 December 2018
Appraisal Method Used	Market Value Method
Registry of Deeds	Land with an area of 80,239.89 m <sup>2</sup> registered at İstanbul Province, Zeytinburnu District, Merkezefendi Neighborhood, Sheet No: 490-491, Block No: 2905, Parcel No: 17
Appraisal Value (TL including VAT/excluding VAT)	TL 669,222,000 (excluding VAT) / TL 789,681,960 (including VAT)
Insurance Value (TL)	Not mentioned as there is no settlement.

Subject of Appraisal	Tuzla Land
Application Date and No	15 November 2018-001
Report Prepared by	Nova Taşınmaz Değerleme ve Danışmanlık A.Ş.
Report Date and Report No	12 December 2018 003- 2018/6126
Appraisal Date	7 December 2018
Appraisal Method Used	Market Value Method
Registry of Deeds	Land with an area of 53,459.93 m <sup>2</sup> registered at İstanbul Province, Tuzla District, Merkez Neighborhood, Parcel No: 6408
Appraisal Value (TL including VAT/excluding VAT)	TL 174,550,000 (excluding VAT) / TL 205,969,000 (including VAT)
Insurance Value (TL)	Not mentioned as it is land.



