

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

**Condensed Interim Financial Statements as of June
30, 2017 together with the Independent Auditor's
Review Report**

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

July 27, 2017

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

İş Gayrimenkul Yatırım Ortaklığı
Anonim Şirketi

Table of contents

Independent auditors' review report

Condensed interim statement of financial position (Balance sheet)

Condensed interim statement of profit or loss

Condensed interim statement of other comprehensive income

Condensed interim statement of changes in equity

Condensed interim statement of cash flows

Notes to the condensed interim financial statements

(Convenience translation of independent auditors' review report originally issued in Turkish)

Review Report on the Condensed Interim Financial Information

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

Introduction

We have reviewed the accompanying condensed interim statement of financial position and the condensed interim statement of profit or loss, condensed interim statement of other comprehensive income, condensed interim statement of changes in shareholders' equity and the condensed interim statement of cash flows for the six-months-period then ended and other explanatory notes ("condensed interim financial information") of İş Gayrimenkul Yatırım Ortaklığı A.Ş. (the Company) and as of June 30, 2017. The management of the Company is responsible for the preparation and fair presentation of these interim financial information in accordance with the Turkish Accounting Standard - 34 Interim Financial Reporting Standard ("TAS 34"). Our responsibility is to express a conclusion on these interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention which may cause us to conclude that the accompanying interim financial information is not prepared in all material respects in accordance with TAS 34.

Other Matter

The condensed interim financial statements of the Company as of December 31, 2016 and June 30, 2016, were audited and reviewed by another audit firm whose independent auditor's report thereon dated January 27, 2017 and July 26, 2016 expressed an unqualified opinion and an unqualified conclusion.

Additional paragraph for convenience translation to English:

As of June 30, 2017, the accounting principles described in Note 2 to the accompanying condensed interim financial statements differ from International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. The effects of differences between accounting principles and standards described in Note 2 and IFRS have not been quantified in the accompanying financial statements. Accordingly, the accompanying condensed interim financial statements are not intended to present the financial position and results of operations of the Company in accordance with IFRS.

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

Yaşar Bivas, SMMM
Partner

July27, 2017
İstanbul, Türkiye

CONTENTS

Page

Condensed Interim Statement of Financial Position (Balance Sheet).....	1-2
Condensed Interim Statement of Profit or Loss	3
Condensed Interim Statement of Other Comprehensive Income	4
Condensed Interim Statement of Changes in Equity.....	5
Condensed Interim Statement of Cash Flows	6

Notes to the Condensed Interim Financial Statements

1	Organization and operations of the Company	7
2	Basis of presentation of financial statements	7
3	Equity accounted investees	15
4	Operating segments	15
5	Cash and cash equivalent	19
6	Financial investments / Derivatives	20
7	Loans and borrowings	20
8	Trade receivables and payables	22
9	Other receivables and payables	23
10	Investment property	23
11	Inventories	26
12	Tangible assets	27
13	Intangible assets	28
14	Provisions, contingent assets and liabilities	29
15	Provisions for employee benefits	30
16	Prepaid expenses, other assets, deferred revenue and other liabilities	32
17	Shareholders' equity	33
18	Revenue and cost of revenue	35
19	Administrative expenses / Marketing, sales and distribution expenses	36
20	Other operating income / expense	36
21	Finance income /expense	37
22	Earnings per share	37
23	Related party disclosures	37
24	Nature and level of risks arising from financial instruments	43
25	Subsequent events	47

Additional Note : Control of compliance with restrictions on the investment portfolio	48-49
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İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

As of June 30, 2017

Condensed Interim Statement of Financial Position (Balance Sheet)

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

		Reviewed	Audited
	Notes	June 30, 2017	December 31, 2016
ASSETS			
Current assets		584.846.953	322.950.245
Cash and cash equivalents	5	61.428.317	127.262.064
Trade receivables	8	43.733.571	28.770.301
<i>Trade receivables from related parties</i>	23	2.468.405	322.311
<i>Trade receivables from third parties</i>		41.265.166	28.447.990
Other receivables	9	5.708.268	1.211.817
<i>Other receivables from related parties</i>	23	400.000	-
<i>Other receivables from third parties</i>		5.308.268	1.211.817
Inventories	11	400.296.348	91.612.134
Prepaid expenses	16	73.524.448	74.067.158
<i>Prepaid expenses to related parties</i>	23	1.259.574	2.716.668
<i>Prepaid expenses to third parties</i>		72.264.874	71.350.490
Other current assets	16	155.933	26.205
Derivatives	6	68	566
Non-current assets		4.536.219.101	4.564.069.949
Equity accounted investees	3	1.692.141	1.563.593
Inventories	11	543.140.877	715.506.230
Investment properties	10	3.840.532.955	3.714.668.994
Tangible assets	12	27.951.890	28.559.331
Intangible assets	13	497.670	473.250
Other non-current assets	16	122.403.568	103.298.551
TOTAL ASSETS		5.121.066.054	4.887.020.194

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

As of June 30, 2017

Condensed Interim Statement of Financial Position (Balance Sheet)

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

		Reviewed	Audited
	Notes	June 30, 2017	December 31, 2016
LIABILITIES			
Short-term liabilities		457.300.748	188.453.135
Current portion of long term borrowings	7	142.678.408	121.419.856
<i>Loans and borrowings to related parties</i>	23	127.947.694	103.666.106
<i>Loans and borrowings to third parties</i>		14.730.714	17.753.750
Current portion of long term financial leases	7	6.181.707	10.915.156
<i>Financial leasing to related parties</i>	23	6.181.707	10.915.156
Trade payables	8	34.853.803	34.198.753
<i>Trade payables to related parties</i>	23	7.911.589	5.270.465
<i>Trade payables to third parties</i>	8	26.942.214	28.928.288
Other payables	9	36.531.966	622.898
Deferred income	16	217.526.245	6.198.445
<i>Deferred income to related parties</i>	23	283.969	660.831
<i>Deferred income to third parties</i>		217.242.276	5.537.614
Short-term provisions		16.017.704	12.576.072
<i>Provision for employee benefits</i>	15	411.147	251.586
<i>Other short-term provisions</i>	14	15.606.557	12.324.486
Other short-term liabilities	16	3.510.915	2.521.955
Long-term liabilities		1.514.029.567	1.537.221.403
Loans and borrowings	7	1.067.177.611	921.629.250
<i>Loans and borrowings to related parties</i>	23	564.516.301	513.874.749
<i>Loans and borrowings to third parties</i>		502.661.310	407.754.501
Long term financial leases	7	-	696.326
<i>Financial leasing to related parties</i>	23	-	696.326
Other payables	9	-	35.990.000
Deferred revenue	16	445.213.675	577.681.090
Long term provisions	15	1.638.281	1.224.737
Provision for employee benefits	15	1.638.281	1.224.737
EQUITY		3.149.735.739	3.161.345.656
Share capital	17	913.750.000	850.000.000
Adjustment to share capital	17	240.146.090	240.146.090
Share premium	17	423.981	423.981
Accumulated other comprehensive income/(expense) not to be reclassified to profit or loss		24.361.973	24.361.973
<i>Revaluation and classification of gains / losses</i>		24.226.634	24.226.634
<i>Other earnings/ losses</i>		135.339	135.339
Legal reserves	17	46.188.875	36.305.282
Prior years' profits	17	1.872.724.737	1.589.596.928
Net profit for the period		52.140.083	420.511.402
TOTAL EQUITY AND LIABILITIES		5.121.066.054	4.887.020.194

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Condensed Interim Statement of Profit or Loss

For the Period Ended June 30, 2017

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

		Reviewed	Not Reviewed	Reviewed	Not Reviewed
		January 1- June 30, 2017	April 1 - June 30, 2017	January 1- June 30, 2016	April 1 - June 30, 2016
	Notes				
Revenue	18	124.848.525	63.322.470	248.634.981	196.729.714
Cost of revenue (-)	18	(30.823.407)	(16.347.607)	(139.059.504)	(134.170.378)
Gross profit		94.025.118	46.974.863	109.575.477	62.559.336
General administrative expense (-)	19	(11.883.560)	(5.129.323)	(10.098.314)	(5.061.772)
Marketing, selling and distribution expenses (-)	19	(5.933.932)	(1.966.893)	(14.783.087)	(12.067.169)
Other operating income	20	41.542.543	41.009.652	74.866.238	62.897.050
Other operating expense (-)	20	(48.809.171)	(48.809.171)	(30.449.524)	(30.449.524)
Operating profit		68.940.998	32.079.128	129.110.790	77.877.921
Share of profit of equity-accounted investees	3	528.548	275.777	310.488	216.794
Operating profit before financial income/(expense)		69.469.546	32.354.905	129.421.278	78.094.715
Financial income	21	-	-	-	-
Financial expense (-)	21	(17.329.463)	(840.245)	(22.403.862)	(21.409.515)
Profit before tax from continued operations		52.140.083	31.514.660	107.017.416	56.685.200
Tax Expense From Continuing Operations					
- Corporate tax charge		-	-	-	-
- Deferred tax benefit		-	-	-	-
Net profit for the period		52.140.083	31.514.660	107.017.416	56.685.200
Earnings per share	22	0,0006	0,0003	0,0013	0,0007

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Condensed Interim Statement of Other Comprehensive Income For the Period Ended June 30, 2017

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

	Reviewed	Not Reviewed	Reviewed	Not Reviewed
	January 1- June 30, 2017	April 1 - June 30, 2017	January 1- June 30, 2016	April 1 - June 30, 2016
Notes				
Net profit for the period	52.140.083	31.514.660	107.017.416	56.685.200
Other comprehensive income				
Items not to be reclassified to profit or loss				
Revaluation and classification of gains / losses	-	-	-	-
Actuarial gain/(loss) arising from defined benefit plans	-	-	-	-
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME	52.140.083	31.514.660	107.017.416	56.685.200

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Condensed Interim Statement of Changes in Equity For the Period Ended June 30, 2017

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

					Accumulated other comprehensive income/(expense) not to be reclassified to profit or loss					Total
	Notes	Share capital	Inflation Adjustment on Capital	Share premium	Other earnings/ losses	Revaluation and classification of gains / losses	Legal reserves	Prior years' profits	Net profit for the period	
Balances at January 1, 2016		746.000.000	240.146.090	423.981	210.783	21.731.787	28.240.772	1.197.948.571	555.932.867	2.790.634.851
Transfers		-	-	-	-	-	8.064.510	547.868.357	(555.932.867)	-
Total comprehensive income		-	-	-	-	-	-	-	107.017.416	107.017.416
Capital Increase (from internal sources)		104.000.000	-	-	-	-	-	(104.000.000)	-	-
Dividends		-	-	-	-	-	-	(52.220.000)	-	(52.220.000)
Balances at June 30, 2016	17	850.000.000	240.146.090	423.981	210.783	21.731.787	36.305.282	1.589.596.928	107.017.416	2.845.432.267
Balances at January 1, 2017		850.000.000	240.146.090	423.981	135.339	24.226.634	36.305.282	1.589.596.928	420.511.402	3.161.345.656
Transfers		-	-	-	-	-	9.883.593	410.627.809	(420.511.402)	-
Total comprehensive income		-	-	-	-	-	-	-	52.140.083	52.140.083
Capital Increase (from internal sources)		63.750.000	-	-	-	-	-	(63.750.000)	-	-
Dividends		-	-	-	-	-	-	(63.750.000)	-	(63.750.000)
Balances at June 30, 2017	17	913.750.000	240.146.090	423.981	135.339	24.226.634	46.188.875	1.872.724.737	52.140.083	3.149.735.739

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Condensed Interim Statement of Cash Flows

For the Period Ended June 30, 2017

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

		Reviewed January 1- June 30, 2017	Reviewed January 1- June 30, 2016
	Notes		
A. Cash flows from operating activities			
Net profit for the period		52.140.083	107.017.416
<i>Adjustment for reconciliation of net profit for the period:</i>			
Adjustments to depreciation and amortization	12, 13	781.333	699.514
Adjustments to provision for employee severance indemnity	15	460.349	153.843
Adjustments to provision for unused vacation	15	159.561	146.807
Revaluation of investment properties	10	7.751.643	(39.713.481)
Shares in profits of equity accounted investees	3	(528.548)	(310.488)
Allowance for doubtful receivables, (net)	8	(1.165.240)	158.348
Gain/(losses) from derivatives	22	(498)	652.653
Interest income	18	(6.026.703)	(4.206.960)
Interest expense	21	14.612.144	21.426.257
Adjustments for unrealised foreign exchange losses (gains)		(207.296)	-
Operating profit from before the changes in working capital		67.976.828	86.023.909
<i>Changes in working capital</i>			
Changes in trade receivables		(13.798.030)	(6.707.365)
Changes in other receivables		(4.096.451)	1.859.254
Changes in other current and non-current assets		(18.691.536)	(27.929.686)
Changes in inventories		(136.318.861)	(186.017.388)
Changes in trade payables and other payables		(131.479.754)	(16.905.312)
Changes in other short term liabilities		215.185.287	(4.810.444)
		(21.222.517)	(154.487.032)
<i>Cash generated from operating activities</i>			
Payments related with employee benefits	15	(46.805)	-
Interest received	5, 18	5.991.355	4.206.960
Net cash provided by operating activities		(15.277.967)	(150.280.072)
B. Cash flows from investing activities			
Purchases of investment property		(133.813.916)	(79.945.250)
Dividend received		-	500.000
Investments valued by equity method		-	399.581
Net cash used in investing activities		(133.813.916)	(79.045.669)
C. Cash Flows From Financing Activities			
Dividends paid	17	(63.750.000)	(52.220.000)
Borrowings received		220.000.000	413.000.000
Borrowings paid		(5.429.775)	(137.775.746)
Interest paid		(67.804.733)	(21.426.257)
Net cash provided by financing activities		83.015.492	201.577.997
Net increase/decrease in cash and cash equivalents before the effect of foreign currency translation differences		(66.076.391)	(27.747.744)
Impact of foreign currency translation differences on cash and cash equivalents		207.296	(235.562)
Net increase / (decrease) in cash and cash equivalents		(65.869.095)	(27.983.306)
Cash and cash equivalents at the beginning of the period	5	126.768.027	122.634.388
Cash and cash equivalents at the end of the period	5	60.898.932	94.651.082

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Convenience Translation of Notes to the Condensed Interim Financial Statements For the Period Ended June 30, 2017

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

1. Organization and operations of the Company

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

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

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

The Company has 82 employees as of June 30, 2017 (December 31, 2016: 80).

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

2. Basis of presentation of financial statements

2.1 Basis of presentation

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.

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.

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, 2016 numbered 30.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Convenience Translation of Notes to the Condensed Interim Financial Statements For the Period Ended June 30, 2017

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

2. Basis of presentation of financial statements (continued)

2.1 Basis of presentation (continued)

Functional and presentation currency

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

Basis of measurement

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

Preparation of financial statements in Hyperinflationary Periods

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

Interest in Joint Arrangements

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

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

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

Foreign currency transactions

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

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

The valuation principles applied and the presentation of accounting policies have been consistently applied in all period information.

The condensed interim financial statements as at June 30, 2017 have been approved for issue by the Board of Directors on July 27, 2017.

Convenience Translation of Notes to the Condensed Interim Financial Statements For the Period Ended June 30, 2017

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

2. Basis of presentation of financial statements (continued)

2.2 Changes in accounting policy

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 Summary of significant accounting policies

The condensed interim financial statements of the Company have been prepared in accordance with IAS 34 “Interim Financial Reporting”. The accounting policies used in the preparation of these condensed interim financial statements are consistent with those used in the preparation of annual financial statements for the year ended December 31, 2016. Accordingly, these condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2016.

2.4 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the interim condensed financial statements as at June 30, 2017 are consistent with those of the previous financial year. There is no new and amended TFRS or TFRIC interpretation effective as of January 1, 2017.

i) Standards issued but not yet effective and not early adopted

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

TFRS 15 Revenue from Contracts with Customers

In September 2016, POA issued TFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity’s ordinary activities (e.g., the sale of property, plant and equipment or intangibles). TFRS 15 effective date is January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

**Convenience Translation of Notes to the Condensed Interim
Financial Statements For the Period Ended June 30, 2017**

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

2. Basis of presentation of financial statements (continued)

2.4 The new standards, amendments and interpretations (continued)

TFRS 9 Financial Instruments

In January 2017, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, TFRS 9 addresses the so-called ‘own credit’ issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. TFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted by applying all requirements of the standard. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

ii) 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 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In December 2015, the IASB 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.

Annual Improvements – 2010–2012 Cycle

IFRS 13 Fair Value Measurement

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

**Convenience Translation of Notes to the Condensed Interim
Financial Statements For the Period Ended June 30, 2017**

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

2. Basis of presentation of financial statements (continued)

2.4 The new standards, amendments and interpretations (continued)

IFRS 16 Leases

The IASB has published a new standard, IFRS 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. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)

The IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Company/Group applies this relief, it shall disclose that fact. The amendment are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

IAS 7 Statement of Cash Flows (Amendments)

The IASB issued amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. When the Company first applies those amendments, it is not required to provide comparative information for preceding periods. The Company is not required to provide additional disclosures in its condensed interim consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended December 31, 2017.

**Convenience Translation of Notes to the Condensed Interim
Financial Statements For the Period Ended June 30, 2017**

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

2. Basis of presentation of financial statements (continued)

2.4 The new standards, amendments and interpretations (continued)

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

The IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:

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

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendment are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

IFRS 4 Insurance Contracts (Amendments)

In September 2016, the IASB issued amendments to IFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. The amended Standard will:

- give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 Financial instruments is applied before the new insurance contracts Standard is issued; and
- give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 Financial instruments until 2021. The entities that defer the application of IFRS 9 Financial instruments will continue to apply the existing financial instruments Standard—IAS 39.

These amendments are to be applied for annual periods beginning on or after 1 January 2018. 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.

IAS 40 Investment Property: Transfers of Investment Property (Amendments)

The IASB issued amendments to IAS 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 to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Convenience Translation of Notes to the Condensed Interim Financial Statements For the Period Ended June 30, 2017

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

2. Basis of presentation of financial statements (continued)

2.4 The new standards, amendments and interpretations (continued)

IFRS 22 Foreign Currency Transactions and Advance Consideration

The interpretation 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. Earlier application is permitted. The interpretation is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

Annual Improvements to IFRSs - 2014-2016 Cycle

The IASB issued Annual Improvements to IFRS Standards 2014–2016 Cycle, amending the following standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some IFRS 7 disclosures, IAS 19 transition provisions and IFRS 10 Investment Entities. These amendments are to be applied for annual periods beginning on or after 1 January 2018.

- IFRS 12 Disclosure of Interests in Other Entities: This amendment clarifies that an entity is not required to disclose summarised financial information for interests in subsidiaries, associates or joint ventures that is classified, or included in a disposal group that is classified, as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. These amendments are to be applied for annual periods beginning on or after 1 January 2017.

- IAS 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 IFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Convenience Translation of Notes to the Condensed Interim Financial Statements For the Period Ended June 30, 2017

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

2. Basis of presentation of financial statements (continued)

2.4 The new standards, amendments and interpretations (continued)

IFRIC 23 Uncertainty over Income Tax Treatments

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

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

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

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

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

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. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

2.5 Restrictions on the investment portfolio of real estate investment trusts

Information given in “Control of compliance with restrictions on the investment portfolio” notes are summarized and derived from the financial statements prepared in accordance with the Communiqué No: II – 14.1 and also within the framework of compliance control of the portfolio restrictions clause of Communiqué No: III - 48.1.a, “Communiqué on Principles Regarding Real Estate Investment Companies” published in Official Gazette numbered 28891 and dated January 23, 2014.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Convenience Translation of Notes to the Condensed Interim Financial Statements For the Period Ended June 30, 2017

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

2. Basis of presentation of financial statements (continued)

2.6 Accounting estimates

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

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

3. Equity accounted investees

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

	Ownership (%)	June 30, 2017	Ownership (%)	December 31, 2016
Kanyon	50	1.692.141	50	1.563.593
Total		1.692.141		1.563.593

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

Kanyon	June 30, 2017	December 31, 2016
Current assets	19.668.849	10.424.627
Non-current assets	2.094.005	2.121.848
Short-term liabilities	(16.661.436)	(7.965.032)
Long-term liabilities	(1.717.137)	(1.454.258)
Net assets	3.384.281	3.127.185

Kanyon	January 1 - June 30, 2017	January 1 - June 30, 2016
Income for the period	22.698.399	20.842.568
Expense for the period (-)	(21.641.303)	(20.221.592)

The Company recognized profit amounting to TL 528.548 resulting from consolidation of Kanyon with equity method for the year ended June 30, 2017 (December 31, 2016: Loss TL 674.188) in the accompanying statement of profit and loss.

4. Operating segments

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Convenience Translation of Notes to the Condensed Interim Financial Statements For the Period Ended June 30, 2017

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

4. Operating segments (continued)

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Convenience Translation of Notes to the Condensed Interim Financial Statements For the Period Ended June 30, 2017 (Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

4. Operating segments (continued)

	Ankara İş Kule Building	Istanbul İş Kuleleri Complex	Maslak Petrol Ofisi Building	Mallmarina Shopping Mall	İş Bankası Ankara Merkez Building	İş Bankası Ankara Kızılay Building	İş Bankası Antalya Merkez Building	Kanyon Shopping Mall	Real Hipermarket	Istanbul Esenyurt (Marmara park)	İş Bankası Sirkeci Building	Lykia Lodge Kapadokya Hotel	Ofis Lamartine	Tuzla Çınarlıbahçe Residence	Tuzla Operation and Trade Center	Tuzla Karma Proje	İzmir Ege Perla	Other Real Estate	Total
June 30, 2016																			
Sales Revenue																			
Rent income	2.524.448	26.033.627	2.422.464	379.639	2.012.378	1.692.953	849.671	17.336.706	3.391.151	--	1.990.470	600.000	913.064	48.942	30.948.352	--	--	--	91.143.865
Income from the right of construction	--	--	--	--	--	--	--	--	--	7.286.551	--	--	--	--	--	--	--	--	7.286.551
Income from the sales of real estate	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	144.804.792	--	144.804.792
Income Fees and Service	--	330.676	--	--	--	--	--	101.441	--	--	--	--	1.971	--	--	--	--	--	434.088
Other income	--	14.625	--	--	--	--	--	28.904	--	--	--	--	--	--	17.925	--	--	--	61.454
Total Revenue	2.524.448	26.378.928	2.422.464	379.639	2.012.378	1.692.953	849.671	17.467.051	3.391.151	7.286.551	1.990.470	600.000	915.035	48.942	30.966.277	--	144.804.792	--	243.730.750
Insurance expense	27.543	473.394	12.460	13.796	9.858	4.394	3.072	233.537	76.344	--	10.281	98.709	32.907	618	--	--	--	--	996.913
Administrative expense	47.561	481.731	--	--	--	1.090	--	6.504.348	--	--	--	7.983	146.655	32.033	--	975.983	--	--	8.197.384
Tax and duty and other charges	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	126.942.043	--	126.942.043
Cost of sales of investment property and real estate	136.501	782.089	81.899	11.301	11.060	24.352	14.357	828.686	191.037	--	34.129	16.861	38.248	2.239	444.455	234.870	--	--	2.852.084
Other	--	17.378	23.617	--	--	19.118	--	--	--	--	--	10.967	--	--	--	--	--	--	71.080
Cost of Sales	211.605	1.754.592	117.976	25.097	20.918	48.954	17.429	7.566.571	267.381	--	44.410	134.520	217.810	34.890	444.455	1.210.853	126.942.043	--	139.059.504
Gross Profit	2.312.843	24.624.336	2.304.488	354.542	1.991.460	1.643.999	832.242	9.900.480	3.123.770	7.286.551	1.946.060	465.480	697.225	14.052	30.521.822	(1.210.853)	17.862.749	--	104.671.246
Prepared based on IFRS 8 "Operating Segments"																			
Capital investments	--	136.385	9.146	--	--	--	--	133.745	--	--	--	29.669	--	--	13.306.437	3.765.543	17.535.834	44.844.451	79.761.210

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Convenience Translation of Notes to the Condensed Interim Financial Statements For the Period Ended June 30, 2017

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

4. Operating segments (continued)

Reconciliation of income, assets and liabilities

Sales Revenue	January 1 – June 30, 2017	January 1 – June 30, 2016
Segment revenue	118.626.967	243.730.750
Undistributed revenue	6.221.558	4.904.231
Total Revenue	124.848.525	248.634.981

Cost of Sales	January 1 – June 30, 2017	January 1 – June 30, 2016
Segment Costs	30.823.407	139.059.504
Total cost of sales	30.823.407	139.059.504

Assets	June 30, 2017	December 31, 2016
Segment assets	4.783.970.179	4.521.787.358
Other assets	43.733.571	28.770.301
Non-segment related assets	293.362.304	336.462.535
Total assets	5.121.066.054	4.887.020.194

Liabilities	June 30, 2017	December 31, 2016
Segment liabilities	1.290.392.444	1.127.371.296
Other liabilities	680.937.871	598.303.242
Total liabilities	1.971.330.315	1.725.674.538

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Convenience Translation of Notes to the Condensed Interim Financial Statements For the Period Ended June 30, 2017 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

5. Cash and cash equivalents

	June 30, 2017	December 31, 2016
Demand deposits	2.021.007	1.517.124
Time deposits	58.903.832	124.178.302
Mutual funds	467.478	1.496.689
Other cash equivalents	36.000	69.949
Total	61.428.317	127.262.064
Interest accrued on cash and cash equivalents	(529.385)	(494.037)
Total cash and cash equivalents in the statement of cash flows	60.898.932	126.768.027

<u>Time deposits:</u>			June 30, 2017
<u>Currency</u>	<u>Interest rate (%)</u>	<u>Maturity</u>	
Euro	%1,00	July 2017	600.807
TL	%6,50 - 14	July 2017	58.303.025
Total			58.903.832

	June 30, 2017	
	Cost	Fair Value
Mutual Funds	466.275	467.478
Total		467.478

<u>Time deposits:</u>			December 31, 2016
<u>Currency</u>	<u>Interest rate (%)</u>	<u>Maturity</u>	
US Dollar	%2,35	January-February 2017	51.292.926
TL	%8,20-10,70	January-February 2017	72.885.376
Total			124.178.302

	December 31, 2016	
	Cost	Fair Value
Mutual Funds	1.496.018	1.496.689
Total	1.496.018	1.496.689

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Convenience Translation of Notes to the Condensed Interim Financial Statements For the Period Ended June 30, 2017 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

6. Financial investments / Derivatives

	June 30, 2017	December 31, 2016
Derivative instruments		
Derivative assets held for trading	68	566
Total	68	566

7. Loans and borrowings

The details of financial borrowings and financial leasing as of June 30, 2017 and December 31, 2016 are as follows:

	June 30, 2017	December 31, 2016
Short-term borrowings		
Current portion of long term borrowings	142.678.408	121.419.856
Total	142.678.408	121.419.856

	June 30, 2017	December 31, 2016
Long-term borrowings:		
Long-term bank borrowings	664.678.634	519.552.638
Bonds issued	402.498.977	402.076.612
Total	1.067.177.611	921.629.250

	June 30, 2017	December 31, 2016
Leasings		
Current portion of long term financial leases	6.181.707	10.915.156
Long term financial leases	-	696.326
Total	6.181.707	11.611.482

The details of loans and borrowings as of June 30, 2017 and December 30, 2016 are as follows:

			June 30, 2017	
Currency	Interest rate (%)	Original amount	Short-term (TL)	Long-term (TL)
Euro	Euribor+3,50	9.700.943	9.711.050	29.121.825
US Dollar	Libor + 4,25	58.148.304	33.734.418	170.197.500
TL	11,75-15,10	564.592.249	99.232.940	465.359.309
Total		632.441.496	142.678.408	664.678.634

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Convenience Translation of Notes to the Condensed Interim Financial Statements For the Period Ended June 30, 2017 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

7. Loans and borrowings (continued)

Currency	Interest rate (%)	Original amount	December 31, 2016	
			Short-term (TL)	Long-term (TL)
Euro	Euribor+3,50	9.701.886	9.003.505	26.989.523
US Dollar	Libor + 4,25	62.602.965	34.001.765	186.310.590
TL	11,75-14,50	384.667.112	78.414.586	306.252.525
Total		456.971.963	121.419.856	519.552.638

As of reporting period, the investment properties are pledged in favour of İş Bankası amounting to USD 136 million and TL 685 million within the scope of the allocation of the loan.

The Company borrowed a four-year loan of TL 180.000.000 from İş Bankası in order to finance the purchase of Zeytinburnu Land. As a security to the loan, a first-degree collateral of TL 250.000.000 on the land purchased has been granted to İş Bankası. However, 25% of the Land, whose ownership is shared between the Company and Timur Gayrimenkul Geliştirme Yapı ve Yatırım Anonim Şirketi (Timur Gayrimenkul-NEF) in the rates of 75% and 25% respectively, has been sold to Timur Gayrimenkul Geliştirme Yapı ve Yatırım Anonim Şirketi on 19 September 2014. Following the sales transaction, the ownership shares of the Company and Timur Gayrimenkul has become 50%-50%. As of June 30, 2017, TL 160.000.000 of the loan borrowed for the Land has been repaid and the balance payable decreased to TL 20.000.000.

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

As of June 30, 2017 and December 31, 2016 details of issued bonds are as follows:

ISIN CODE	Issued Nominal Amount (TL)	Issue Date	June 30, 2017	
			Amortization Date	Net Book Value
TRSISGYE1915	87.000.000	October 11, 2016	October 10, 2019	89.498.977
TRSISGY61912	100.000.000	June 29, 2016	June 28, 2019	100.000.000
TRSISGY31915	213.000.000	April 5, 2016	March 29, 2019	213.000.000
Total				402.498.977

ISIN CODE	Issued Nominal Amount (TL)	Issue Date	December 31, 2016	
			Amortization Date	Net Book Value
TRSISGYE1915	87.000.000	October 11, 2016	October 10, 2019	89.076.612
TRSISGY61912	100.000.000	June 29, 2016	June 28, 2019	100.000.000
TRSISGY31915	213.000.000	April 5, 2016	March 29, 2019	213.000.000
Total				402.076.612

7. Loans and borrowings (continued)

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Convenience Translation of Notes to the Condensed Interim Financial Statements For the Period Ended June 30, 2017

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

The Company has issued 3-year maturity, variable-rate, 3-month coupon payment bonds amounting to a total of TL 213.000.000 to the qualified investors through İş Yatırım Menkul Değerler Anonim Şirketi on 5 April 2016. The interest rate for the first coupon payment of the bond was determined as 2.81%.

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

8. Trade receivables and payables

Short-term trade receivables and payables

	June 30, 2017	December 31, 2016
<u>Trade receivables</u>		
Notes receivable	715.037	489.834
Rediscount of notes receivables (-)	(9.632)	(132)
Income accruals	25.736.750	21.975.676
Receivables from customers	14.823.011	5.982.612
Doubtful receivables	2.481.148	1.315.908
Provision for doubtful receivables (-)	(2.481.148)	(1.315.908)
Due from related parties (Note 23)	2.468.405	322.311
Total	43.733.571	28.770.301
<u>Trade payables</u>		
Payables to suppliers	26.942.214	28.928.288
Due to related parties (Note 23)	7.911.589	5.270.465
Total	34.853.803	34.198.753

As of June 30, 2017, provision for doubtful trade receivables is TL 2.481.148 (December 31, 2016: TL 1.315.908). Provision for doubtful receivables is determined based on the historical collection performance.

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

	June 30, 2017	December 31, 2016
Opening balance, 1 January	(1.315.908)	(755.147)
Charge for the period	(1.497.137)	-
Provisions released	331.897	158.348
Closing balance	(2.481.148)	(596.799)

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Convenience Translation of Notes to the Condensed Interim Financial Statements For the Period Ended June 30, 2017 (Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

9. Other receivables and payables

	June 30, 2017	December 31, 2016
Other short-term receivables (*)	5.708.268	1.211.817
Total	5.708.268	1.211.817
	June 30, 2017	December 31, 2016
<u>Other payables – short-term</u>		
Deposits and guarantees given	541.966	622.898
Other short-term payables (**)	35.990.000	-
Total	36.531.966	622.898
<u>Other payables – long-term</u>		
Other long-term payables (**)	-	35.990.000
Total	-	35.990.000

(*) As of June 30, 2017, other short term receivable comprised of receivables which in from Timur Gayrimenkul Geliştirme Yapı ve Yatırım Anonim Şirketi amounting to TL 1.280.164 TL, from Koray İnşaat Sanayii ve Ticaret A.Ş. amounting to TL 117.829 and TL from tax Office within the scope of VAT deduction TL amounting to TL 3.848.506 (As of december 31, 2016, other short-term receivables are mainly comprised of receivables from Timur Gayrimenkul Geliştirme Yapı ve Yatırım Anonim Şirketi amounting to TL 844.210).

(**) As of June 30, 2017, TL 35.990.000 has been transferred from other long term payables to other short term payables. The amount of TL 35.990.000 is to be paid to Tecim Yapı Elemanları İnşaat Servis ve Yönetim Hizmetleri San. ve Tic. Limited Şirketi in relation to the purchase of the land registered in Kartal District Section 53, block 2274, lots 395, 397, 398, 399 and 408 and block 2846, lot 1 and block 2847 lot 1. The consideration will be paid to Tecim Yapı Elemanları İnşaat Servis ve Yönetim Hizmetleri San. ve Tic. Limited Şirketi via the proceeds on the sale of houses as part of a revenue sharing agreement based on the project development to be performed on the acquired land.

10. Investment property

As of June 30, 2017 and 31 December 2016, the details of investment properties are as follows:

	June 30, 2017	December 31, 2016
Investment property under operating lease	3.132.124.272	3.093.679.000
Investment property under construction and other	708.408.683	620.989.994
Total	3.840.532.955	3.714.668.994

As of June 30, 2017, total insurance amount on investment properties is TL 1.730.316.021 (December 31, 2016: TL 1.098.165.859).

As of June 30, 2017 there are TL 186.874.002 capitalized financing expenses on the Company's investment properties (December 31, 2016: TL 74.119.268).

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Convenience Translation of Notes to the Condensed Interim Financial Statements For the Period Ended June 30, 2017 (Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

10. Investment property (continued)

	January 1, 2017 opening balance	Purchases	Disposals	Fair value difference	June 30, 2017 closing balance
Investment property under operating lease					
Ankara İş Tower Building	128.025.000	-	-	-	128.025.000
Marmarapark	146.620.000	-	-	-	146.620.000
İstanbul İş Tower Complex	797.895.000	10.232.744	-	-	808.127.744
İş Bankası Ankara Kızılay Building	38.295.000	-	-	-	38.295.000
İş Bankası Ankara Merkez Building	44.320.000	4.849	-	-	44.324.849
İş Bankası Antalya Merkez Building	22.015.000	-	-	-	22.015.000
Kapadokya Lodge Hotel	24.250.000	8.216	-	-	24.258.216
Mallmarine Shopping Mall	12.312.000	-	-	-	12.312.000
Maslak Building	101.115.000	-	-	-	101.115.000
Real Hypermarket Building	110.000.000	-	-	-	110.000.000
Office Lamartine	48.890.000	-	-	-	48.890.000
Tuzla Çınarlı Bahçe Project	2.600.000	-	-	-	2.600.000
Kanyon Shopping Mall	479.965.000	855.346	-	-	480.820.346
Tuzla Combined Project	274.812.000	2.777.126	-	-	277.589.126
Tuzla Technology and Operation Center Project	862.565.000	24.566.991	-	-	887.131.991
Total	3.093.679.000	38.445.272	-	-	3.132.124.272
Investment property under construction					
İzmir Ege Perla	279.441.000	52.959.671	-	(48.809.171)	283.591.500
İstanbul Finance Center Land	169.600.000	11.019.103	-	1.702.898	182.322.001
Kartal Project	128.298.507	30.742.244	-	39.354.630	198.395.381
Levent Land	4.110.487	24.774	-	-	4.135.261
Üsküdar Land	39.540.000	424.540	-	-	39.964.540
Total	620.989.994	95.170.332	-	(7.751.643)	708.408.683
Grand Total	3.714.668.994	133.615.604	-	(7.751.643)	3.840.532.955

The fair values of the Company’s investment properties at June 30, 2017 have been arrived at on the basis of valuations carried out in November and December 2016 by four independent appraiser firms, and ongoing investments have been arrived at basis of valuations carried out in May and June 2016 by four independent appraiser firms. 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.

	2017	2016
Investment property under operating lease		
Ankara İş Tower Building	-	Sales comparison approach
Marmarapark	-	Sales comparison approach
İstanbul İş Tower Complex	-	Sales comparison approach
İş Bankası Ankara Kızılay Building	-	Sales comparison approach
İş Bankası Ankara Merkez Building	-	Sales comparison approach
İş Bankası Antalya Merkez Building	-	Sales comparison approach
Kapadokya Lodge Hotel	-	Sales comparison approach
Mallmarine Shopping Mall	-	Sales comparison and cost approach
Maslak Building	-	Sales comparison approach
Real Hipermarket Building	-	Cost and direct capitilazition approach (harmonized)
Office Lamartine	-	Sales comparison approach
Tuzla Çınarlı Bahçe Project	-	Sales comparison approach
Kanyon Shopping Mall	-	Sales comparison approach
İş Bankası Sirkeci Building(*)	-	Sales comparison approach
Tuzla Combined Project	-	Sales comparison approach
Tuzla Technology and Operation Center Project	-	Sales comparison approach
Investment property under construction		
İzmir Project	Sales comparison and cost approach	Sales comparison and cost approach
İstanbul Finance Center Land	Cost approach	Sales comparison and cost approach
Kartal Project	Sales comparison and income reduction method	Sales comparison
Levent Land	Fair value based on estate tax	Fair value based on estate tax
Üsküdar Land	Sales comparison approach	Sales comparison approach

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Convenience Translation of Notes to the Condensed Interim Financial Statements For the Period Ended June 30, 2017 (Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

10. Investment property (continued)

	January 1, 2016 opening balance	Purchases	Disposals	Fair value difference	December 31, 2016 closing balance
Investment property under operating lease					
Ankara İş Tower Building	118.000.000	-	-	10.025.000	128.025.000
Marmarapark	130.000.000	-	-	16.620.000	146.620.000
İstanbul İş Tower Complex	673.838.909	411.242	-	123.644.849	797.895.000
İş Bankası Ankara Kızılay Building	34.930.000	-	-	3.365.000	38.295.000
İş Bankası Ankara Merkez Building	40.260.000	-	-	4.060.000	44.320.000
İş Bankası Antalya Merkez Building	19.585.000	-	-	2.430.000	22.015.000
Kapadokya Lodge Hotel	22.890.000	38.327	-	1.321.673	24.250.000
Mallmarine Shopping Mall	11.263.850	48.174	-	999.976	12.312.000
Maslak Building	94.031.500	32.763	-	7.050.737	101.115.000
Real Hypermarket Building	95.000.000	-	-	15.000.000	110.000.000
Office Lamartine	46.535.000	-	-	2.355.000	48.890.000
Tuzla Çınarlı Bahçe Project	2.490.000	-	-	110.000	2.600.000
Kanyon Shopping Mall	440.000.000	386.524	-	39.578.476	479.965.000
İş Bankası Sirkeci Building (*)	47.000.000	-	(46.095.000)	(905.000)	-
Tuzla Combined Project	270.075.000	9.031.243	-	(4.294.243)	274.812.000
Tuzla Technology and Operation Center Project	760.385.000	15.539.715	-	86.640.285	862.565.000
Total	2.806.284.259	25.487.988	(46.095.000)	308.001.753	3.093.679.000
Investment property under construction					
İzmir Ege Perla	210.393.969	26.807.606	-	42.239.425	279.441.000
İstanbul Finance Center Land	138.145.000	33.294.720	-	(1.839.720)	169.600.000
Kartal Project	102.326.542	47.614.006	-	(21.642.041)	128.298.507
Levent Land	3.998.919	47.431	-	64.138	4.110.487
Üsküdar Land	30.480.000	587.638	-	8.472.362	39.540.000
Total	485.344.430	108.351.401	-	27.294.163	620.989.994
Grand Total	3.291.628.689	133.839.389	(46.095.000)	335.295.916	3.714.668.994

(*)The Company sold the Sirkeci Building, which was the tenant of T. İş Bankası A.Ş. in December 2016 at a price of TL 45.000.000.

As of June 30, 2017, the Company has 1st and 2nd degree mortgage on the investment properties amounting to USD 136.000.000 and TL 685.000.000, which are established in favor of İş Bank. In the current period, the Company obtained rent income amounting to TL 87.609.194 (June 30, 2016: TL 91.143.865) of its investment property. Total direct operating expenses related to these properties amounting to TL 30.823.407 (June 30, 2016: TL 139.059.504)

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Convenience Translation of Notes to the Condensed Interim Financial Statements For the Period Ended June 30, 2017 (Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

11. Inventories

<i>Short-term inventories</i>	June 30, 2017	December 31, 2016
<i>Non-Completed residential units</i>		
İzmir Ege Perla (*)	80.103.411	91.612.134
Kartal Project (**)	320.192.937	-
Total	400.296.348	91.612.134

<i>Long-term inventories</i>	June 30, 2017	December 31, 2016
<i>Non-completed residential units</i>		
Topkapı Project (***)	359.777.669	287.508.549
Tuzla Land (****)	183.363.208	171.172.017
Kartal Project (**)	-	256.825.664
Total	543.140.877	715.506.230

(*)The Company has started the Ege Perla İzmir project registered in İzmir, Konak District on a plot total 18.392 m2 area in the third quarter of 2012. Initial sales has started at October 2012. As of June 30, 2017 preliminary sales contracts have been signed for total 131 residences and the Company has not received advances (December 31, 2016: 4.272.002 TL) (Note 16).

(**)The Company has started the Manzara Adalar project in İstanbul, Kartal, in December 2014. Sales agreements for 572 residences have been signed and advances have been received amounting to TL 215.807.251 as of June 30, 2017 (December 31, 2016: TL 184.311.055) (Note 16).

(***)The Company has started the In İstanbul Project in İstanbul, Topkapı, in May 2015. As of June 30, 2017 preliminary sales contracts have been signed for total 2.367 residence and the Company received advances amounting to TL 441.560.938 (December 31, 2016: TL 389.799.255) (Note 16). The Company explains the given guarantees for loans that uses Zeytinburnu land in Note 14. As of June 30, 2017, the total financing cost amount of TL 67.203.067 was capitalized in the project cost (December 31, 2016: 50.506.728).

(****)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.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Convenience Translation of Notes to the Condensed Interim Financial Statements For the Period Ended June 30, 2017 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

12. Tangible assets

	Buildings (*)	Machinery and equipment	Vehicles	Fixtures	Total
Cost					
Opening balance as of January 1, 2017	28.793.832	85.950	32.447	2.823.388	31.735.617
Purchases	-	-	-	22.527	22.527
Disposals	-	-	-	(40.454)	(40.454)
Transfer	-	-	-	-	-
Fair value difference	-	-	-	-	-
Closing balance as of June 30, 2017	28.793.832	85.950	32.447	2.805.461	31.717.690
Accumulated Depreciation					
Opening balance as of January 1, 2017	913.832	85.950	32.447	2.144.057	3.176.286
Current year charge	437.687	-	-	191.421	629.108
Disposals	-	-	-	(39.594)	(39.594)
Closing balance as of June 30, 2017	1.351.519	85.950	32.447	2.295.884	3.765.800
Net book value as of January 1, 2017	27.880.000	-	-	679.331	28.559.331
Net book value as of June 30, 2017	27.442.313	-	-	509.577	27.951.890
Cost					
Opening balance as of January 1, 2016	26.298.985	85.950	32.447	2.638.109	29.055.491
Purchases	-	-	-	96.234	96.234
Disposals	-	-	-	-	-
Transfer	-	-	-	-	-
Fair value difference	-	-	-	-	-
Closing balance as of June 30, 2016	26.298.985	85.950	32.447	2.734.343	29.151.725
Accumulated Depreciation					
Opening balance as of January 1, 2016	137.894	85.950	30.705	1.763.968	2.018.517
Current year charge	387.969	--	1.742	193.117	582.828
Disposals	-	-	-	-	-
Closing balance as of June 30, 2016	525.863	85.950	32.447	1.957.085	2.601.345
Net book value as of January 1, 2016	--	--	1.742	874.141	27.036.974
Net book value as of June 30, 2016	25.773.122	--	--	772.258	26.550.380

(*)As at June 30, 2017, İş Kuleleri Kule:2 10th and 11th floor offices are the most important tangible assets item of the Company which are currently used for registered address with amounting to TL 27.442.313. These areas get share from the mortgages amounting to USD 136 million and TL 185 million established in İş Kuleleri and Kule Çarşısı (31 December 2015: USD 136 million and TL 185 million).

As at June 30, 2017, Company has tangible assets which is fully depreciated amounting to TL 1.031.667.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Convenience Translation of Notes to the Condensed Interim Financial Statements For the Period Ended June 30, 2017

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

13. Intangible assets

	Computer Programs	Total
Cost		
Opening balance as of January 1, 2017	2.668.527	2.668.527
Purchases	176.645	176.645
Closing balance as of June 30, 2017	2.845.172	2.845.172
Accumulated Depreciation		
Opening balance as of January 1, 2017	2.195.277	2.195.277
Current year charge	152.225	152.225
Closing balance as of June 30, 2017	2.347.502	2.347.502
Net book value as of January 1, 2017	473.250	473.250
Net book value as of June 30, 2017	497.670	497.670
	Computer Programs	Total
Cost		
Opening balance as of January 1, 2016	2.360.560	2.360.560
Purchases	87.806	87.806
Closing balance as of June 30, 2016	2.448.366	2.448.366
Accumulated Depreciation		
Opening balance as of January 1, 2016	1.941.941	1.941.941
Current year charge	116.686	116.686
Closing balance as of June 30, 2016	2.058.627	2.058.627
Net book value as of January 1, 2016	418.619	418.619
Net book value as of June 30, 2016	389.739	389.739

As at June 30, 2017 and December 31, 2016, Company has no intangible assets which is capitalized in the business area.

As at June 30, 2017, Company has intangible assets which is fully depreciated amounting to TL 1.798.916.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Convenience Translation of Notes to the Condensed Interim Financial Statements For the Period Ended June 30, 2017 (Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

14. Provisions, contingent assets and liabilities

	June 30, 2017	December 31, 2016
Debt provisions (*)	15.606.557	12.324.486
Total	15.606.557	12.324.486

	June 30, 2017	December 31, 2016
Letters of guarantee received (**)	211.355.106	324.504.913
Total	211.355.106	324.504.913

(*) Debt provisions consists of company’s provisions as of June 30, 2017 and profit sharing to be paid to T. İş Bankası A.Ş. related with Ege Perla project home and office sales.

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

Details of collaterals, pledges and mortgages (“CPM”) given by the Company as of June 30, 2017 and December 30, 2016 are as follows:

	June 30, 2017	December 31, 2016
A. CPM given for companies own legal personality (*)	1.183.701.121	1.217.026.199
B. CPM given in behalf of fully consolidated companies	-	-
C. CPM given for continuation of its economic activities on behalf of third parties (**)	219.497.836	201.793.100
D. Total amount of other CPM’s	-	-
- Total amount of CPM’s given on behalf of majority shareholder	-	-
- Total amount of CPM’s given on behalf of other Group companies which are not in scope of B and C	-	-
- Total amount of CPM’s given on behalf of third parties which are not in scope of C	-	-
Total	1.403.198.957	1.418.819.299

(*) CPM given for the Company’s own legal personality consists of letters of guarantee amounting to TL 21.735.521 and pledge amounting to USD 136.000.000 and TL 685.000.000. As of June 30, 2017, the investment properties are pledged in favour of İş Bankası amounting to 1st degree USD 136.000.000 and TL 500.000.000 and 2nd degree TL 185.000.000. (The Company has 1st degree mortgage on its investment properties held amounting to USD 136.000.000 in favour of Türkiye İş Bankası. The Company received a counter guarantee amounting to USD 160 million from Türkiye İş Bankası to constitute financing guaranty provided. In this context, 1st degree mortgage was constituted in favour of İş Bankası from investment properties portfolio of the Company, İş Bankası Ankara Kızılay Building amounting to USD 11.000.000, Kule-2 and Kule Çarşısı amounting to USD 136.000.000 as 1st degree mortgage, Kule-2 and Kule Çarşısı amounting to TL 185.000.000 as 2nd degree mortgage.)

The Company borrowed a four-year loan of TL 180.000.000 from İş Bankası in order to finance the purchase of Zeytinburnu Land. As a security to the loan, a first-degree collateral of TL 250.000.000 on the land purchased has been granted to İş Bankası. However, 25% of the Land, whose ownership is shared between the Company and Timur Gayrimenkul Geliştirme Yapı ve Yatırım Anonim Şirketi (Timur Gayrimenkul-NEF) in the rates of 75% and 25% respectively, has been sold to Timur Gayrimenkul Geliştirme Yapı ve Yatırım Anonim Şirketi on September 19, 2014. Following the sales transaction, the ownership shares of the Company and Timur Gayrimenkul has become 50%-50%. As of June 30, 2017, TL 180.000.000 of the loan borrowed for the Land has been repaid and the balance payable decreased to TL 20.000.000. In this context, there is no change this pledge given.

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

(**) Represents the cost of guarantors given to the related banks in return for the loan amount in case the buyers of the Company’s ongoing residential and office projects use mortgage/business loan from contracted banks. In this respect, as of June 30, 2017, the ratio of CPM given by the Company to the Company’s shareholders’ equity is 7% (December 31, 2016: 6,3 %).

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Convenience Translation of Notes to the Condensed Interim Financial Statements For the Period Ended June 30, 2017

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

14. Provisions, contingent assets and liabilities (continued)

Operating leases

The Company, as the lessor in the operating lease transactions

The Company signed operating lease agreements as lessor for the investment properties in its portfolio with tenants which are shopping mall tenants, hotel operators and other third parties. The future minimum lease receivables as of June 30, 2017 and December 31, 2016 are as follows:

	June 30, 2017	December 31, 2016
Less than 1 year	200.825.839	187.470.467
Between 1-5 years	625.169.147	577.702.293
More than 5 years	2.167.806.147	2.083.205.191
Total	2.993.801.133	2.848.377.951

15. Provision for employee benefits

	June 30, 2017	December 31, 2016
Unused vacation provisions	411.147	251.586
Total	411.147	251.586

	June 30, 2017	December 31, 2016
Severance pay indemnity	1.638.281	1.224.737
Total	1.638.281	1.224.737

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

The amount payable consists of one month's salary limited to a maximum of TL 4.426 for each period of service as of June 30, 2017 (December 31, 2016: TL 4.297).

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Convenience Translation of Notes to the Condensed Interim Financial Statements For the Period Ended June 30, 2017

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

15. Provision for employee benefits

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

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as of June 30, 2017, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective reporting dates have been calculated assuming an annual inflation rate of 7% and a discount rate of 11,50%, resulting in a real discount rate of approximately 4,21%. The anticipated rate of for features is considered. As the maximum liability is revised semi-annually, the maximum amount of TL 4.426 effective from June 30, 2017 has been taken into consideration in calculation of provision from employment termination benefits.

	January 1- June 30, 2017	January 1- December 31, 2016
Opening balance at January 1	1.224.737	973.127
Service cost	239.140	75.929
Interest cost	221.209	77.914
Payments	(46.805)	-
Closing balance at June 30	1.638.281	1.126.970

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Convenience Translation of Notes to the Condensed Interim Financial Statements For the Period Ended June 30, 2017 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

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

<i>Other current assets</i>	June 30, 2017	December 31, 2016
Job advances (*)	72.176.153	71.297.635
Prepaid expenses (**)	1.348.295	2.769.523
Total	73.524.448	74.067.158

(*) As of June 30, 2017, job advances paid to Sera Yapı Endüstri ve Tic. A.Ş. under the agreement terms are TL 8.911.219 for Topkapı İstanbul Project (31 December 2015: TL 11.431.622).

The Company signed an agreement with Ant Yapı A.Ş. for the construction work of Manzara Adalar project located in Kartal, İstanbul. As of June 30, 2017, job advances paid to Ant Yapı A.Ş. under the agreement terms are TL 5.720.088 (December 31, 2016: TL 9.356.766). The Company also paid job advances to Tecim Yapı Elemanları A.Ş. which is old owner of land under the revenue sharing agreement terms are TL 54.405.282 (December 31, 2016: TL 49.411.572).

(**) As of June 30, 2017, prepaid expenses mainly consist of prepaid insurance expenses with related parties amounting TL 1.261.564 (December 31, 2016: TL 2.716.668).

<i>Other current assets</i>	June 30, 2017	December 31, 2016
Deposits and guarantees given	128.310	-
Prepaid taxes and dues payable	27.623	26.205
Total	155.933	26.205

<i>Other non-current assets</i>	June 30, 2017	December 31, 2016
VAT transferred (*)	121.190.246	103.298.551
Job advances (**)	1.213.322	-
Total	122.403.568	103.298.551

(*)As of June 30, 2017, the amount of VAT transferred has been classified as long-term liabilities due to the projection that the Company will not be able to use in the short-term.

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

<i>Other short-term liabilities</i>	June 30, 2017	December 31, 2016
Taxes and funds payable	3.252.641	2.131.536
Payable Social Security cuts	258.274	390.419
Total	3.510.915	2.521.955

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Convenience Translation of Notes to the Condensed Interim Financial Statements For the Period Ended June 30, 2017 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

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

Deferred revenue - Short-term	June 30, 2017	December 31, 2016
Advances received (*)	215.807.251	4.272.002
Deferred revenue (**)	1.435.025	1.265.612
Short-term deferred revenue from related party (Note 24)	283.969	660.831
Total	217.526.245	6.198.445

Deferred revenue (Long-term)	June 30, 2017	December 31, 2016
Deferred revenue (**)	441.560.937	574.110.310
Advances received (***)	3.652.738	3.570.780
Total	445.213.675	577.681.090

(*) The current year's advances received consist of advances for sales related with Kartal Manzara Adalar Project (Note 11). Advances received of previous year consist of advances for sales related with Ege Perla Project (Note 11).

(**) The balance is comprises of the advances received from the sales of Topkapı Project (December 31, 2016: Topkapı Project: TL 389.799.255, Kartal Manzara Adalar Project: TL 184.311.055) (Note 11).

(***) All of the balance is comprises of the rent payments collected from Real Hipermarketler Zinciri A.Ş as contribution to project.

17. Shareholders' equity

Share capital

The composition of the paid-in share capital as of 30 June 2017 and 31 December 2016 are as follows:

		June 30, 2017		December 31, 2016
İş Gayrimenkul Yat. Ort. A.Ş.	(%)		(%)	
Türkiye İş Bankası A.Ş.	44,11	403.081.669	44,08	374.659.401
Anadolu Hayat Emeklilik A.Ş.	7,11	64.952.938	7,11	60.421.337
Other	48,78	445.715.393	48,81	414.919.262
Total	100	913.750.000	100	850.000.000

The total number of ordinary shares consists of TL 913.750.000 (December 31, 2016: TL 850.000.000) shares with a par value of TL 1 per share. All of the shares are issued to name and TL 1.305.357 (December 31, 2016: TL 1.214.286) of the total amount is Group A and TL 912.444.643 (December 31, 2016: TL 848.785.714) 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 meeting of the Board of Director dated March 31, 2017 and taken of Ordinary General Meeting of shareholders dated March 23, 2017, of distribute the 2016 year's profit as share, the Company's paid in capital was amounted to TL 913.750.000 by increasing TL 63.750.000 and the increase has been meet from profit of the year 2016 on condition that no exceed the upper limit of registered capital which is amounting to TL 2.000.000.000. The registration of capital increase was completed on May 10, 2017 and the new capital has been published on Turkish Trade Registry Gazette on May 16, 2017.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Convenience Translation of Notes to the Condensed Interim Financial Statements For the Period Ended June 30, 2017 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

17. Shareholders' equity (continued)

Adjustment to share capital

Adjustment to share capital amount is TL 240.146.090 as of June 30, 2017 and December 31, 2016. Adjustment to share capital represents the restatement effect of the cash contributions to share capital equivalent to purchasing power of TL.

Share premium

As of June 30, 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 (December 31, 2016:TL 423.981).

Restricted reserves

	June 30, 2017	December 31, 2016
Legal reserves	46.188.875	36.305.282
Total	46.188.875	36.305.282

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

Prior years' profits

	June 30, 2017	December 31, 2016
Prior years' profits	1.872.724.737	1.589.596.928
Total	1.872.724.737	1.589.596.928

Dividend distribution

According to decision of Ordinary General Assembly Meeting dated March 23, 2017, primary reserve and secondary reserve has been reserved amounting to TL 7.758.593 and TL 2.125.000 respectively by the Company on the basis of net period profit which is amounting to TL 155.171.857 in tax declaration dated December 31, 2016 which was prepared in accordance with II-14.1 "Communiqué on Principles of Financial Reporting in Capital Markets" of the Capital Markets Board also according to the decision, TL 63.750.000 has been distributed as cash dividend and TL 63.750.000 has been distributed as bonus shares from the net profit of the year 2016.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Convenience Translation of Notes to the Condensed Interim Financial Statements For the Period Ended June 30, 2017

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

17. Shareholders' equity (continued)

Dividend distribution (continued)

In the Ordinary General Shareholders' Meeting held on March 23, 2017, the distribution of 2016 net profit was determined as follows:

	Amount
Primary reserve (TTK 466/1) %5	7.758.593
Dividend	63.750.000
Secondary reserve (TTK 466/2)	2.125.000
Capital increase through bonus shares	63.750.000
Transferred to prior years' profits	283.127.809
Total	420.511.402

18. Revenue and cost of revenue

	January 1- June 30, 2017	April 1- June 30, 2017	January 1- June 30, 2016	April 1- June 30, 2016
Rent income	87.609.194	43.564.464	91.143.865	44.944.668
Income from sales of real estate	21.186.276	12.631.607	144.804.792	144.804.792
Income from right of construction	9.223.331	4.670.621	7.286.551	3.625.256
Income Fees and Service	482.768	266.793	434.088	214.058
Other revenue	125.398	32.846	61.454	-
Total real estate revenues	118.626.967	61.166.331	243.730.750	193.588.774
Interest income on bank deposits	6.025.300	2.061.063	4.198.498	2.924.177
Gain on buy/sell of marketable securities	194.855	95.076	697.271	214.093
Interest income from reverse repos	1.403	-	8.462	2.670
Total debt instruments revenue	6.221.558	2.156.139	4.904.231	3.140.940
Total revenue	124.848.525	63.322.470	248.634.981	196.729.714

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Convenience Translation of Notes to the Condensed Interim Financial Statements For the Period Ended June 30, 2017

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

18. Revenue and cost of revenue (continued)

	January 1- June 30, 2017	April 1- June 30, 2017	January 1- June 30, 2016	April 1- June 30, 2016
Cost of sales of real estate	(15.431.120)	(8.621.571)	(126.942.043)	(126.942.043)
Cost of administrative expenses	(11.276.531)	(5.685.340)	(8.197.384)	(4.949.790)
Taxes and dues	(2.946.419)	(1.460.933)	(2.852.084)	(1.731.771)
Insurance expenses	(1.031.277)	(528.442)	(996.913)	(495.928)
Other	(138.060)	(51.321)	(71.080)	(50.846)
Total	(30.823.407)	(16.347.607)	(139.059.504)	(134.170.378)

19. Administrative expenses / Marketing, selling and distribution expenses

General administrative expenses	January 1- June 30, 2017	April 1- June 30, 2017	January 1- June 30, 2016	April 1- June 30, 2016
Personnel expenses	(6.501.703)	(2.433.847)	(5.367.680)	(1.970.884)
Outsourced service expenses	(2.592.625)	(1.476.515)	(3.519.336)	(2.398.205)
Depreciation and amortization	(779.433)	(388.369)	(699.514)	(347.518)
Taxes and dues	(94.915)	(53.902)	(101.556)	(7.147)
Provision for doubtful receivables	(1.165.240)	540.442	-	-
Other	(749.644)	(1.317.132)	(410.228)	(338.018)
Total	(11.883.560)	(5.129.323)	(10.098.314)	(5.061.772)

Marketing, selling and distribution expenses	January 1- June 30, 2017	April 1- June 30, 2017	January 1- June 30, 2016	April 1- June 30, 2016
Advertising expenses	(4.710.959)	(1.198.014)	(13.090.919)	(10.685.883)
Consultancy expenses	(968.929)	(781.601)	(698.077)	(569.828)
Office expenses	(250.096)	(165.762)	(314.271)	(256.534)
Other	(3.948)	178.484	(679.820)	(554.924)
Total	(5.933.932)	(1.966.893)	(14.783.087)	(12.067.169)

20. Other operating income / expense

Other Operating Income	January 1- June 30, 2017	April 1- June 30, 2017	January 1- June 30, 2016	April 1- June 30, 2016
Revaluation income of investment property (Note 10)	41.057.528	41.057.528	70.163.005	70.163.005
Foreign exchange gains	269.418	(152.075)	4.275.863	(7.596.070)
Other	215.597	104.199	427.370	330.115
Total	41.542.543	41.009.652	74.866.238	62.897.050

Other Operating Expense	January 1- June 30, 2017	January 1- June 30, 2017	January 1- June 30, 2016	January 1- June 30, 2016
Revaluation expense of investment property (Note 10)	(48.809.171)	(48.809.171)	(30.449.524)	(30.449.524)
Total	(48.809.171)	(48.809.171)	(30.449.524)	(30.449.524)

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Convenience Translation of Notes to the Condensed Interim Financial Statements For the Period Ended June 30, 2017

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

21. Finance income / expense

	January 1- June 30, 2017	April 1- June 30, 2017	January 1- June 30, 2016	April 1- June 30, 2016
Interest expense on loans and borrowings	(14.612.144)	(7.418.390)	(21.425.770)	(21.073.113)
Foreign exchange gains/ (losses), net	(2.707.188)	6.583.687	(324.952)	305.550
Other interest expense	(9.633)	(5.171)	(487)	-
Derivative gains / (losses), net	(498)	(371)	(652.653)	(641.952)
Total	(17.329.463)	(840.245)	(22.403.862)	(21.409.515)

22. Earnings per share

	January 1- June 30, 2017	January 1- June 30, 2016
Period opening of number of shares in circulation	85.000.000.000	74.600.000.000
Bonus shares	6.375.000.000	10.400.000.000
Number of shares in circulation as of June 30	91.375.000.000	85.000.000.000
Weighted average number of shares in circulation (*)	91.375.000.000	85.000.000.000
Net profit for the period	52.140.083	107.017.416
Earnings per share	0,0006	0,0013
Diluted earnings per share	0,0006	0,0013

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

As of June 30, 2017 capital of the Company consists of 91.375.000.000 shares that are valued TL 0,01 for each one.

23. Related party disclosures

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

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

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Convenience Translation of Notes to the Condensed Interim Financial Statements For the Period Ended June 30, 2017 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

23. Related party disclosures (continued)

Details of related party balances are as follows:

Balances at İş Bankası	June 30, 2017	December 31, 2016
Demand deposits	2.021.007	1.517.124
Time deposits	58.903.832	124.178.302
Other current assets	36.000	69.949
Total	60.960.839	125.765.375

The Company has letters of guarantee amounting TL 21.735.521 (December 31, 2016: TL 14.703.799) from İş Bankası. In addition, 1st degree mortgage is instituted by the Company in favour İş Bankası amounting to TL 685.000.000 and USD 136.000.000 on some investment properties.

As of June 30, 2017 and December 31, 2016, the Company has mutual funds, established by, İş Bankası and İş Portföy Yönetimi A.Ş.

	June 30, 2017			
	Short Term Trade Receivable	Short Term Prepaid Expenses	Short Term Trade Payable	Deferred Income
<i>Balances with related parties</i>				
Anadolu Anonim Türk Sigorta A.Ş.	-	1.259.574	174.334	-
Anadolu Cam Sanayii A.Ş.	-	-	-	6.154
Anadolu Cam Eskişehir Sanayi AŞ	525	-	-	-
Anadolu Hayat Emeklilik A.Ş.	-	-	30	13.796
Cam Elyaf Sanayii AŞ	-	-	-	-
Camış Madencilik A.Ş.	-	-	-	2.277
Çayırova Cam Sanayii A.Ş.	525	-	-	-
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	-	-	-	1.119
İş Merkezleri Yönetim ve İşletim A.Ş.	314.450	-	1.737.419	3.929
İş Net Elektronik Hizmetler A.Ş.	-	-	8.923	-
İş Yatırım Menkul Değerler A.Ş.	-	-	-	11.299
İş Finansal Kiralama A.Ş.	-	-	34.589	-
Kanyon Yönetim İşl. Paz. Ltd. Şti.	1.973.860	-	5.769.797	149.687
Madencilik Sanayii ve Ticaret AŞ	-	-	-	-
Mepa Merkezi Pazarlama AŞ	525	-	-	-
Paşabahçe Cam San. Ve Tic. A.Ş.	-	-	-	16.306
Paşabahçe Mağazaları A.Ş.	24.760	-	16.115	3.426
Soda Sanayii A.Ş.	139.022	-	-	5.104
Softtech Yazılım Teknolojileri A.Ş.	-	-	-	-
Şişecam Çevre Sistemleri A.Ş.	13.322	-	7.839	244
Şişecam Dış Ticaret A.Ş.	-	-	-	994
Şişecam Elyaf San. A.Ş.	525	-	-	-
Şişecam Enerji A.Ş.	-	-	11.361	773
Şişecam Otomotiv A.Ş.	-	-	-	1.607
Şişecam Sigorta Hizmetleri A.Ş.	366	-	854	492
T İş Bankası A.Ş.	-	-	-	24.007
Trakya Cam Sanayii A.Ş.	-	-	-	9.718
Trakya Yenişehir Cam San. A.Ş.	525	-	-	-
Türkiye Şişe ve Cam Fabrikaları A.Ş.	-	-	-	33.037
Payables to shareholders (dividend)	-	-	597	-
Other	-	-	149.731	-
Total	2.468.405	1.259.574	7.911.589	283.969

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Convenience Translation of Notes to the Condensed Interim Financial Statements For the Period Ended June 30, 2017 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

23. Related party disclosures (continued)

June 30, 2017				
Loans and borrowings				
Balances with related parties	Short Term	Long Term		
T. İş Bankası A.Ş.	127.947.694	531.345.301		
Transactions with related parties	Interest expense on loans	Capitalized interest expense		
T. İş Bankası A.Ş.	14.612.144	21.664.153		
June 30, 2017				
Financial leasing				
Balances with related parties	Short Term	Long Term		
İş Finansal Kiralama A.Ş.	6.181.707	-		
December 31, 2016				
Balances with related parties	Short Term Trade Receivable	Short Term Prepaid Expenses	Short Term Trade Payable	Deferred Income
Anadolu Anonim Türk Sigorta A.Ş.	-	2.716.668	1.499.640	-
Anadolu Cam Sanayii A.Ş.	29.047	-	-	18.462
Anadolu Cam Eskişehir Sanayi AŞ	1.574	-	-	-
Anadolu Hayat Emeklilik A.Ş.	1.064	-	-	41.389
Cam Elyaf Sanayii AŞ	1.048	-	-	-
Camiş Madencilik A.Ş.	10.220	-	-	6.830
Çayırova Cam Sanayii A Ş	525	-	-	-
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	-	-	-	3.356
İş Merkezleri Yönetim ve İşletim A.Ş.	-	-	1.701.858	11.787
İş Net Elektronik Hizmetler A.Ş.	-	-	4.759	-
İş Yatırım Menkul Değerler A.Ş.	-	-	-	33.898
İş Finansal Kiralama A.Ş.	-	-	7.709	--
Kanyon Yönetim İşl. Paz. Ltd. Şti.	-	-	1.836.509	323.519
Madencilik Sanayii ve Ticaret AŞ	525	-	-	-
Mepa Merkezi Pazarlama AŞ	525	-	-	-
Paşabahçe Cam San. Ve Tic. A.Ş.	76.964	-	-	48.918
Paşabahçe Mağazaları A.Ş.	8.458	-	716	12.242
Soda Sanayii A.Ş.	-	-	-	15.312
Softtech Yazılım Teknolojileri A.Ş.	-	-	8.165	-
Şişecam Çevre Sistemleri A.Ş.	-	-	-	732
Şişecam Dış Ticaret A.Ş.	-	-	31.946	2.982
Şişecam Enerji A.Ş.	14.071	-	24.853	2.318
Şişecam Otomotiv A.Ş.	7.583	-	-	4.820
Şişecam Sigorta Hizmetleri A.Ş.	-	-	-	1.476
T İş Bankası A.Ş.	-	-	-	4.520
Trakya Cam Sanayii A.Ş.	-	-	-	29.154
Türkiye Şişe ve Cam Fabrikaları A.Ş.	170.707	-	-	99.116
Payables to shareholders (dividend)	-	-	476	-
Other	-	-	153.834	-
Total	322.311	2.716.668	5.270.465	660.831

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Convenience Translation of Notes to the Condensed Interim Financial Statements For the Period Ended June 30, 2017

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

23. Related party disclosures (continued)

December 31, 2016		
Loans and borrowings		
Balances with related parties	Short Term	Long Term
T. İş Bankası A.Ş.	103.666.106	513.874.749
Transactions with related parties	Interest expense on loans	Capitalized interest expense
T. İş Bankası A.Ş.	30.257.122	30.676.844
December 31, 2016		
Financial leasing		
Balances with related parties	Short Term	Long Term
İş Finansal Kiralama A.Ş.	10.915.156	696.326

As of June 30, 2017, the Company entered into an interest option derivative transaction with İş Bankası and TL 68 (December 31, 2016: TL 566) accrual of this derivative transaction is recognized in the Company's statement of financial position and also TL 498 derivative trading loss (December 31, 2016: TL 14.245) derivative trading gains) is recognized in the Company's profit or loss for this transaction.

As of June 30, 2017, the Company has a dividend amounting to TL 400.000 from Kanyon in the Other Receivables (December 31, 2016: None).

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Convenience Translation of Notes to the Condensed Interim Financial Statements For the Period Ended June 30, 2017 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

23. Related party disclosures (continued)

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

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Convenience Translation of Notes to the Condensed Interim Financial Statements For the Period Ended June 30, 2017 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

23. Related party disclosures (continued)

<i>Balances with related parties</i>	January 1 – June 30, 2016				
	Purchases (*)	Interest received	Rent income	Other income	Other expense
Anadolu Anonim Türk Sigorta A.Ş.	1.212.743	-	-	-	-
Anadolu Cam Sanayi A.Ş.	-	-	1.220.664	18.761	-
Anadolu Hayat Emeklilik A.Ş.	133.478	-	2.026.616	29.874	-
Avea İletişim Hizmetleri A.Ş.	33.297	-	32.616	-	-
Camiş Madencilik A.Ş.	-	-	406.888	6.259	-
İş Finansal Kiralama A.Ş.	1.301.919	-	10.170	-	-
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	-	-	223.138	2.422	-
İş Merkezleri Yönetim ve İşletim A.Ş.	1.741.318	-	891.061	6.704	-
İş Net Elektronik Hizmetler A.Ş.	7.015	-	9.094	-	40.597
İş Portföy Yönetimi A.Ş.	-	-	22.983	-	3.592
İş Yatırım Menkul Değerler A.Ş.	-	-	2.223.187	24.467	-
Paşabahçe Cam San. Ve Tic. A.Ş.	-	-	2.937.986	45.081	-
Paşabahçe Mağazacılık A.Ş.	5.127	-	348.205	1.417	-
Soda Sanayi A.Ş.	-	-	956.187	14.700	-
Softtech Yazılım Teknolojileri A.Ş.	-	-	2.342.529	-	16.156
Şişecam Dış Ticaret A.Ş.	-	-	254.675	3.308	-
Şişecam Enerji A.Ş.	38.861	-	61.810	-	-
Şişecam Sigorta Hizmetleri A.Ş.	-	-	132.680	1.724	-
T.Şişe ve Cam Fabrikaları A.Ş.	-	-	4.639.252	69.316	-
Trakya Cam Sanayi A.Ş.	-	-	1.627.551	25.021	-
Türkiye İş Bankası A.Ş.	-	4.206.960	36.459.801	1.971	4.294
Total	4.473.758	4.206.960	56.827.093	251.025	64.639

(*) 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.

As of June 30, 2017, TL 27.171.000 part of TRSISGY31915 ISIN coded bond which is issued in nominal value TL 213.000.000 and TL 6.000.000 part of TRSISGY61912 ISIN coded bond which is issued in nominal value TL 100.000.000 are in related parties and breakdowns are below:

<i>Transactions with related parties</i>	June 30, 2017	
	TRSISGY31915	TRSISGY61912
Anadolu Anonim Türk Sigorta A.Ş.	15.000.000	-
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	5.000.000	2.500.000
İş Yatırım Menkul Değerler A.Ş.	2.671.000	-
İş Yatırım Ortaklığı A.Ş.	4.500.000	3.500.000
Total	27.171.000	6.000.000

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Convenience Translation of Notes to the Condensed Interim Financial Statements For the Period Ended June 30, 2017

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

23. Related party disclosures (continued)

<i>Transactions with related parties</i>	December 31, 2016	
	TRISISGY41617	TRISISGY71614
Anadolu Anonim Türk Sigorta A.Ş.	15.000.000	-
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	5.000.000	2.500.000
İş Yatırım Menkul Değerler A.Ş.	2.711.000	-
İş Yatırım Ortaklığı A.Ş.	4.500.000	3.500.000
Total	27.211.000	6.000.000

Benefits provided to key management personnel:

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

	January 1- June 30, 2017	January 1- June 30, 2016
Salaries and other short term benefits	2.706.062	1.702.138
Employee termination benefits	519.381	518.347
Total	3.225.443	2.220.485

24. Nature and level of risks arising from financial instruments

Foreign Currency Risk Management

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

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

Foreign currency transactions lead to currency risks.

The exchange rates applied as of June 30, 2017 and December 31, 2016 are as follows:

	US Dollar	Euro	GBP
June 30, 2017	3,5071	4,0030	4,5413
December 31, 2016	3,5192	3,7099	4,3189

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Convenience Translation of Notes to the Condensed Interim Financial Statements For the Period Ended June 30, 2017 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

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

Foreign currency risk management (continued)

June 30, 2017				
	TL Equivalent (Functional currency)	US Dollar	Euro	GBP
1. Trade Receivables	-	-	-	-
2a. Monetary Financial Assets	669.072	19.566	150.001	-
2b. Non-Monetary Financial Assets	275.894	77.014	1.448	-
3. Other	-	-	-	-
4. CURRENT ASSETS	944.966	96.580	151.449	-
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
8. NON CURRENT ASSETS	-	-	-	-
9. TOTAL ASSET	944.966	96.580	151.449	-
10. Trade Payables	225.295	63.000	1.086	-
11. Financial Liabilities	43.445.468	9.618.893	2.425.943	-
12a. Other Monetary Liabilities	-	-	-	-
12b. Other Non-Monetary Liabilities	787.810	110.493	100.000	-
13. SHORT TERM LIABILITIES	44.458.573	9.792.386	2.527.029	-
14. Trade Payables	-	-	-	-
15. Financial Liabilities	199.319.327	48.529.412	7.275.000	-
16a. Other Monetary Liabilities	-	-	-	-
16b. Other Non-Monetary Liabilities	3.652.738	-	912.500	-
17. LONG TERM LIABILITIES	202.972.065	48.529.412	8.187.500	-
18. TOTAL LIABILITIES	247.430.638	58.321.798	10.714.529	-
19. Net asset/liability position of off balance sheet derivatives (19a-19b)	-	-	-	-
19.a Off-balance sheet foreign currency derivative assets	-	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	(246.485.672)	(58.225.218)	(10.563.080)	-
20. Net foreign currency asset / liability position	(242.321.018)	(58.191.739)	(9.552.028)	-
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10- 11-12a-14-15-16a)	-	-	-	-
22. Fair Value of foreign currency hedged Financial asset	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Convenience Translation of Notes to the Condensed Interim
Financial Statements For the Period Ended June 30, 2017
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

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

Foreign currency risk management (continued)

December 31, 2016			
	TL Equivalent (Functional currency)	US Dollar	Euro
1. Trade Receivables	-	-	-
2a. Monetary Financial Assets	51.421.550	14.608.217	3.319
2b. Non-Monetary Financial Assets	285.492	81.124	-
3. Other	-	-	-
4. CURRENT ASSETS	51.707.042	14.689.341	3.319
5. Trade Receivables	-	-	-
6a. Monetary Financial Assets	-	-	-
6b. Non-Monetary Financial Assets	-	-	-
7. Other	-	-	-
8. NON CURRENT ASSETS	-	-	-
9. TOTAL ASSET	51.707.042	14.689.341	3.319
10. Trade Payables	23.820	6.769	-
11. Financial Liabilities	43.005.271	9.661.788	2.426.886
12a. Other Monetary Liabilities	-	-	-
12b. Other Non-Monetary Liabilities	759.837	110.493	100.000
13. SHORT TERM LIABILITIES	43.788.928	9.779.050	2.526.886
14. Trade Payables	-	-	-
15. Financial Liabilities	213.300.111	52.941.177	7.275.000
16a. Other Monetary Liabilities	-	-	-
16b. Other Non-Monetary Liabilities	6.573.624	853.275	962.500
17. LONG TERM LIABILITIES	219.873.735	53.794.452	8.237.500
18. TOTAL LIABILITIES	263.662.663	63.573.502	10.764.386
19. Net asset/liability position of off balance sheet derivatives (19a-19b)	-	-	-
19.a Off-balance sheet foreign currency derivative assets	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	-	-	-
20. Net foreign currency asset / liability position	(211.955.623)	(48.884.161)	(10.761.067)
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(204.907.654)	(48.001.517)	(9.698.567)
22. Fair Value of foreign currency hedged Financial asset	-	-	-
23. Hedged foreign currency assets	-	-	-
24. Hedged foreign currency liabilities	-	-	-

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Convenience Translation of Notes to the Condensed Interim Financial Statements For the Period Ended June 30, 2017

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

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

Foreign currency risk management (continued)

Foreign currency sensitivity

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

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

June 30, 2017		
	Appreciation of foreign currency	Devaluation of foreign currency
<u>If US Dollar changes against TL by 10%</u>		
US Dollar net asset / liability	(20.408.425)	20.408.425
Portion hedged against US Dollar risk (-)	-	-
US Dollar net effect	(20.408.425)	20.408.425
<u>If Euro changes against TL by 10%</u>		
Euro net asset / liability	(3.823.677)	3.823.677
Portion hedged against Euro risk (-)	-	-
Euro net effect	(3.823.677)	3.823.677
December 31, 2016		
	Appreciation of foreign currency	Devaluation of foreign currency
<u>If US Dollar changes against TL by 10%</u>		
US Dollar net asset / liability	(16.892.694)	16.892.694
Portion hedged against US Dollar risk (-)	-	-
US Dollar net effect	(16.892.694)	16.892.694
<u>If Euro changes against TL by 10%:</u>		
Euro net asset / liability	(3.598.071)	3.598.071
Portion hedged against Euro risk (-)	-	-
Euro net effect	(3.598.071)	3.598.071

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Convenience Translation of Notes to the Condensed Interim Financial Statements For the Period Ended June 30, 2017

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

25. Subsequent events

It was decided to commence merger negotiations with TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. in the framework of Capital Markets Law numbered 6362, Capital Markets Board’s Communiqué On Common Principles Regarding Significant Transactions And The Retirement Right numbered II-23.2, Capital Market’s Communiqué on Merger and Demerger numbered II-23.2, Turkish Commercial Code numbered 6102, Corporate Tax Law numbered 5520 and provision of other related legislation in line with the investment strategy of increasing current rental income and diversifying portfolio of the Company through considering the synergy which shall be generated as a result of the merger.

It is decided in the meeting of the Company dated July 18, 2017 to renounce from respective merger transaction regarding the merger of the Company with TSKB Gayrimenkul Ortaklığı A.Ş. through transferring all assets and liabilities of TSKB Gayrimenkul Yatırım Ortaklığı A.Ş., which was carried out in accordance with decision of Board of Directors dated April 18, 2017 of the Company in the framework of provisions of related legislation, since it was understood that merger transactions would not be completed in due time anticipated by the legislation provided that annual financial statements dated December 31, 2016 were taken as basis to merger due to actual and technical reasons and upon the evaluation of subsequent developments following the merger decision and terminate Merger Agreement, which was signed between TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.; withdraw the application, which was made to Capital Markets Law with respect to decision of Board of Directors dated June 14, 2017 and to engage Company management as authorized and in charge regarding the execution of required transactions.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Convenience Translation of Notes to the Condensed Interim Financial Statements For the Period Ended June 30, 2017

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

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

The main accounts of unconsolidated financial statements	Related regulation	June 30, 2017	December 31, 2016
A Capital and money market instruments	III-48.1. Article 24 / (b)	61.428.317	127.262.064
B Real estates, rights supported by real estates and real estate projects	III-48.1. Article 24 / (a)	4.783.970.179	4.521.787.358
C Affiliates (*)	III-48.1. Article 24 / (b)	1.692.141	1.563.593
Due from related parties (other receivables)	III-48.1. Article 23 / (f)	-	-
Other assets		273.975.417	236.407.179
D Total assets	III-48.1. Md. 3 / (k)	5.121.066.054	4.887.020.194
E Loans and borrowings	III-48.1. Article 31	1.209.856.019	1.043.049.106
F Other financial liabilities	III-48.1. Article 31	15.606.557	12.324.486
G Financial lease obligations	III-48.1. Article 31	6.181.707	11.611.482
H Due to related parties (other payables)	III-48.1. Article 23 / (f)	-	-
I Equity	III-48.1. Article 31	3.149.735.739	3.161.345.656
Other liabilities		739.686.032	658.689.464
D Total liabilities and equity	III-48.1. Article. 3 / (k)	5.121.066.054	4.887.020.194
Other unconsolidated financial information	Related regulation	June 30, 2017	December 31, 2016
A1 Capital and money market instruments amount held for 3-year real estate payments	III-48.1. Article 24 / (b)	-	-
A2 Time balances / demand balances TL / foreign currency	III-48.1. Article 24 / (b)	60.924.840	125.695.426
A3 Foreign capital market instruments	III-48.1. Article 24 / (d)	-	-
B1 Foreign real estates, rights supported by real estates and real estate projects	III-48.1. Article 24 / (d)	-	-
B2 Inactive land	III-48.1. Article 24 / (c)	44.099.801	43.650.487
C1 Foreign affiliates	III-48.1. Article 24 / (d)	-	-
C2 Participating to operating company	III-48.1. Article 28	1.692.141	1.563.593
J Non-cash loans	III-48.1. Article 31	21.735.521	14.703.799
K Mortgage amounts of the mortgaged lands that the project will be developed on without ownership	III-48.1. Article 22 / (e)	-	-
L The sum of investments in money and capital market instruments in a single company	Series:VI No:11, Article.22/(l)	-	-

(*) From the associates disclosed in Note 3, Kanyon is in the scope of the Company under the scope of Article 28 paragraph 1 of the "Communiqué on Principles Regarding Real Estate Investment Trusts" No: 48.1 of the CMB, III. The Company accounts for this associate according to the equity method in the accompanying financial statements. As of June 30, 2017, the Company's participation in Kanyon is TL 500.000 and does not exceed 10% of the total assets.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Convenience Translation of Notes to the Condensed Interim Financial Statements For the Period Ended June 30, 2017

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

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

Portfolio restrictions	Related regulation	June 30, 2017	December 31, 2016	Min/Max ratio
1 Mortgage amounts of the mortgaged lands that the project will be developed on without ownership	III-48.1. Article 22 / (e)	0%	0%	Max %10
2 Real estates, rights supported by real estates and real estate projects	III-48.1. Article 24 / (a) , (b)	93%	93%	Min %51
3 Capital and money market instruments and subsidiaries	III-48.1. Article 24 / (b)	2%	3%	Max %49
4 Foreign real estates, rights supported by real estates and real estate projects, affiliates and capital market instruments	III-48.1. Article 24 / (d)	0%	0%	Max %49
5 Inactive land	III-48.1. Article 24 / (c)	1%	1%	Max %20
6 Participating to operating company	III-48.1. Article 28	0%	0%	Max %10
7 Borrowings limits	III-48.1. Article 31	40%	34%	Max %500
8 Time balances / demand balances TL / foreign currency	III-48.1. Article 22 / (e)	1%	3%	Max %10
9 The sum of investments in money and capital market instruments in a single company	Series: VI No:11, Article.22/(l)	0%	0%	Max %10