İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Financial Statements
As of and For the Year
Ended December 31, 2017
With Independent Auditors' Report Thereon

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

January 29, 2018
This report includes 4 pages of Independent Auditors' Report and 68 pages financial statements and notes to the financial statemtents.

İş Gayrimenkul Yatırım Ortaklığı

Anonim Şirketi

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

A) Report on the Audit of the Financial Statements

1) Opinion

We have audited the financial statements of İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi ("Company"), which comprise the statement of financial position as at December 31, 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with the Turkish Accounting Standards (TAS).

2) Basis for Opinion

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

3) Key Audit Matters

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

Key audit matter	*How our audit addressed the key audit matter*
Presentation of investment properties in the financial statements and significant information disclosed	
As explained in note 2 and 10, the Company recognizes investment properties at their fair values, after initial recognition. As of December 31, 2017, fair value amount of the investment properties disclosed in the financial statements has been valued at TL 3.834.870.889 by independent appraisal firms and details of the valuation have been disclosed in note 10. Due to the fact that investment properties are significant part of the Company's assets and applied valuation methods contain significant	We assessed the qualifications, competencies and independence of the professional appraisers engaged by the management. In our audit, we assessed whether the valuation methods as applied by appraisers are acceptable for valuation of the underlying investment property. We reconciled the appraised value for independent sections in the valuation report with disclosed amount in note 10. In addition, we reconciled standing data

judgements and assumptions, we have considered the valuation of investment properties as a key audit matter.	included in the valuation report such as rental income, duration of lease contracts, occupancy rates and administration expenses to source documents. Among the other audit procedures we performed, we verified the assumptions used by the external appraisers in their valuations (including the discount rate, the market rent and the expected occupancy rates). For this assessment within our audit work, we involved valuation experts of a firm which is in our audit network. Due to the high level of judgment in the valuation of investment property and the existence of alternative assumptions and valuation methods, we assessed if the result of the external valuation is within an acceptable range. We also examined the suitability of the information in the financial statements and explanatory note, given the importance of this information for users of the financial statements.
Inventories	
As of December 31, 2017, in the financial statements of the Company there are inventories amounting to TL 757.111.894 in the current assets and TL 344.153.094 in the non-current assets. Inventories comprise of cost of land that is held to build housing projects for sale in the short-term and construction costs of housing units. Accounting policy regarding to inventories is disclosed in note 2, related inventory amounts are disclosed in note 11. Due to the fact that inventories are significant part of the Company's assets and matters such as accounting of purchase, conversion-capitalization and other necessary costs which are included to inventories, housing inventories to be sold are considered as key audit matter to our audit.	Within the scope of our audit procedures performed regarding inventories, we focused on the followings; - Testing cost of development additions in the current year by comparing with documents such as invoice and progress payment - Review of borrowing costs capitalized to inventories in the current year and review the capitalization ceiling test - Testing of foreign currency differences capitalized and its verification with borrowing costs - Controlling of net realizable value of the inventories with valuation report and realized sales.

4) Other matter

The financial statements of the Company which were prepared in accordance with the accounting principles and standards in force as of December 31, 2016 were subject to full-scope audit by another independent audit firm. In their independent auditor's report dated January 27, 2017, independent audit firm expressed unqualified opinion on the financial statements prepared at December 31, 2016.

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

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

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

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

6) Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with InAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

B) Report on Other Legal and Regulatory Requirements

1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on January 29, 2018.

2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period January 1 – December 31, 2017 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.

3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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

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

Yaşar Bivas, SMMM
Partner

January 29, 2018
İstanbul, Türkiye

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As of December 31, 2017 Statement of Financial Position (Balance Sheet)
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

		Audited	*Audited*
	Notes	**31 December 2017**	**31 December 2016**
ASSETS			
Current assets		**967.988.419**	**322.950.245**
Cash and cash equivalents	*5*	83.117.592	127.262.064
Trade receivables	*8*	47.442.849	28.770.301
Trade receivables from related parties	*24*	*1.600.761*	*322.311*
Trade receivables from third parties		*45.842.088*	*28.447.990*
Other receivables	*9*	1.078.243	1.211.817
Other receivables from third parties		*1.078.243*	*1.211.817*
Derivatives	*6*	3.865.901	566
Inventories	*11*	757.111.894	91.612.134
Prepaid expenses	*16*	75.331.788	74.067.158
Prepaid expenses to related parties	*24*	*2.472.998*	*2.716.668*
Prepaid expenses to third parties		*72.858.790*	*71.350.490*
Other current assets	*16*	40.152	26.205
Non-current assets		**4.343.958.837**	**4.564.069.949**
Trade receivables	*8*	16.225.269	**--**
Other trade receivables from third parties		*16.225.269*	**--**
Inventories	*11*	344.153.094	715.506.230
Equity accounted investees	*3*	2.527.108	1.563.593
Investment properties	*10*	3.834.870.889	3.714.668.994
Tangible assets	*12*	31.005.753	28.559.331
Intangible assets	*13*	847.706	473.250
Prepaid expenses	*16*	4.240.543	**--**
Prepaid expenses to third parties		*4.240.543*	**--**
Other tangible assets	*16*	110.088.475	103.298.551
TOTAL ASSETS		**5.311.947.256**	**4.887.020.194**

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi
As of December 31, 2017 Statement of Financial Position (Balance Sheet)
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

		Audited	***Audited***
		December 31, 2017	**December 31, 2016**
LIABILITIES			
Short-term liabilities		**873.322.937**	**188.453.135**
Current portion of long term borrowings	*7*	169.179.394	121.419.856
Loans and borrowings to related parties	*24*	*154.258.179*	*103.666.106*
Loans and borrowings to third parties		*14.921.215*	*17.753.750*
Current portion of long term financial leases	*7*	696.316	10.915.156
Financial leasing to related parties	*24*	*696.316*	*10.915.156*
Trade payables	*8*	53.537.218	34.198.753
Trade payables to related parties	*24*	*9.365.703*	*5.270.465*
Trade payables to third parties		*44.171.515*	*28.928.288*
Other payables	*9*	44.979.614	622.898
Deferred income	*16*	597.513.536	6.198.445
Deferred income from related parties	*24*	*493.827*	*660.831*
Deferred income from third parties		*597.019.709*	*5.537.614*
Short-term provisions		3.921.968	12.576.072
Provisions for employee benefits	*15*	*317.880*	251.586
Other short-term provisions	*14*	*3.604.088*	12.324.486
Other short-term liabilities	*16*	3.494.891	2.521.955
Long-term liabilities		**1.158.047.332**	**1.537.221.403**
Loans and borrowings	*7*	1.015.606.839	921.629.250
Loans and borrowings to related parties	*24*	*518.177.339*	*513.874.749*
Loans and borrowings to third parties		*497.429.500*	*407.754.501*
Long term financial leases	*7*	--	696.326
Financial leasing to related parties		--	*696.326*
Other payables	*9*	--	35.990.000
Deferred revenue	*16*	140.667.466	577.681.090
Long term provisions	*15*	1.773.027	1.224.737
Provisions for employee benefits		*1.773.027*	1.224.737
EQUITY		**3.280.576.987**	**3.161.345.656**
Share capital	*17*	913.750.000	850.000.000
Inflation restatement difference on share capital	*17*	240.146.090	240.146.090
Share premium	*17*	423.981	423.981
Other comprehensive income that will never be reclassified to profit or loss		27.386.467	24.361.973
Revaluation and classification of gains / losses		*27.610.009*	24.226.634
Other earnings/ losses		*(223.542)*	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		179.956.837	420.511.402
TOTAL EQUITY AND LIABILITIES		**5.311.947.256**	**4.887.020.194**

The accompanying notes form an integral part of these financial statements

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

	Notes	*Audited* **January 1- December 31, 2017**	*Audited* **January 1- December 31, 2016**
Revenue	18	439.658.518	404.532.858
Cost of revenue (-)	18	(261.823.874)	(209.728.793)
Gross profit		**177.834.644**	**194.804.065**
General administrative expense (-)	19	(20.261.894)	(18.413.298)
Marketing expenses (-)	19	(15.559.622)	(18.705.521)
Other operating income	21	207.696.656	376.924.081
Other operating expense (-)	21	(123.919.259)	(40.151.880)
Operating profit		**225.790.525**	**494.457.447**
Share of profit of equity-accounted investees	3	1.363.515	674.188
Operating Profit Before Finance Expense		**227.154.040**	**495.131.635**
Financial income	22	3.829.974	--
Financial expenses (-)	22	(51.027.177)	(74.620.233)
Operating Profit before Tax From Continuing Operations		**179.956.837**	**420.511.402**
Tax Expense From Continuing Operations		--	--
- Corporate tax charge		--	--
- Deferred tax benefit		--	--
Net profit for the period		**179.956.837**	**420.511.402**
Earnings per share	23	0,0020	0,0049

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi
Statement of Other Comprehensive Income For the Year Ended December 31, 2017
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

		Audited	*Audited*
		January 1- December 31, 2017	**January 1- December 31, 2016**
Net profit for the period	**Notes**	**179.956.837**	**420.511.402**
Other comprehensive income			
Other comprehensive income that will never be reclassified to profit or loss		**3.024.494**	**2.419.403**
Revaluation and classification of gains / losses	12	3.383.375	2.494.847
Actuarial gain/(loss) arising from defined benefit plans	15	(358.881)	(75.444)
Other comprehensive income		**3.024.494**	**2.419.403**
TOTAL COMPREHENSIVE INCOME		**182.981.331**	**422.930.805**

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Statement of Changes in Equity For the Year Ended December 31, 2017

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

					Other comprehensive income that will never be reclassified to profit or loss					
	Notes	**Share capital**	**Inflation restatement difference on share capital**	**Share premium**	**Net change in remeasurements of defined benefit liability**	**Net change in revaluation of tangible assets**	**Legal reserves**	**Prior years' profits**	**Net profit for the period**	**Total**
Balances at January 1, 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		--	--	--	(75.444)	2.494.847	--	--	420.511.402	422.930.805
Capital Increase (from internal sources)		104.000.000	--	--	--	--	--	(104.000.000)	--	--
Dividends		--	--	--	--	--	--	(52.220.000)	--	(52.220.000)
Balances at December 31, 2016	**17**	**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**
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		--	--	--	(358.881)	3.383.375	--	--	179.956.837	182.981.331
Capital Increase (from internal sources)		63.750.000	--	--	--	--	--	(63.750.000)	--	--
Dividends		--	--	--	--	--	--	(63.750.000)	--	(63.750.000)
Balances at December 31, 2017	**17**	**913.750.000**	**240.146.090**	**423.981**	**(223.542)**	**27.610.009**	**46.188.875**	**1.872.724.737**	**179.956.837**	**3.280.576.987**

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Statement of Cash Flow
For the Year Ended December 31, 2017
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	*Audited* January 1- December 31, 2017	*Audited* January 1- December 31, 2016
A. Cash flows from operating activities			
Net profit for the period		**179.956.837**	**420.511.402**
Profit adjustments for:			
Adjustments to depreciation and amortization	*12,13*	1.731.040	1.431.138
Adjustments to impairment or cancelation		1.251.360	(560.761)
- Adjustments to impairment of receivables	*8*	*1.251.360*	*(560.761)*
Adjustments for provisions		433.459	194.854
- Adjustments to provision for employee severance indemnity	*15*	*433.459*	*194.854*
Adjustments to provision for loss or gain in fair value		(79.819.103)	(337.790.763)
- Change in fair value of investment properties	*10*	*(79.819.103)*	*(335.295.916)*
- Other adjustments to provision for loss or gain on fair value	*12*	*--*	*(2.494.847)*
Gain/(losses) on derivatives	*22*	(3.829.419)	14.245
Adjustments for retained earnings of investments valued by equity method	*3*	(1.363.515)	(674.188)
Adjustments for loss or gain on sales of non-current assets		(4.000.102)	1.995.218
- Adjustments for loss or gain on sales of fixed assets	*12,13*	*(1.034)*	*--*
- Adjustments for loss or gain on sales of investment property	*18*	*(3.999.068)*	*1.995.218*
Adjustments to interest income and expense		20.823.047	21.798.413
- Interest income	*18*	*(8.220.872)*	*(8.460.750)*
- Interest expense	*22*	*29.043.919*	*30.259.163*
Adjustments to foreign exchange differences		1.619.564	--
Operating profit from before the changes in working capital		**116.803.168**	**106.919.558**
Changes in working capital			
Changes in trade receivables		(36.149.177)	(6.388.765)
Changes in other receivables		533.574	2.602.314
Changes in inventories		(294.146.624)	(288.261.778)
Changes in prepaid expenses		(5.505.173)	(30.502.058)
Changes in trade payables and other payables		27.705.181	(26.877.193)
Changes in deferred revenue		154.301.467	67.942.449
Changes in other current assets		(6.839.787)	(10.787.462)
Changes in other short term liabilities		(7.747.462)	5.973.099
		(51.044.833)	**(179.379.836)**
Cash generated from operating activities			
Employee termination benefits paid		(177.756)	--
Interest received		8.022.435	7.966.713
Net cash provided by / (used in) operating activities		**(43.200.154)**	**(171.413.123)**
B. Cash Flows From Investing Activities			
Purchases of tangible assets and intangible assets	*12,13*	(1.167.509)	(543.567)
Purchases of investment property	*10*	(224.027.792)	(133.839.389)
Proceeds from sale of investment property	*10*	187.644.068	43.004.782
Equity accounted investees		--	35.882
Net cash used in investing activities		**(37.551.233)**	**(91.342.292)**
C. Cash Flows From Financing Activities			
Dividends paid	*17*	(63.750.000)	(52.220.000)
Borrowings received		227.620.696	600.000.000
Borrowings paid		(102.279.581)	(250.356.960)
Interest paid		(23.563.073)	(30.259.163)
Net cash provided by financing activities		**38.028.042**	**267.163.877**
Increase / (decrease) in cash and cash equivalents before effect of changes in foreign currency rates		**(42.723.345)**	**4.408.462**
Effect of changes in foreign currency rates over cash and cash equivalents		(1.619.564)	(274.823)
Net increase / (decrease) in cash and cash equivalents		**(44.342.909)**	**4.133.639**
Cash and cash equivalents at the beginning of the period		126.768.027	122.634.388
Cash and cash equivalents at the end of the period	*5*	**82.425.118**	**126.768.027**

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 Istanbul/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 "Istanbul Stock Exchange") ("BIST") since 1999.

The Company has 78 employees as of December 31, 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

Statement of compliance

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

The financial statements as at December 31, 2017 have been approved for issue by the Board of Directors on January 29, 2017. The General Assembly and the legal authorities have the authority to amend the statutory financial statements and these financial statements.

Additional paragraph for convenience translation into English

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

Preparation of financial statements

The accompanying financial statements have been prepared in accordance with the "Announcement on Financial Statements and Disclosure Formats" of CMB dated June 7, 2013. Additionally the accompanying financial statements have been presented in accordance with the TAS taxonomy of POA dated June 2, 2016 numbered 30.

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.

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 siginificant accounting estimates errors are applied restrospectively and restated prior financial statements. There is no significant accounting error that was discovered in the current period.

2.3 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as at December 31, 2017 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2017. The effects of these standards and interpretations on the Company’s financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2017 are as follows:

TAS 7 Statement of Cash Flows (Amendments)

In December 2017, POA issued amendments to TAS 7 'Statement of Cash Flows'. The amendments are intended to clarify TAS 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 disclosed additional information in its annual financial statements for the year ended 31 December 2017.

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

In December 2017, POA issued amendments to TAS 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 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.

2. Basis of presentation of financial statements (continued)

2.3 The new standards, amendments and interpretations (continued)

Annual Improvements to TFRSs - 2014-2016 Cycle

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

- TFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some TFRS 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.

- TFRS 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 TFRS 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.

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

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

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting 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 amendments will not have a significant impact on the financial position or performance of the Company.

2. Basis of presentation of financial statements (continued)

2.3 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 has performed an impact assessment of TFRS 9. This assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional supportable information being made available to the Company in the future. The amendments will not have a significant impact on the financial position or performance of the Company.

TFRS 4 Insurance Contracts (Amendments)

In December 2017, POA issued amendments to TFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. The amended Standard will:

a. 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 TFRS 9 Financial instruments is applied before the new insurance contracts Standard is issued; and

b. give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying TFRS 9 Financial instruments until 2021. The entities that defer the application of TFRS 9 Financial instruments will continue to apply the existing financial instruments Standard—TAS 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.

2. Basis of presentation of financial statements (continued)

2.3 The new standards, amendments and interpretations (continued)

TFRIC 22 Foreign Currency Transactions and Advance Consideration

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

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

The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The Company is in the process of assessing the impact of the interpretation on financial position or performance of the Company.

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

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

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

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

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

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

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

The Company has performed a high-level impact assessment of Amendments. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional supportable information being made available to the Company in the future. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

2. Basis of presentation of financial statements (continued)

2.3 The new standards, amendments and interpretations (continued)

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

In December 2017, POA issued amendments to TAS 40 'Investment Property '. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are 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.

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

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

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

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

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.

Annual Improvements – *2011–2013 Cycle*

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.

2. Basis of presentation of financial statements (continued)

2.3 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 Company is in the process of assessing the impact of the standard on 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 standard is not applicable for the Company.

2. Basis of presentation of financial statements (continued)

2.3 The new standards, amendments and interpretations (continued)

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

In October 2017, the IASB issued minor amendments to IFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

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

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

The Company has performed a high-level impact assessment of Amendments. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional supportable information being made available to the Company in the future. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

Annual Improvements – 2015–2017 Cycle

In December 2017, the IASB announced *Annual Improvements to IFRS Standards 2015–2017 Cycle*, containing the following amendments to IFRSs:

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

The Company has performed a high-level impact assessment of Amendments. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional supportable information being made available to the Company in the future. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

2. Basis of presentation of financial statements (continued)

2.4 Summary of significant accounting policies

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

2.4.1 Accounting of income and expense

Revenue

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

Rent income from investment properties under operating leases

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

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

Revenue from sale of investment property

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

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

Interest income and expense

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

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

Other income and expense

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

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

2. Basis of presentation of financial statements (continued)

2.4 Summary of significant accounting policies (continued)

2.4.2 Investment property

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

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

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

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

2.4.3 Tangible assets

As of December 31 2004 the Company were reflecting tangible assets purchased before January 1 2005 on cost restated for the effects of inflation. In the following period were reflecting purchase cost, after allocating accumulated depreciation and permanent impairment provisions to the financial statements. Due to the changes in accounting policies since the third quarter of the current year valuation of Real estate in use recorded under tangible fixed assets within the "TAS 16- Tangible Assets" was amended from cost model to the revaluation model. The impact of the amended to the revaluation model has been reflected under equity as TL 24.226.634.

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

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

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

<u>Depreciation</u>

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

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

2. Basis of presentation of financial statements (continued)

2.4 Summary of significant accounting policies (continued)

2.4.3 Tangible assets (continued)

Subsequent costs

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

2.4.4 Intangible assets

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

Amortization

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

2.4.5 Impairment of non-financial assets

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

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

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

2.4.6 Inventories

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

2.4.7 Financial instruments

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

2. Basis of presentation of financial statements (continued)

2.4 Summary of significant accounting policies (continued)

i) Non-derivative financial assets

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

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

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

Cash and cash equivalents

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

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

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

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

Held-to-maturity investments

Investments in debt securities with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method less impairment, with revenue recognized on an effective yield basis. As of 31 December 2016, the Company has no held-to-maturity investments in its portfolio.

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

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

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

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset.

Other foreign exchange gains and losses are recognized in other comprehensive income. As of 31 December 2017, the Company has no available for sale investments in its portfolio.

2. Basis of presentation of financial statements (continued)

2.4 Summary of significant accounting policies (continued)

2.4.7 Financial instruments (continued)

Reverse repurchase agreements

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

Trade receivables

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

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

Impairment of financial assets

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

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

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

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

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

2. Basis of presentation of financial statements (continued)

2.4 Summary of significant accounting policies (continued)

2.4.7 Financial instruments (continued)

Financial liabilities

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

ii) Non-derivative financial liabilities

Trade and other payables

Trade and other payables are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

iii) Derivative financial instruments

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

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

iv) Paid-in capital

Ordinary shares

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

2.4.8 Offsetting

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

2.4.9 Effects of foreign currency transactions

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

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

2. Basis of presentation of financial statements (continued)

2.4 Summary of significant accounting policies (continued)

2.4.7 Financial instruments (continued)

2.4.10 Borrowing costs

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

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

2.4.11 Earnings per share

Earnings per share is calculated by dividing profit or loss by the weighted average number of ordinary shares outstanding during the period. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held (Note 23).

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

2.4.12 Events after the reporting period

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

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

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

2. Basis of presentation of financial statements (continued)

2.4 Summary of significant accounting policies (continued)

2.4.13 Provisions, contingent asset and liabilities

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

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

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

The Company

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

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

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

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

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

2. Basis of presentation of financial statements (continued)

2.4 Summary of significant accounting policies (continued)

2.4.15 Employee benefits / Retirement pay provisions

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

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

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

2.4.16 Share capital and dividends

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

2.4.17 Related parties

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

2. Basis of presentation of financial statements (continued)

2.4 Summary of significant accounting policies (continued)

2.4.18 Leasing

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

The Company, as lessor in the operational lease transactions

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

The Company, as lessee in the operational lease transactions

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

The Company, as lessee in the finance lease transactions

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

2.4.19 Statement of cash flows

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

2.4.20 Segment reporting

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

2.4.21 Restrictions on the investment portfolio of real estate investment trusts

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

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

2. Basis of presentation of financial statements (continued)

2.5 Restrictions on the investment portfolio of real estate investment trusts

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 (%)	December 31, 2017	Ownership (%)	December 31, 2016
Kanyon	50	2.527.108	50	1.563.593
		2.527.108		**1.563.593**

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

Kanyon	**December 31, 2017**	**December 31, 2016**
Current assets	24.835.674	10.424.627
Non-current assets	1.865.027	2.121.848
Short-term liabilities	(20.582.289)	(7.965.032)
Long-term liabilities	(1.064.197)	(1.454.258)
Net assets	**5.054.215**	**3.127.185**

Kanyon	**January 1 - December 31, 2017**	**January 1 - December 31, 2016**
Income for the period	112.688.800	42.532.804
Expense for the period (-)	(109.961.770)	(41.184.428)

The Company recognized profit amounting to TL 1.363.515 TL resulting from consolidation of Kanyon with equity method for the year ended December 31, 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.

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

4. Operating segments (continued)

	Ankara İş Kule Building	Istanbul İş Kuleleri Complex	Maslak Building	Mallmarine Shopping Mall	İş Bankası Ankara Merkez Building	İş Bankası Ankara Kızılay Building	İş Bankası Antalya Merkez Building	Kanyon Shopping Mall	Real Hipermarket Building	Marmarapark	Kapadokya Lodge Hotel	Ofis Lamartine	Tuzla Çınarlıbahçe Residence	Tuzla Operation and Trade Center	Tuzla Combined Project	İzmir Ege Perla	Other Real Estate	Total
December 31, 2017																		
Sales Revenue																		
Rent income	732.821	30.348.612	5.133.387	731.341	4.267.850	2.166.251	1.152.880	36.581.502	9.316.288	--	82.943	1.764.737	100.156	67.179.525	16.561.286	2.778.090	--	178.897.669
Income from right of construction	--	--	--	--	--	--	--	--	--	18.274.776	--	--	--	--	--	--	--	18.274.776
Income from sales of real estate	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	41.674.317	--	41.674.317
Sales income from investment property	--	--	--	--	--	45.000.000	24.000.000	--	118.644.068	--	--	--	--	--	--	--	--	187.644.068
Income fees and service	--	299.733	--	--	--	--	--	147.419	--	--	--	319.256	--	--	295.464	--	--	1.061.872
Other income	--	130.416	11.765	--	--	--	--	39.631	77.766	--	--	1.527	3.184	--	--	--	--	264.289
Total Revenue	732.821	30.778.761	5.145.152	731.341	4.267.850	47.166.251	25.152.880	36.768.552	128.038.122	18.274.776	82.943	2.085.520	103.340	67.179.525	16.856.750	44.452.407	--	427.816.991
Insurance expense	66.242	905.559	29.856	25.470	20.577	6.765	5.555	357.178	95.078	--	62.916	14.376	1.542	534.004	283.433	192.943	--	2.601.494
Administrative expense	830.506	8.516.219	--	2.806	--	--	--	13.218.499	--	--	99.790	225.129	56.931	--	2.480.799	9.620.560	--	35.051.239
Tax and duty and other charges	283.457	1.639.995	170.142	23.472	11.484	50.569	29.814	1.720.989	396.708	351.724	32.498	78.783	4.655	960.467	506.411	141.235	--	6.402.403
Cost of sales of real estate	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	30.913.903	--	30.913.903
Cost of sales of investment property	--	--	--	--	--	45.335.257	24.345.257	--	116.779.887	--	--	--	--	--	--	--	--	186.460.401
Other	29.000	169.923	42.500	--	20.500	12.800	--	--	--	--	8.750	--	--	30.209	65.930	14.822	--	394.434
Cost of Sales	1.209.205	11.231.696	242.498	51.748	52.561	45.405.391	24.380.626	15.296.666	117.271.673	351.724	203.954	318.288	63.128	1.524.680	3.336.573	40.883.463	--	261.823.874
Gross Profit	(476.384)	19.547.065	4.902.654	679.593	4.215.289	1.760.860	772.254	21.471.886	10.766.449	17.923.052	(121.011)	1.767.232	40.212	65.654.845	13.520.177	3.568.944	--	165.993.117
Prepared based on IFRS 8 "Operating Segments"																		
Capital investments	--	12.888.829	--	--	44.819	--	--	1.664.843	--	--	527.591	--	--	24.709.675	2.924.504	80.206.834	420.487.592	543.454.687

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

4. Operating segments (continued)

	Ankara İş Kule Building	Istanbul İş Kuleleri Complex	Maslak Building	Mallmarine Shopping Mall	İş Bankası Ankara Merkez Building	İş Bankası Ankara Kızılay Building	İş Bankası Antalya Merkez Building	Kanyon Shopping Mall	Real Hipermarket Building	Marmarapark	İş Bankası Güneşli Bulding	İş Bankası Sirkeci Building	Kapadokya Lodge Hotel	Ofis Lamartine	Tuzla Çınarlıbahçe Residence	Tuzla Operation and Trade Center	Tuzla Combined Project	İzmir Ege Perla	Other Real Estate	Total
December 31, 2016																				
Sales Revenue																				
Rent income	2.848.896	44.887.617	4.819.590	732.406	4.024.755	3.385.905	1.699.341	34.619.914	6.921.618	--	--	3.847.930	106.660	1.756.443	98.194	61.500.000	5.655.700	6.831	--	176.911.800
Income from right of construction	--	--	--	--	--	--	--	--	--	14.933.996	--	--	--	--	--	--	--	--	--	14.933.996
Income from sales of real estate	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	156.964.797	--	156.964.797
Sales income from investment property	--	--	--	--	--	--	--	--	--	--	--	45.000.000	--	--	--	--	--	--	--	45.000.000
Income fees and service	--	565.498	--	--	--	--	--	220.520	--	--	--	--	--	4.240	3.253	44.688	78.376	--	--	916.575
Other income	--	26.227	54.192	--	--	--	--	233.083	153.006	--	--	--	--	--	1.288	--	--	--	--	467.796
Total Revenue	2.848.896	45.479.342	4.873.782	732.406	4.024.755	3.385.905	1.699.341	35.073.517	7.074.624	14.933.996	--	48.847.930	106.660	1.760.683	102.735	61.544.688	5.734.076	156.971.628	--	**395.194.964**
Insurance expense	60.655	939.743	26.395	27.024	20.603	9.248	6.824	454.277	149.892	--	--	20.082	164.980	50.066	1.223	--	22.746	--	--	1.953.757
Administrative expense	413.050	1.937.060	--	--	541	1.090	--	12.867.528	396	--	--	--	5.983	249.485	55.530	--	2.022.633	--	--	17.553.295
Tax and duty and other charges	273.002	1.556.038	163.895	22.603	11.060	48.704	28.714	1.658.415	382.105	--	--	68.615	33.222	75.036	4.528	888.695	469.740	--	--	5.684.374
Cost of sales of real estate	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	137.410.941	--	137.410.941
Cost of sales of investment property	--	--	--	--	--	--	--	--	--	--	--	46.995.218	--	--	--	--	--	--	--	46.995.218
Other	--	30.645	19.020	--	--	19.117	--	--	--	--	--	--	14.419	1.850	--	--	46.157	--	--	131.208
Cost of Sales	746.707	4.463.485	209.310	49.627	32.204	78.160	35.538	14.980.220	532.393	--		47.083.915	218.603	376.437	61.281	888.695	2.561.276	137.410.941	--	**209.728.793**
Gross Profit	**2.102.189**	**41.015.858**	**4.664.473**	**682.779**	**3.992.552**	**3.307.746**	**1.663.804**	**20.093.295**	**6.542.231**	**14.933.996**	**--**	**1.764.014**	**(111.942)**	**1.384.247**	**41.452**	**60.655.993**	**3.172.799**	**19.560.687**	**--**	**185.466.172**
Prepared based on IFRS 8 "Operating Segments"																				
Capital investments	**--**	**411.242**	**32.763**	**48.174**	**--**	**--**	**--**	**386.524**	**--**	**--**	**--**	**--**	**38.326**	**--**	**--**	**15.539.715**	**9.031.243**	**26.807.606**	**81.543.796**	**133.839.389**

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

4. Operating segments (continued)

Reconciliation of income, assets and liabilities

Sales Revenue	**January 1 – December 31, 2017**	**January 1 – December 31, 2016**
Segment revenue	427.816.991	395.194.964
Undistributed revenue	11.841.527	9.337.894
Total Revenue	**439.658.518**	**404.532.858**

Cost of Sales	**January 1 – December 31, 2017**	**January 1 – December 31, 2016**
Segment Costs	261.823.874	209.728.793
Total cost of sales	**261.823.874**	**209.728.793**

Assets	**December 31, 2017**	**December 31, 2016**
Segment assets	4.936.135.877	4.521.787.358
Other assets	63.668.118	28.770.301
Non-segment related assets	312.143.261	336.462.535
Total assets	**5.311.947.256**	**4.887.020.194**

Liabilities	**December 31, 2017**	**December 31, 2016**
Segment liabilities	1.980.687.674	1.711.250.831
Other liabilities	50.682.595	14.423.707
Total liabilities	**2.031.370.269**	**1.725.674.538**

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

5. Cash and cash equivalents

	December 31, 2017	December 31, 2016
Demand deposits	9.647.133	1.517.124
Time deposits	59.381.733	124.178.302
Mutual funds	13.793.590	1.496.689
Receivables from reverse repos	85.786	--
Other cash equivalents	209.350	69.949
	83.117.592	**127.262.064**
Interest accrued on cash and cash equivalents	(692.474)	(494.037)
Total cash and cash equivalents in the statement of cash flows	**82.425.118**	**126.768.027**

Time deposits::			December 31, 2017
Currency	Interest Rate	Maturity	
US Dollar	2,65%	April 2018	22.848.285
EURO	1,10%	June 2018	1.813.383
TL	11,20%	January 2018	34.720.065
			59.381.733

		December 31, 2017
	Cost	**Fair Value**
Mutual Funds	13.370.079	13.793.590
Total	**13.370.079**	**13.793.590**

Time deposits:			December 31, 2016
Currency	Interest rate	Maturity	
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
	1.496.018	**1.496.689**

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

As of December 31, 2016 the Company has not any receivables from reverse repo transactions.

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

6. Financial investments / Derivatives

	December 31, 2017	December 31, 2016
Derivative instruments		
Derivative assets held for trading	3.865.901	566
Total	**3.865.901**	**566**

7. Loans and borrowings

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

	December 31, 2017	December 31, 2016
Short-term borrowings		
Current portion of long term borrowings	169.179.394	121.419.856
Total	**169.179.394**	**121.419.856**

	December 31, 2017	December 31, 2016
Long-term borrowings:		
Long-term bank borrowings	612.773.620	519.552.638
Bonds issued	402.833.219	402.076.612
Total	**1.015.606.839**	**921.629.250**

	December 31, 2017	December 31, 2016
Leasings		
Current portion of long term financial leases	696.316	10.915.156
Long term financial leases	--	696.326
Total	**696.316**	**11.611.482**

The details of loans and borrowings as of December 31, 2017 and December 31, 2016 are as follows:

				December 31, 2017
Currency	**Interest rate (%)**	**Original amount**	**Short-term (TL)**	**Long-term (TL)**
Euro	Euribor+3,50	7.277.122	10.959.669	21.900.175
US Dollar	Libor + 4,25	53.694.971	36.124.709	166.407.353
TL	11,75-15,10	546.561.108	122.095.016	424.466.092
Total			**169.179.394**	**612.773.620**

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

7. Loans and borrowings (continued)

				December 31, 2016
Currency	**Interest rate (%)**	**Original amount**	**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			**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 December 31, 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 December 31, 2017 and December 31, 2016 details of issued bonds are as follows:

				December 31, 2017
ISIN CODE	**Issued Nominal Amount (TL)**	**Issue Date**	**Amortization Date**	**Net Book Value**
TRSISGYE1915	87.000.000	October 11, 2016	October 10, 2019	89.734.143
TRSISGY61912	100.000.000	June 29, 2016	June 28, 2019	100.031.654
TRSISGY31915	213.000.000	April 5, 2016	March 29, 2019	213.067.422
Total				**402.833.219**

				December 31, 2016
ISIN CODE	**Issued Nominal Amount (TL)**	**Issue Date**	**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**

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

7. Loans and borrowings (continued)

The Company has issued 3-year maturity, variable-rate, 3-month coupon payment bonds amounting to a total of TL 213.000.000, TL 100.000.000 and TL 87.000.000 to the qualified investors through İş Yatırım Menkul Değerler Anonim Şirketi on 5 April 2016, 29 June 2016 and 11 October 2016.

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

	December 31, 2017	December 31, 2016
Trade receivables		
Notes receivable	487.653	489.834
Rediscount of notes receivables (-)	(5.615)	(132)
Income accruals	29.505.146	21.975.676
Receivables from customers	15.854.904	5.982.612
Doubtful receivables	2.567.268	1.315.908
Provision for doubtful receivables (-)	(2.567.268)	(1.315.908)
Due from related parties (Note 24)	1.600.761	322.311
Total	**47.442.849**	**28.770.301**
Trade payables		
Payables to suppliers	44.171.515	28.928.288
Due to related parties (Note 24)	9.365.703	5.270.465
Total	**53.537.218**	**34.198.753**

As of December 31, 2017, provision for doubtful trade receivables is TL 2.567.268 (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:

	December 31, 2017	December 31, 2016
Opening balance, 1 January	**(1.315.908)**	**(755.147)**
Charge for the period	(2.921.896)	(946.274)
Provisions released	1.670.536	385.513
Closing balance	**(2.567.268)**	**(1.315.908)**

Long Term Trade Receivables

	December 31, 2017	December 31, 2016
Trade receivables		
Income accruals	1.811.662	--
Receivables from customers	14.413.607	--
Closing balance	**16.225.269**	**--**

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

9. Other receivables and payables

	December 31, 2017	December 31, 2016
Other short-term receivables (*)	1.078.243	1.211.817
Total	**1.078.243**	**1.211.817**

	December 31, 2017	December 31, 2016
Other payables – short-term		
Deposits and guarantees given	8.989.614	622.898
Other short-term payables (**)	35.990.000	--
Total	**44.979.614**	**622.898**
Other payables – long-term		
Other long-term payables (**)	--	35.990.000
Total	**--**	**35.990.000**

(*) As of December 31, 2017, other short term receivable comprised of receivables which in from Timur Gayrimenkul Geliştirme Yapı ve Yatırım Anonim Şirketi amounting to 644.882 TL, from Gediz Elek. Perakende Satış A.Ş. amounting to TL 174.707 (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 December 31, 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 December 31, 2017 and December 31, 2016, the details of investment properties are as follows:

	December 31, 2017	December 31, 2016
Investment property under operating lease	3.381.163.000	3.093.679.000
Investment property under construction and other	453.707.889	620.989.994
Total	**3.834.870.889**	**3.714.668.994**

As of December 31, 2017, total insurance amount on investment properties is TL 1.889.917.765 (December 31, 2016: TL 1.098.165.859).

As of December 31, 2017 there are TL 291.993.361 capitalized financing expenses on the Company's investment properties (December 31, 2016: TL 180.745.035 TL).

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

10. Investment property (continued)

	January 1, 2017 opening balance	Purchases	Disposals	Fair value difference	December 31, 2017 closing balance
Investment property under operating lease					
Ankara İş Tower Building	128.025.000	--	--	7.395.000	135.420.000
Marmarapark	146.620.000	--	--	15.400.000	162.020.000
İstanbul İş Kuleleri Complex	797.895.000	12.888.829	--	59.121.171	869.905.000
İş Bankası Ankara Kızılay Building (*)	38.295.000	--	(44.660.000)	6.365.000	-
İş Bankası Ankara Merkez Building	44.320.000	44.819	--	3.390.181	47.755.000
İş Bankası Antalya Merkez Building (*)	22.015.000	--	(23.985.000)	1.970.000	-
Ege Perla Sopping Mall (**)	279.441.000	80.206.834	--	(114.597.834)	245.050.000
Kapadokya Lodge Hotel	24.250.000	527.591	--	610.409	25.388.000
Mallmarine Shopping Mall	12.312.000	--	--	718.000	13.030.000
Maslak Building	101.115.000	--	--	6.520.000	107.635.000
Real Hipermarket Building (*)	110.000.000	--	(115.000.000)	5.000.000	-
Office Lamartine	48.890.000	--	--	1.653.000	50.543.000
Tuzla Çınarlı Bahçe Project	2.600.000	--	--	--	2.600.000
Kanyon Shopping Mall	479.965.000	1.664.843	--	28.460.157	510.090.000
Tuzla Combined Project	274.812.000	2.924.504	--	(7.354.504)	270.382.000
Tuzla Technology and Operation Center Project	862.565.000	24.709.675	--	54.070.325	941.345.000
	3.373.120.000	**122.967.095**	**(183.645.000)**	**68.720.905**	**3.381.163.000**
Investment property under construction					
İstanbul Finance Center Land	169.600.000	24.283.921	--	(1.966.921)	191.917.000
Kartal Project	128.298.507	76.011.693	--	9.902.772	214.212.972
Levent Land	4.110.487	24.775	--	132.655	4.267.917
Üsküdar Land	39.540.000	740.308	--	3.029.692	43.310.000
	341.548.994	**101.060.697**	**--**	**11.098.198**	**453.707.889**
Total	**3.714.668.994**	**224.027.792**	**(183.645.000)**	**79.819.103**	**3.834.870.889**

(*) Among the buildings included in the portfolio of the Company are İş Bankası Ankara Kızılay Building and İş Bankası Antalya Merkez Building was sold to İş Portföy Yönetimi A.Ş. First Real Estate Investment Fund. The transfer procedures were completed on August 22, 2017 and the entire sales price including VAT of TL 81.420.000 was collected. Furthermore, transfer procedures for the sale of the Real Hypermarket Building were completed on August 23, 2017 and the entire sales price including VAT amounting to TL 140.000.000 was collected.

(**) İzmir Ege Perla Shopping Mall project was completed and the shopping center opened on September 6, 2017. Ege Perla Shopping Mall has been transferred to investment properties from investment property under operating lease.

The fair values of the Company's investment properties at December 31, 2017 have been arrived at on the basis of valuations carried out in November and December 2017, and ongoing investments have been arrived at basis of valuations carried out in December 2017 by three 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	Sales comparison approach
Marmarapark	Sales comparison approach	Sales comparison approach
İstanbul İş Kuleleri Complex	Sales comparison approach	Sales comparison approach
İş Bankası Ankara Kızılay Building	-	Sales comparison approach
İş Bankası Ankara Merkez Building	Sales comparison approach	Sales comparison approach
İş Bankası Antalya Merkez Building	-	Sales comparison approach
Kapadokya Lodge Hotel	Sales comparison and cost approach	Sales comparison and cost approach
Mallmarine Shopping Mall	Sales comparison approach	Sales comparison approach
Maslak Building	Sales comparison approach	Sales comparison approach
Real Hipermarket Building	-	Cost and direct capitilazition approach (harmonized)
Office Lamartine	Sales comparison approach	Sales comparison approach
Tuzla Çınarlı Bahçe Project	Sales comparison approach	Sales comparison approach
Kanyon Shopping Mall	Sales comparison approach	Sales comparison approach
İş Bankası Sirkeci Building (*)	-	Sales comparison approach
Tuzla Combined Project	Sales comparison approach	Sales comparison approach
Tuzla Technology and Operation Center Project	-	Sales comparison approach
Ege Perla Shopping Mall	Sales comparison approach	Sales comparison and cost approach
Investment property under construction		
İstanbul Finance Center Land	Cost capitilazition approach	Sales comparison and cost approach
Kartal Project	Sales comparison approach	Sales comparison approach
Levent Land	Fair value based on estate tax	Fair value based on estate tax
Üsküdar Land	Sales comparison approach	Sales comparison approach

(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 Kuleleri 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 Hipermarket 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
	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
	485.344.430	**108.351.401**	**--**	**27.294.163**	**620.989.994**
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 December 31, 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 178.897.669 (December 31, 2016: TL 176.911.800) of its investment property. Total direct operating expenses related to these properties amounting to TL 44.449.570 (December 31, 2016: TL 25.322.634 TL)

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

11. Inventories

Short-term inventories	December 31, 2017	December 31, 2016
Completed residential units		
İzmir Ege Perla (*)	66.331.863	91.612.134
Non-completed residential units		
Topkapı Project (***)	294.173.271	--
Kartal Project (**)	396.606.760	--
Total	**757.111.894**	**91.612.134**

Long-term inventories	December 31, 2017	December 31, 2016
Non-completed residential units		
Kartal Project (**)	--	256.825.664
Topkapı Project (***)	142.566.368	287.508.549
Tuzla Land (****)	201.586.726	171.172.017
Total	**344.153.094**	**715.506.230**

(*)The Company has started the Ege Perla Izmir project registered in Izmir, 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 December 31, 2017 preliminary sales contracts have been signed for total 146 residences and the Company has not received advances.

(**)The Company has started the Manzara Adalar project in Istanbul, Kartal, in December 2014. Sales agreements for 601 residences have been signed and advances have been received amounting to TL 227.783.222 as of December 31, 2017 (December 31, 2016: TL 184.311.055) (Note 11).

(***)The Company has started the In Istanbul Project in İstanbul, Topkapı, in May 2016. As of December 31, 2017 preliminary sales contracts have been signed for total 2.418 residence and the Company received advances amounting to TL 499.460.375 (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 December 31, 2017, the total financing cost amount of TL 86.973.967 was capitalized in the project cost.

(****)The Company has started the Tuzla Land project registered in Istanbul, 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.

(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	12.000	--	--	426.622	438.622
Disposals	--	--	(32.447)	(46.312)	(78.759)
Fair value difference	3.383.375	--	--	--	3.383.375
Closing balance as of December 31, 2017	**32.189.207**	**85.950**	**--**	**3.203.698**	**35.478.855**
Accumulated Depreciation					
Opening balance as of January 1, 2017	913.832	85.950	32.447	2.144.057	3.176.286
Current year charge	978.599	--	--	398.010	1.376.609
Disposal	--	--	(32.447)	(47.346)	(79.793)
Closing balance as of December 31, 2017	**1.892.431**	**85.950**	**--**	**2.494.721**	**4.473.102**
Net book value as of January 1, 2017	**27.880.000**	**--**	**--**	**679.331**	**28.559.331**
Net book value as of December 31, 2017	**30.296.776**	**--**	**--**	**708.977**	**31.005.753**

	Buildings (*)	Machinery and equipment	Vehicles	Fixtures	Total
Cost					
Opening balance as of January 1, 2016	26.298.985	85.950	32.447	2.638.109	29.055.491
Purchases	--	--	--	235.600	235.600
Disposals	--	--	--	50.321	50.321
Transfer	--	--	--	--	--
Fair value difference	2.494.847	--	--	--	2.494.847
Closing balance as of December 31, 2016	**28.793.832**	**85.950**	**32.447**	**2.823.388**	**31.735.617**
Accumulated Depreciation					
Opening balance as of January 1, 2016	137.894	85.950	30.705	1.763.968	2.018.517
Current year charge	775.938	--	1.742	400.122	1.177.802
Disposals	--	--	--	20.033	20.033
Closing balance as of December 31, 2016	**913.832**	**85.950**	**32.447**	**2.144.057**	**3.176.286**
Net book value as of January 1, 2016	**--**	**--**	**1.742**	**874.141**	**27.036.974**
Net book value as of December 31, 2016	**27.880.000**	**--**	**--**	**679.331**	**28.559.331**

(*)As of December 31, 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 30.296.776. These areas get share from the mortgages amounting to USD 136 million and TL 185 million established in İş Kuleleri and Kule Çarşı (December 31, 2016: USD 136 million and TL 185 million).

As of December 31, 2017, Company has tangible assets which is fully depreciated amounting to TL 1.214.266.

(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	728.887	728.887
Closing balance as of December 31, 2017	**3.397.414**	**3.397.414**
Accumulated Depreciation		
Opening balance as of January 1, 2017	2.195.277	2.195.277
Current year charge	354.431	354.431
Closing balance as of December 31, 2017	**2.549.708**	**2.549.708**
Net book value as of January 1, 2017	**473.250**	**473.250**
Net book value as of December 31, 2017	**847.706**	**847.706**

	Computer Programs	Total
Cost		
Opening balance as of January 1, 2016	2.360.560	2.360.560
Purchases	307.967	307.967
Closing balance as of December 31, 2016	**2.668.527**	**2.668.527**
Accumulated Depreciation		
Opening balance as of January 1, 2016	1.941.941	1.941.941
Current year charge	253.336	253.336
Closing balance as of December 31, 2016	**2.195.277**	**2.195.277**
Net book value as of January 1, 2016	**418.619**	**418.619**
Net book value as of December 31, 2016	**473.250**	**473.250**

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

As at December 31, 2017, Company has intangible assets which is fully depreciated amounting to TL 1.919.276.

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

14. Provisions, contingent assets and liabilities

	December 31, 2017	December 31, 2016
Debt provisions (*)	3.604.088	12.324.486
Total	**3.604.088**	**12.324.486**

	December 31, 2017	December 31, 2016
Letters of guarantee received (**)	190.095.828	324.504.913
Total	**190.095.828**	**324.504.913**

(*) Dept provisions consists of company's provisions as of December 31, 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 December 31, 2017 and December 31, 2016 are as follows:

	December 31, 2017	December 31, 2016
A. CPM given for companies own legal personality (*)	1.216.433.473	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 (**)	213.454.488	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	**1.429.887.961**	**1.418.819.299**

(*) CPM given for the Company's own legal personality consists of letters of guarantee amounting to TL 18.455.073 and pledge amounting to USD 136.000.000 and TL 685.000.000. As of December 31, 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, Kule-2 and Kule Çarşı amounting to USD 136.000.000 as 1st degree mortgage, Kule-2 and Kule Çarşı amounting to TL 185.000.000 as 2nd degree mortgage.).

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 December 31, 2017, TL 160.000.000 portion of TL 180.000.000 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 December 31, 2017, the ratio of CPM given by the Company to the Company's shareholders' equity is 6,5% (December 31, 2016: 6,3 %).

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

14. Provisions, contingent assets and liabilities (continued)

Operating leases

The Company, as the lessor in the operating lease transactions

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

	December 31, 2017	December 31, 2016
Less than 1 year	210.620.406	187.470.467
Between 1-5 years	630.875.291	577.702.293
More than 5 years	2.316.229.253	2.083.205.191
Total	**3.157.724.950**	**2.848.377.951**

15. Provision for employee benefits

	December 31, 2017	December 31, 2016
Unused vacation provisions	317.880	251.586
Total	**317.880**	**251.586**

	December 31, 2017	December 31, 2016
Severance pay indemnity	1.773.027	1.224.737
Total	**1.773.027**	**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 March 6, 1981 dated, 2422 numbered and August 25, 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 May 23, 2002.

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

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

15. Provision for employee benefits (continued)

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

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as of December 31, 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% (estimated salary increase rate) and a discount rate of 11,50%, resulting in a real discount rate of approximately 4,21% (December 31, 2016: the provisions have been calculated assuming an annual inflation rate of 6,15% (estimated salary increase rate) and discount rate of 10,80%, resulting in a real discount rate of approximately 4,38% discount rate). The anticipated rate of for features is considered. As the maximum liability is revised semi-annually, the maximum amount of TL 4.732 effective from December 31, 2017 has been taken into consideration in calculation of provision from employment termination benefits.

	1 January- December 31, 2017	**1 January December 31, 2016**
Opening balance at January 1	**1.224.737**	**973.127**
Service cost	198.538	90.074
Interest cost	168.627	86.092
Retirement pay provisions (-)	(177.756)	**--**
Actuarial gain / loss	358.881	75.444
Closing balance at December 31	**1.773.027**	**1.224.737**

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

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

Kısa vadeli peşin ödenmiş giderler	December 31, 2017	December 31, 2016
Job advances (*)	72.337.849	71.297.635
Prepaid expenses	520.941	52.855
Related Party Prepaid expenses (Note 24) (**)	2.472.998	2.716.668
Total	**75.331.788**	**74.067.158**

(*) As of December 31, 2017, job advances paid to Sera Yapı Endüstri ve Tic. A.Ş. under the agreement terms are TL 4.567.157 for Topkapı İnİstanbul Project (31 December 2016: 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 December 31, 2017, job advances paid to Ant Yapı A.Ş. under the agreement terms are TL 847.648 (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 62.881.313 (December 31, 2016: TL 49.411.572).

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

Prepaid expenses – long term	December 31, 2017	December 31, 2016
Job advances (**)	2.358.403	--
Prepaid taxes and dues payable	1.882.140	--
Total	**4.240.543**	**--**

Other current assets	December 31, 2017	December 31, 2016
Prepaid taxes and dues payable	3.425	26.205
Deposits and guarantees given	36.727	--
Total	**40.152**	**26.205**

Other non-current assets	December 31, 2017	December 31, 2016
VAT transferred (*)	110.088.475	103.298.551
Toplam	**110.088.475**	**103.298.551**

(*)As of December 31, 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.

Other short-term liabilities	December 31, 2017	December 31, 2016
Taxes and funds payable	3.094.233	2.131.536
Payable Social Security cuts	400.658	390.419
Total	**3.494.891**	**2.521.955**

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

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

Deferred revenue - short-term	December 31, 2017	December 31, 2016
Advances received (*)	586.576.131	4.272.002
Deferred revenue (***)	10.443.578	1.265.612
Short-term deferred revenue from related party (Note24)	493.827	660.831
Total	**597.513.536**	**6.198.445**

Deferred revenue - long-term	December 31, 2017	December 31, 2016
Advances received (**)	140.667.466	574.110.310
Deferred revenue (***)	--	3.570.780
Total	**140.667.466**	**577.681.090**

(*) The current year's advances received consist of advances for sales related with Kartal Manzara Adalar Project and 1st and 2nd stage of Topkapı Project (Note 11).

(**) The balance is comprises of the advances received from the sales of 3th and 4th stage of Topkapı Project (Note 11).

(***)The important part of the amount which are collected for real estate advances that have not been received but the invoice has been issued.

17. Shareholder's equity

<u>Share capital</u>

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

	December 31, 2017		December 31, 2016	
İş Gayrimenkul Yat. Ort. A.Ş.	**(%)**		**(%)**	
Türkiye İş Bankası A.Ş.	44,11	403.081.752	44,08	374.659.401
Anadolu Hayat Emeklilik A.Ş.	7,11	64.952.938	7,11	60.421.337
Other	48,78	445.715.310	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 announed on Turkish Trade Registry Gazette on May 16, 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 December 31, 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 December 31, 2017 and December 31, 2016, share premiums amounting TL 423.981 represent excess amount of selling price and nominal value for each share during initial public offering of the Company's shares.

Restricted reserves

	December 31, 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

	December 31, 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.

(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-December 31, 2017	**January 1-December 31, 2016**
Sales income from investment property	187.644.068	45.000.000
Rent income	178.897.669	176.911.800
Income from sales of real estate	41.674.317	156.964.797
Income from right of construction	18.274.776	14.933.996
Income Fees and Service	1.061.872	916.575
Other revenue	264.289	467.796
Total real estate revenues	**427.816.991**	**395.194.964**
Interest income on bank deposits	8.209.727	8.449.466
Gain on buy/sell of marketable securities	3.620.655	877.144
Interest income from reverse repos	11.145	11.284
Total debt instruments revenue	**11.841.527**	**9.337.894**
Total revenue	**439.658.518**	**404.532.858**

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

18. Revenue and cost of revenue (continued)

	January 1-December 31, 2017	January 1-December 31, 2016
Cost of sales of investment property	186.460.401	46.995.218
Cost of administrative expenses	35.051.239	17.553.295
Cost of sales of real estate	30.913.903	137.410.941
Taxes and dues	6.402.403	5.684.374
Insurance expenses	2.601.494	1.953.757
Other	394.434	131.208
Total	**261.823.874**	**209.728.793**

19. Administrative expenses / Marketing, selling and distribution expenses

Genel yönetim giderleri	January 1-December 31, 2017	January 1-December 31, 2016
Personnel expenses	10.611.655	9.120.562
Outsourced service expenses	5.375.365	5.650.574
Depreciation and amortization	1.727.838	1.431.138
Provision for doubtful receivables	1.251.360	560.761
Taxes and dues	179.407	177.997
Other	1.116.269	1.472.266
Total	**20.261.894**	**18.413.298**

Marketing, selling and distribution expenses	January 1-December 31, 2017	January 1-December 31, 2016
Advertising expenses	11.203.849	13.352.986
Consultancy expenses	1.987.958	2.304.508
Office expenses	1.371.619	1.555.692
Other	996.196	1.492.335
Total	**15.559.622**	**18.705.521**

20. Nature by expenses

	January 1-December 31, 2017	January 1-December 31, 2016
Personnel expenses		
Administrative expenses	10.611.655	9.120.562
Total	**10.611.655**	**9.120.562**

	January 1-December 31, 2017	January 1-December 31, 2016
Depreciation and amortization		
Administrative expenses	1.727.838	1.431.138
Total	**1.727.838**	**1.431.138**

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

21. Other operating income / expense

Other Operating Income	January 1- December 31, 2017	January 1- December 31, 2016
Revaluation income of investment property	203.738.363	363.976.922
Foreign exchange gains	2.577.853	12.281.546
Other	1.380.440	665.613
Total	**207.696.656**	**376.924.081**

Other Operating Expense	January 1- December 31, 2017	January 1- December 31, 2016
Foreign exchange losses	**--**	(11.470.876)
Revaluation expense of investment property	(123.919.259)	(28.681.004)
Toplam	**(123.919.259)**	**(40.151.880)**

22. Finance income / expense

Finance expense	January 1- December 31, 2017	January 1- December 31, 2016
Foreign exchange losses	(21.977.088)	(44.346.825)
Interest expense on loans and borrowings	(29.043.919)	(30.259.031)
Other interest expense	(5.615)	(132)
Derivative losses	(555)	(14.245)
Total	**(51.027.177)**	**(74.620.233)**

Finance income	January 1- December 31, 2017	January 1- December 31, 2016
Derivative gains	3.829.974	--
Total	**3.829.974**	**--**

23. Earnings per share

	January 1- December 31, 2017	January 1- December 31, 2016
Period opening of number of shares in circulation	85.000.000.000	74.600.000.000
Bonus shares due to capital increase	6.375.000.000	10.400.000.000
Number of shares in circulation as of December 31	**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	179.956.837	420.511.402
Earnings per share	**0,0020**	**0,0049**
Diluted earnings per share	**0,0020**	**0,0049**

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

As of December 31, 2017 capital of the Company consists of 91.375.000.000 shares that are valued TL 0,01 for each one.

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

24. Related party disclosures

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

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

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

Details of related party balances are as follows:

Balances at İş Bankası	**December 31, 2017**	**December 31, 2016**
Demand deposits	59.381.733	124.178.302
Time deposits	9.647.133	1.517.124
Income from reverse repos	85.786	--
Other current asset	209.350	69.949
Total	**69.324.002**	**125.765.375**

The Company has letters of guarantee amounting TL 18.455.073 (December 31, 2016: TL 14.703.799) from İş Bankası. In addition, 1st and 2nd 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 December 31, 2017 and December 31, 2016, the Company has mutual funds, established by, İş Bankası and İş Portföy Yönetimi A.Ş.

				December 31, 2017
	Short Term Trade Receivable	**Short Term Prepaid Expenses**	**Short Term Trade Payable**	**Deferred Income**
Balances with related parties				
Anadolu Anonim Türk Sigorta A.Ş.	3.931	2.472.998	1.374.868	--
Anadolu Cam Sanayii A.Ş.	--	--	--	14.213
Anadolu Cam Eskişehir Sanayi AŞ	--	--	--	--
Anadolu Hayat Emeklilik A.Ş.	--	--	30	--
Cam Elyaf Sanayii AŞ	525	--	--	--
Camiş Madencilik A.Ş.	--	--	--	5.258
Çayırova Cam Sanayii A Ş	525	--	--	--
İş Faktoring A.Ş.	195	--	--	--
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	--	--	--	--
İş Merkezleri Yönetim ve İşletim A.Ş.	498.474	--	2.650.186	--
İş Net Elektronik Hizmetler A.Ş.	--	--	15.116	--
İş Yatırım Menkul Değerler A.Ş.	--	--	--	--
İş Finansal Kiralama A.Ş.	--	--	38.818	--
İş Portföy Yönetimi A.Ş.	--	--	9.543	--
Kanyon Yönetim İşl. Paz. Ltd. Şti.	977.793	--	5.036.048	298.773
Madencilik Sanayii ve Ticaret AŞ	--	--	--	--
Mepa Merkezi Pazarlama AŞ	--	--	--	--
Paşabahçe Cam San. Ve Tic. A.Ş.	--	--	--	37.659
Paşabahçe Mağazaları A.Ş.	18.462	--	--	7.913
Soda Sanayii A.Ş.	--	--	--	11.788
Softtech Yazılım Teknolojileri A.Ş.	--	--	--	--
Şişecam Çevre Sistemleri A.Ş.	4.441	--	--	563
Şişecam Dış Ticaret A.Ş.	--	--	--	2.296
Şişecam Enerji A.Ş.	88	--	7.935	1.785
Şişecam Otomotiv A.Ş.	--	--	--	3.711
Şişecam Sigorta Hizmetleri A.Ş.	--	--	766	1.137
T İş Bankası A.Ş.	--	--	--	14.041
Trakya Cam Sanayii A.Ş.	--	--	--	22.445
Türkiye Şişe ve Cam Fabrikaları A.Ş.	96.327	--	--	72.245
Ortaklara borçlar (temettü)	--	--	597	--
Diğer	--	--	231.796	--
	1.600.761	**2.472.998**	**9.365.703**	**493.827**

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

24. Related party disclosures (continued)

	December 31, 2017	
	Loans and borrowings	
Balances with related parties	**Short Term**	**Long Term**
T. İş Bankası A.Ş.	154.258.179	484.995.840
Transactions with related parties	**Interest expense on loans**	**Capitalized interest expense**
T. İş Bankası A.Ş.	28.700.640	41.250.185

	December 31, 2017	
	Financial leasing	
Balances with related parties	**Short Term**	**Long Term**
İş Finansal Kiralama A.Ş.	696.316	--

	December 31, 2016			
	Short Term Trade Receivable	**Short Term Prepaid Expenses**	**Short Term Trade Payable**	**Deferred Income**
Balances with related parties				
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
Ortaklara borçlar (temettü)	--	--	476	--
Diğer	--	--	153.834	--
	322.311	**2.716.668**	**5.270.465**	**660.831**

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

24. 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 December 31, 2017, the Company entered into an interest option derivative transaction with İş Bankası and TL 11 (December 31, 2016: TL 566) accrual of this derivative transaction is recognized in the Company's statement of financial position and also TL 555 derivative trading loss (December 31, 2016: TL 14.245) derivative trading gains) is recognized in the Company's profit or loss for this transaction.

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

24. Related party disclosures (continued)

	January 1 - December 31, 2017				
Balances with related parties	**Purchases (*)**	**Interest received**	**Rent income**	**Other income**	**Other expense**
Anadolu Anonim Türk Sigorta A.Ş.	4.697.393	--	--	--	
Anadolu Cam Sanayi A.Ş.	--	--	1.140.440	23.200	167.620
Anadolu Cam Eskişehir Sanayi AŞ	--	--	3.557	--	--
Anadolu Cam Yenişehir Sanayi AŞ	--	--	3.557	--	--
Anadolu Hayat Emeklilik A.Ş.	226.069	--	4.459.401	44.861	--
Avea İletişim Hizmetleri A.Ş.	--	--	--	--	--
Cam Elyaf Sanayii AŞ	--	--	5.335	--	--
Camiş Madencilik A.Ş.	--	--	421.575	8.583	62.011
Camiş Elektrik Üretim AŞ	--	--	5.335	--	--
Çayırova Cam Sanayii A Ş	--	--	5.335	--	--
İş Faktoring A.Ş.	--	--	4.400	--	4.400
İş Finansal Kiralama A.Ş.	970.792	--	9.242	--	--
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	--	--	476.498	3.356	--
İş Merkezleri Yönetim ve İşletim A.Ş.	21.196.063	--	2.041.168	12.319	--
İş Net Elektronik Hizmetler A.Ş.	410.860	--	21.459	--	--
İş Portföy Yönetimi A.Ş.	--	--	21.826	--	51.805
İş Portföy Yönetimi A.Ş. Birinci Gayrimenkul Yatırım Fonu	--	--	--	69.000.000	--
İş Yatırım Menkul Değerler A.Ş.	112.500	--	3.841.764	33.898	1.930
Madencilik Sanayii ve Ticaret AŞ	--	--	5.335	--	--
Maxis Girişim Sermayesi Portföy Yön. A.Ş.	--	--	12.068	--	--
Mepa Merkezi Pazarlama AŞ	--	--	4.001	--	--
Paşabahçe Cam San. Ve Tic. A.Ş.	--	--	3.019.406	61.471	444.135
Paşabahçe Mağazacılık A.Ş.	6.307	--	1.463.473	12.917	305.898
Soda Sanayi A.Ş.	--	--	945.127	19.241	139.022
Softtech Yazılım Teknolojileri A.Ş.	9.599	--	4.380.105	--	--
Şişecam Çevre Sistemleri A.Ş.	--	--	45.163	919	6.643
Şişecam Dış Ticaret A.Ş.	--	--	184.050	3.747	--
Şişecam Enerji A.Ş.	86.519	--	143.095	2.913	21.048
Şişecam Elyaf Sanayii A.Ş.	--	--	4.446	--	--
Şişecam Otomotiv A.Ş.	--	--	297.505	6.057	43.761
Şişecam Sigorta Hizmetleri A.Ş.	--	--	91.135	1.855	--
T.Şişe ve Cam Fabrikaları A.Ş.	--	--	6.106.490	123.197	852.020
Trakya Cam Sanayi A.Ş.	--	--	1.799.533	36.636	264.699
Trakya Polatlı Cam Sanayii AS	--	--	5.335	--	--
Trakya Yenişehir Cam Sanayii AŞ	--	--	5.335	--	--
Türkiye İş Bankası A.Ş.	--	8.220.872	72.908.603	2.645	134.660
	27.716.102	**8.220.872**	**103.881.101**	**69.397.815**	**2.499.651**

(*) 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.

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

24. Related party disclosures (continued)

	January 1 – December 31, 2016				
Balances with related parties	Purchases (*)	Interest received	Rent income	Other income	Other expense
Anadolu Anonim Türk Sigorta A.Ş.	4.587.613	--	--	--	--
Anadolu Cam Sanayi A.Ş.	--	--	1.912.439	34.296	--
Anadolu Cam Eskişehir Sanayi AŞ	--	--	1.334	--	--
Anadolu Cam Yenişehir Sanayi AŞ	--	--	1.334	--	--
Anadolu Hayat Emeklilik A.Ş.	180.481	--	4.150.839	58.607	--
Avea İletişim Hizmetleri A.Ş.	--	--	--	--	--
Cam Elyaf Sanayii AŞ	--	--	1.334	--	--
Camiş Madencilik A.Ş.	--	--	647.911	11.666	--
Camiş Elektrik Üretim AŞ	--	--	1.334	--	--
Çayırova Cam Sanayii A Ş	--	--	1.334	--	--
İş Finansal Kiralama A.Ş.	2.239.263	--	20.990	--	--
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	--	--	445.885	4.752	--
İş Merkezleri Yönetim ve İşletim A.Ş.	4.463.109	--	1.728.646	151.735	--
İş Net Elektronik Hizmetler A.Ş.	12.245	--	17.915	--	96.466
İş Portföy Yönetimi A.Ş.	--	--	49.347	--	3.592
İş Yatırım Menkul Değerler A.Ş.	--	--	4.517.238	48.000	--
Madencilik Sanayii ve Ticaret AŞ	--	--	1.334	--	--
Mepa Merkezi Pazarlama AŞ	--	--	1.334	--	--
Paşabahçe Cam San. Ve Tic. A.Ş.	--	--	4.672.275	83.927	--
Paşabahçe Mağazacılık A.Ş.	7.540	--	931.669	6.206	48.560
Soda Sanayi A.Ş.	--	--	1.511.197	27.153	--
Softtech Yazılım Teknolojileri A.Ş.	--	--	4.009.800	--	31.991
Şişecam Çevre Sistemleri A.Ş.	--	--	11.291	244	--
Şişecam Dış Ticaret A.Ş.	27.073	--	428.024	5.957	--
Şişecam Enerji A.Ş.	102.409	--	117.151	2.171	--
Şişecam Otomotiv A.Ş.	--	--	74.376	1.607	--
Şişecam Sigorta Hizmetleri A.Ş.	--	--	199.690	3.078	--
T.Şişe ve Cam Fabrikaları A.Ş.	--	--	8.964.039	136.779	--
Trakya Cam Sanayi A.Ş.	--	--	2.619.952	47.249	--
Trakya Polatlı Cam Sanayii AS	--	--	1.334	--	--
Trakya Yenişehir Cam Sanayii AŞ	--	--	1.334	--	--
Türkiye İş Bankası A.Ş.	--	8.460.750	72.698.324	3.509	14.033
	11.619.733	**8.460.750**	**109.741.004**	**626.936**	**194.642**

(*) 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 December 31, 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:

Transactions with related parties	January 1 - December 31, 2017	
	TRSISGY31915	TRSISGY61912
Anadolu Anonim Türk Sigorta A.Ş.	15.004.748	--
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş	5.001.583	2.500.791
İş Yatırım Menkul Değerler A.Ş.	2.671.845	--
İş Yatırım Ortaklığı A.Ş.	4.501.424	3.501.108
Total	**27.179.600**	**6.001.899**

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

24. Related party disclosures (continued)

Transactions with related parties	January 1 - December 31, 2016	
	TRSISGY41617	**TRSISGY71614**
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- December 31, 2017	**January 1- December 31, 2016**
Salaries and other short term benefits	5.012.527	4.705.887
Employee termination benefits	538.465	454.561
Total	**5.550.992**	**5.160.448**

25. Nature and level of risks arising from financial instruments

a) Capital risk management

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

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

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

b) Financial risk factors

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

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

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

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

Exposure to maximum credit risk as of reporting date	**Receivables**						
	Trade receivables		**Other Receivables**				
December 31, 2017	**Related parties**	**Other parties**	**Related parties**	**Other parties**	**Bank deposits**	**Derivative instruments**	**Other [***]**
Maximum net credit risk as of the reporting date (A+B+C+D) [*]	**1.600.761**	**45.842.088**	**--**	**1.078.243**	**69.028.866**	**3.865.901**	**14.088.726**
- The part of maximum risk under guarantee with collateral etc. [**]	--	--	--	--	--	--	--
A. Net book value of financial assets that are neither past due nor impaired	1.600.761	45.842.088	--	1.078.243	69.028.866	3.865.901	14.088.726
B. Net book value of financial assets which are overdue but not impaired	--	1.463.781	--	--	--	--	--
C. Net book value of impaired assets							
- Past due (gross carrying amount)	--	2.567.269	--	--	--	--	--
- Impairment (-)	--	(2.567.269)	--	--	--	--	--
- The part of net value under guarantee with collateral etc.	--	--	--	--	--	--	--
- Not past due (gross carrying amount)	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--
- The part of net value under guarantee with collateral etc.	--	--	--	--	--	--	--
D. Off-balance sheet items with credit risk	--	--	--	--	--	--	--

(*) Items such as guarantees received which increase the credibility are not included in the determination of the balance.
(**) Collaterals consist of notes, cheques and mortgages.
(***) Investment funds which are shown in cash and cash equivalent, 3 months government bonds reverse repo agreements and other liquid assets are shown in other.

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

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

b.1) Credit risk management

Exposure to maximum credit risk as of reporting date	Receivables						
	Trade receivables		Other Receivables				
December 31, 2016	**Related parties**	**Other parties**	**Related parties**	**Other parties**	**Bank deposits**	**Derivative instruments**	**Other (***)**
Maximum net credit risk as of the reporting date (A+B+C+D) (*)	**322.311**	**28.447.990**	**--**	**1.211.817**	**125.695.426**	**566**	**1.566.638**
- The part of maximum risk under guarantee with collateral etc. (**)	--	749.404	--	--	--	--	--
A. Net book value of financial assets that are neither past due nor impaired	322.311	23.151.179	--	1.211.817	125.695.426	566	1.566.638
B. Net book value of financial assets which are overdue but not impaired	--	5.296.811	--	--	--	--	--
C. Net book value of impaired assets	--	--	--	--	--	--	--
- Past due (gross carrying amount)	--	1.315.908	--	--	--	--	--
- Impairment (-)	--	(1.315.908)	--	--	--	--	--
- The part of net value under guarantee with collateral etc.	--	--	--	--	--	--	--
- Not past due (gross carrying amount)	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--
- The part of net value under guarantee with collateral etc.	--	--	--	--	--	--	--
D. Off-balance sheet items with credit risk	--	--	--	--	--	--	--

(*) Items such as guarantees received which increase the credibility are not included in the determination of the balance.
(**) Collaterals consist of notes, cheques and mortgages.
(***) Investment funds which are shown in cash and cash equivalent, 3 months government bonds reverse repo agreements and other liquid assets are shown in other.

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

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

b.1) Credit risk management (continued)

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

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

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

	Receivables		
December 31, 2016	**Trade Receivables**	**Other Receivables**	**Total**
Past due 1-30 days	2.711.580	--	2.711.580
Past due 1-3 months	1.309.686	--	1.309.686
Past due 3-12 months	1.251.428	--	1.251.428
Past due 1-5 years	24.117	--	24.117
Total overdue receivables	**5.296.811**	**--**	**5.296.811**
Total collateralized portion	**4.209.872**	**--**	**4.209.872**

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

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

b.1) Credit risk management (continued)

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

	December 31, 2017		**December 31, 2016**	
	Nominal Value	**Fair Value**	**Nominal Value**	**Fair Value**
Right to guarantee	**--**	**--**	2.239.730	2.239.730
Letters of guarantee	960.940	960.940	1.784.706	1.784.706
Cash collaterals	103.399	103.399	184.766	184.766
Note payable	111.961	111.961	580	580
Letters of blockage	1.522	1.522	90	90
	1.177.822	**1.177.822**	**4.209.872**	**4.209.872**

b.2) Liquidity risk management

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

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

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

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

b.2) Liquidity risk management (continued)

December 31, 2017

Contractual maturities	Carrying Value	Total cash outflows according to contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non derivative financial liabilities						
Loans and borrowings	1.185.482.549	1.414.452.979	85.726.140	190.850.660	1.104.594.708	33.281.471
Trade payables	53.537.218	53.537.218	53.537.218	--	--	--
Other payables	44.979.614	44.979.614	--	44.979.614	--	--
Total liabilities	**1.283.999.381**	**1.512.969.811**	**139.263.358**	**235.830.274**	**1.104.594.708**	**33.281.471**

Contractual maturities	Carrying Value	Total cash outflows according to contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Derivative financial liabilities						
Derivatives cash inflow	3.865.901	--	--	--	--	--
Total	**3.865.901**					

December 31, 2016

Contractual maturities	Carrying Value	Total cash outflows according to contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non derivative financial liabilities						
Loans and borrowings	1.054.660.588	1.207.004.581	11.735.938	152.475.698	976.155.033	66.637.912
Trade payables	34.198.753	34.198.753	34.198.753	--	--	--
Other payables	36.612.898	36.612.898	--	622.898	35.990.000	--
Total liabilities	**1.125.472.239**	**1.277.816.232**	**45.934.691**	**153.098.596**	**1.012.145.033**	**66.637.912**

Contractual maturities	Carrying Value	Total cash outflows according to contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Derivative financial liabilities						
Derivatives cash inflow	566	--	--	--	--	--
Total	**566**					

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

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

b.3) Market risk management

b.3.1) Foreign Currency Risk Management

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

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

Foreign currency transactions lead to currency risks.

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

	USD Dollar	**Euro**	**GBP**
December 31, 2017	3,7719	4,5155	5,0803
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:

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

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

b.3) Market risk management (continued)

b.3.1) Foreign currency risk management (continued)

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

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

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

b.3) Market risk management (continued)

b.3.1) Foreign currency risk management (continued)

December 31, 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 assets	--	--	--
23. Hedged foreign currency assets	--	--	--
24. Hedged foreign currency liabilities	--	--	--

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

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

b.3) Market risk management (continued)

b.3.1) Foreign currency risk management (continued)

Foreign currency sensitivity

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

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

December 31, 2017		
	Appreciation of foreign currency	**Devaluation of foreign currency**
If US Dollar changes against TL by 10%		
US Dollar net asset / liability	(17.977.845)	17.977.845
Portion hedged against US Dollar risk (-)	--	--
US Dollar net effect	**(17.977.845)**	**17.977.845**
If Euro changes against TL by 10%		
Euro net asset / liability	(3.337.790)	3.337.790
Portion hedged against Euro risk (-)	--	--
Euro net effect	**(3.337.790)**	**3.337.790**

December 31, 2016		
	Appreciation of foreign currency	**Devaluation of foreign currency**
If US Dollar changes against TL by 10%		
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**
If Euro changes against TL by 10%		
Euro net asset/liability	(3.598.071)	3.598.071
Portion hedged against Euro risk (-)	--	--
Euro net effect	**(3.598.071)**	**3.598.071**

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

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

b.3) Market risk management (continued)

b.3.2) Interest rate risk management

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

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

There are no debt securitites of the Company classified as financial asset at fair value through profit or loss in accompanying financial statatements as of December 31, 2017 and December 31, 2016.

The sensitivity analyses have been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period at 1%. If interest rates increase or decrease by 1% as of December 31, 2017, the net profit would decrease or increase by TL 496.413 (31 December 2016: TL 692.063 decrease or increase).

Interest Rate Table

		December 31, 2017	December 31, 2016
Fixed Rate Financial Instruments			
	Financial assets classified at fair value through profit or loss	--	--
Financial Assets	Time deposits at banks	59.381.733	124.178.302
	Receivables from reverse repo transactions	85.786	--
Financial Liabilities		547.257.424	396.278.593
Floating Interest Rate Financial Instruments			
Investment Funds		13.793.590	1.496.689
Financial Liabilities		638.225.125	658.381.995

b.3.3) Equity price risk

As of December 31, 2017, company has no equity in their portfolio. Therefore, there is no equity price risk. (December 31, 2016: None)

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

26. Fair value of financial instruments

Financial assets

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

Financial liabilities

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

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

The Company assumes that the carrying values of the floating interest rate banks loans are close to their fair value, since floating interest rate banks loans are re-priced recently. The Company assumes that the carrying values of the fixed interest rate banks loans are close to their fair value, since the opening date of the bank loan is close to the reporting period and there is no significant change in the market interest rates. The estimated fair value of fixed rate financial liabilities is calculated by using discounted cash flows using current market interest rates.As of December 31, 2017 ,net book value of fixed rate loan is TL 546.561.108 and fair value of those loans are TL 546.561.108.

December 31, 2017	**Financial assets at amortized cost**	**Financial assets at fair value through profit or loss**	**Financial liabilities at amortized cost**	**Carrying value**	**Note**
Financial Assets					
Cash and cash equivalents	69.324.002	13.793.590	--	83.117.592	*5*
Trade receivables	62.067.357	--	--	62.067.357	*8*
Due from related parties	1.600.761	--	--	1.600.761	*24*
Other financial assets	1.078.243	--	--	1.078.243	*9*
Derivative instruments	--	3.865.901	--	3.865.901	*6*
Financial Liabilities					
Loans and borrowings	--	--	512.350.715	512.350.715	*7*
Loans and borrowings from related parties	--	--	673.131.834	673.131.834	*7*
Trade payables	--	--	44.171.515	44.171.515	*8*
Trade payables to related parties	--	--	9.365.703	9.365.703	*24*
Other payables	--	--	44.979.614	44.979.614	*9*
December 31, 2016					
Financial Assets					
Cash and cash equivalents	125.765.375	1.496.689	--	127.262.064	*5*
Trade receivables	28.447.990	--	--	28.447.990	*8*
Due from related parties	322.311	--	--	322.311	*24*
Other financial assets	1.211.817	--	--	1.211.817	*9*
Financial Liabilities					
Loans and borrowings	--	--	425.508.251	425.508.251	*7*
Loans and borrowings from related parties	--	--	629.152.337	629.152.337	*7*
Trade payables	--	--	28.928.288	28.928.288	8
Trade payables to related parties	--	--	5.270.465	5.270.465	*24*
Other payables	--	--	36.612.898	36.612.898	*9*

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

26. Fair value of financial instruments (continued)

Fair Value of Financial Instruments

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

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

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

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

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

Fair Value Hierarchy as at Reporting Date

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

Financial assets	**December31 , 2016**	**Level 1**	**Level 2**	**Level 3**
Investment properties	3.714.668.994	--	3.714.668.994	--
Tangible Assets	28.559.331	--	28.559.331	--
Financial assets held for trading	1.496.689	1.496.689	--	--
Derivatives held for trading	566	--	566	--
	3.744.725.580	**1.496.689**	**3.743.228.891**	**--**

27. Events after the reporting period

On January 26, 2018, the Company issued financing bonds with 179 days maturity amounting to TL 50,000,000. The maturity date of financing bonds which were sold to qualified investors through İş Yatırım Menkul Değerler A.Ş. is July 24, 2018.

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

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

	The main accounts of separate financial statements	Related regulation	December 31, 2017	December 31, 2016
A	Capital and money market instruments	III-48.1. Md. 24 / (b)	83.117.592	156.032.365
B	Real estates, rights supported by real estates and real estate projects	III-48.1. Md. 24 / (a)	4.936.135.877	4.521.787.358
C	Affiliates	III-48.1. Md. 24 / (b)	2.527.108	1.563.593
	Due from related parties (other receivables)	III-48.1. Md. 23 / (f)	--	--
	Other assets		290.166.679	207.636.878
D	**Total assets**	III-48.1. Md. 3 / (k)	**5.311.947.256**	**4.887.020.194**
E	Loans and borrowings	III-48.1. Md. 31	1.184.786.233	1.043.049.106
F	Other financial liabilities	III-48.1. Md. 31	3.604.088	12.324.486
G	Financial lease obligations	III-48.1. Md. 31	696.316	11.611.482
H	Due to related parties (other payables)	III-48.1. Md. 23 / (f)	--	--
I	Equity	III-48.1. Md. 31	3.280.576.987	3.161.345.656
	Other liabilities		842.283.632	658.689.464
D	**Total liabilities and equity**	III-48.1. Md. 3 / (k)	**5.311.947.256**	**4.887.020.194**

	Other separate financial information	İlgili düzenleme	December 31, 2017	December 31, 2016
A1	Capital and money market instruments amount held for 3-year real estate payments	III-48.1. Md. 24 / (b)	--	--
A2	Time balances / demand balances TL / foreign currency	III-48.1. Md. 24 / (b)	69.028.866	125.695.426
A3	Foreign capital market instruments	III-48.1. Md. 24 / (d)	--	--
B1	Foreign real estates, rights supported by real estates and real estate projects	III-48.1. Md. 24 / (d)	--	--
B2	Inactive land	III-48.1. Md. 24 / (c)	47.577.917	43.650.487
C1	Foreign affiliates	III-48.1. Md. 24 / (d)	--	--
C2	Participating to operating company	III-48.1. Md. 28	2.527.108	1.563.593
J	Non-cash loans	III-48.1. Md. 31	18.455.073	14.703.799
K	Mortgage amounts of the mortgaged lands that the project will be developed on without ownership	III-48.1. Md. 22 / (e)	--	--
L	The sum of investments in money and capital market instruments in a single company	Seri:VI No:11, Md.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 December 31, 2017, the Company's participation in Kanyon is TL 500.000 and does not exceed 10% of the total assets.

(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	December 31, 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. Md. 22 / (e)	0%	0%	Max %10
2	Real estates, rights supported by real estates and real estate projects	III-48.1. Md. 24 / (a). (b)	93%	93%	Min %51
3	Capital and money market instruments and subsidiaries	III-48.1. Md. 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. Md. 24 / (d)	0%	0%	Max %49
5	Inactive land	III-48.1. Md. 24 / (c)	1%	1%	Max %20
6	Participating to operating company	III-48.1. Md. 28	0%	0%	Max %10
7	Borrowings limits	III-48.1. Md. 31	37%	34%	Max %500
8	Time balances / demand balances TL / foreign currency	III-48.1. Md. 22 / (e)	1%	3%	Max %10
9	The sum of investments in money and capital market instruments in a single company	Seri:VI No:11, Md.22/(l)	0%	0%	Max %10