

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

**Condensed Financial Statements As of and
For the Interim Period Ended June 30, 2020
With Review Report**

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

July 29, 2020

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

İş Gayrimenkul Yatırım Ortaklığı
Anonim Şirketi

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

Report on Review of Interim Condensed Financial Statements

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

Introduction

We have reviewed the accompanying interim condensed statement of financial position of İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi ("the Company") as of June 30, 2020 and the interim condensed statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and explanatory notes. The Company management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with Turkish Accounting Standard 34, Interim Financial Reporting Standard (TAS 34). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with TAS 34.

Emphasis of Matter

We draw attention to Note 26 of the Company's statements regarding the activities affected by the coronavirus outbreak. However, our conclusion is not modified with this respect.

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



July 29, 2020
İstanbul, Turkey

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İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi
Condensed Statement of Financial Position (Balance Sheet)
For the Interim Period Ended June 30, 2020
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

		<i>Reviewed</i>	<i>Audited</i>
	<i>Notes</i>	June 30, 2020	December 31, 2019
ASSETS			
Current assets		658.853.248	1.249.783.479
Cash and cash equivalents	5	49.466.843	388.415.387
Financial investments	6	--	173.465.888
Trade receivables	8	133.956.281	116.530.503
<i>Trade receivables from related parties</i>	24	2.654.494	3.064.499
<i>Trade receivables from third parties</i>		131.301.787	113.466.004
Other receivables	9	6.493.508	5.685.288
<i>Other receivables from related parties</i>	24	1.175.000	--
<i>Other receivables from third parties</i>		5.318.508	5.685.288
Derivatives	6	44.076.087	42.367.396
Inventories	11	418.942.609	381.840.456
Inventories under development	11	--	121.124.555
Prepaid expenses	16	5.715.630	7.497.215
<i>Prepaid expenses to related parties</i>	24	1.447.807	2.286.461
<i>Prepaid expenses to third parties</i>		4.267.823	5.210.754
Other current assets	16	202.290	12.856.791
Non-current assets		4.464.367.855	4.466.573.407
Financial investments	6	222.804.647	221.249.112
Trade receivables	8	20.632.299	32.659.874
<i>Other trade receivables from third parties</i>		20.632.299	32.659.874
Inventories	11	175.247.246	175.000.000
Equity accounted investees	3	3.296.424	3.741.256
Investment properties	10	3.732.337.701	3.724.396.501
Investment properties under development	10	262.429.927	261.537.000
Tangible assets	12	38.011.467	38.460.738
Intangible assets	13	1.143.573	931.084
Prepaid expenses	16	8.464.571	8.597.842
<i>Prepaid expenses to third parties</i>		8.464.571	8.597.842
TOTAL ASSETS		5.123.221.103	5.716.356.886

The accompanying notes form an integral part of these financial statements

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi
Condensed Statement of Financial Position (Balance Sheet)
For the Interim Period Ended June 30, 2020
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

		<i>Reviewed</i>	<i>Audited</i>
		June 30,	December 31,
	<i>Notes</i>	2020	2019
LIABILITIES			
Short-term liabilities		971.763.166	1.232.364.908
Short term borrowings	7	407.453.687	464.336.466
<i>Loans and borrowings to related parties</i>	24	323.597.217	288.256.265
<i>Loans and borrowings to third parties</i>		83.856.470	176.080.201
Current portion of long term borrowings	7	409.882.966	352.420.787
<i>Loans and borrowings to related parties</i>	24	96.399.954	205.710.355
<i>Loans and borrowings to third parties</i>		313.483.012	146.710.432
Trade payables	8	9.875.131	216.937.006
<i>Trade payables to related parties</i>	24	2.100.008	209.645.274
<i>Trade payables to third parties</i>	8	7.775.123	7.291.732
Other payables	9	13.464.879	12.269.184
<i>Other payables to third parties</i>	9	13.464.879	12.269.184
Liabilities from contracts with customers		106.745.390	149.036.245
<i>Contractual obligations from sales of goods and services</i>	17	106.745.390	149.036.245
Deferred income (Excluding liabilities from contracts with customers)	16	2.941.080	22.831.188
<i>Deferred income from related parties</i>	24	101.179	52.091
<i>Deferred income from third parties</i>		2.839.901	22.779.097
Short-term provisions		7.421.668	5.435.702
<i>Provisions for employee benefits</i>	15	687.417	455.484
<i>Other short-term provisions</i>	14	6.734.251	4.980.218
Other short-term liabilities	16	5.362.374	704.787
Derivatives	6	8.615.991	8.393.543
Long-term liabilities		303.138.548	623.764.900
Loans and borrowings	7	300.930.882	621.751.194
<i>Loans and borrowings to related parties</i>	24	300.930.882	368.157.840
<i>Loans and borrowings to third parties</i>		--	253.593.354
Long term provisions		2.207.666	2.013.706
<i>Provisions for employee benefits</i>	15	2.207.666	2.013.706
EQUITY		3.848.319.389	3.860.227.078
Share capital	18	958.750.000	958.750.000
Inflation restatement difference on share capital	18	240.146.090	240.146.090
Share premium	18	423.981	423.981
Other comprehensive income that will never be reclassified to profit or loss		36.567.156	36.567.156
<i>Revaluation and classification of gains / losses</i>		36.951.956	36.951.956
<i>Other earnings/ losses</i>		(384.800)	(384.800)
Restricted reserves	18	70.941.969	65.949.792
Prior years’ profits	18	2.553.397.882	2.261.000.280
Net profit for the period		(11.907.689)	297.389.779
TOTAL EQUITY AND LIABILITIES		5.123.221.103	5.716.356.886

The accompanying notes form an integral part of these financial statements

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Condensed Statement of Profit or Loss

For the Interim Period Ended June 30, 2020

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

		<i>Reviewed</i>	<i>Reviewed</i>	<i>Reviewed</i>	<i>Reviewed</i>
		January 1- June 30, 2020	April 1- June 30, 2020	January 1- June 30, 2019	April 1- June 30, 2019
	<i>Notes</i>				
Revenue	19	219.934.545	149.071.946	248.537.440	171.958.350
Cost of revenue (-)	19	(120.044.900)	(96.155.409)	(131.037.968)	(105.705.145)
Gross profit		99.889.645	52.916.537	117.499.472	66.253.205
General administrative expense (-)	20	(17.467.838)	(9.256.213)	(16.562.857)	(9.584.720)
Marketing expenses (-)	20	(3.977.691)	(1.027.181)	(8.091.432)	(3.976.842)
Other operating income	21	7.543.577	5.345.156	7.275.515	6.098.020
Other operating expense (-)	21	(2.273.879)	3.153.938	(1.784)	(1.784)
Operating profit		83.713.814	51.132.237	100.118.914	58.787.879
Share of profit of equity-accounted investees	3	1.055.168	605.813	883.827	275.161
Operating Profit Before Finance Expense		84.768.982	51.738.050	101.002.741	59.063.040
Financial income	22	10.610.607	3.493.383	6.582.227	(9.028.552)
Financial expenses (-)	22	(107.287.278)	(46.400.991)	(126.125.354)	(62.296.985)
Operating Profit before Tax From Continuing Operations		(11.907.689)	8.830.442	(18.540.386)	(12.262.497)
Tax Expense From Continuing Operations					
- Corporate tax charge		--	--	--	--
- Deferred tax benefit		--	--	--	--
Net profit for the period		(11.907.689)	8.830.442	(18.540.386)	(12.262.497)
Earnings per share	23	(0,0001)	0,0001	(0,0002)	(0,0001)

The accompanying notes form an integral part of these financial statements

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi
Condensed Statement of Other Comprehensive Income
For the Interim Period Ended June 30, 2020
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

	<i>Reviewed</i>	<i>Reviewed</i>	<i>Reviewed</i>	<i>Reviewed</i>
	January 1- June 30, 2020	April 1- June 30, 2020	January 1- June 30, 2019	April 1- June 30, 2019
Notes				
Net profit for the period	(11.907.689)	8.830.442	(18.540.386)	(12.262.497)
Other comprehensive income				
Other comprehensive income that will never be reclassified to profit or loss				
Revaluation and classification of gains / losses	--	--	--	--
Actuarial gain/(loss) arising from defined benefit plans	--	--	--	--
Other comprehensive income	--	--	--	--
TOTAL COMPREHENSIVE INCOME	(11.907.689)	8.830.442	(18.540.386)	(12.262.497)

The accompanying notes form an integral part of these financial statements

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Consensed Statement of Changes in Equity

For the Interim Period Ended June 30, 2020

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

					Other comprehensive income that will never be reclassified to profit or loss					
	Notes	Share capital	Inflation restatement difference on share capital	Share premium	Other earnings / losses	Revaluation and classification of gains / losses	Legal reserves	Prior years' profits	Net profit for the period	Equity
Balances at January 1, 2019		958.750.000	240.146.090	423.981	(383.837)	31.053.049	59.561.684	1.925.777.515	341.610.873	3.556.939.355
Transfers		--	--	--	--	--	6.388.108	335.222.765	(341.610.873)	--
Total comprehensive income		--	--	--	--	--	--	--	(18.540.386)	(18.540.386)
Balances at June 30, 2019	18	958.750.000	240.146.090	423.981	(383.837)	31.053.049	65.949.792	2.261.000.280	(18.540.386)	3.538.398.969
Balances at January 1, 2020		958.750.000	240.146.090	423.981	(384.800)	36.951.956	65.949.792	2.261.000.280	297.389.779	3.860.227.078
Transfers		--	--	--	--	--	4.992.177	292.397.602	(297.389.779)	--
Total comprehensive income		--	--	--	--	--	--	--	(11.907.689)	(11.907.689)
Balances at June 30, 2020	18	958.750.000	240.146.090	423.981	(384.800)	36.951.956	70.941.969	2.553.397.882	(11.907.689)	3.848.319.389

The accompanying notes form an integral part of these financial statements

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi
Consensed Statement of Cash Flow
For the Interim Period Ended June 30, 2020
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

	<i>Notes</i>	Revised June 30, 2020	Revised June 30, 2019
A. Cash flows from operating activities			
Net profit for the period		(11.907.689)	(18.540.386)
Profit adjustments for:			
Adjustments to depreciation and amortization	12, 13	1.134.109	986.538
Adjustments to impairment or cancellation		424.423	1.693.881
- Adjustments to impairment of receivables	8	424.423	1.693.881
Adjustments for provisions		548.752	431.188
- Adjustments to provision for employee severance indemnity	15	548.752	431.188
Adjustments for (gain)/losses on fair value		(14.292.742)	(9.322.227)
- Adjustments to (gain)/losses on fair value of financial investments	21	(3.682.135)	--
- Adjustments to (gain)/losses on fair value of investment properties	10	--	(2.740.000)
- Adjustments to (gain)/losses on fair value of derivatives	22	(10.610.607)	(6.582.227)
Adjustments for retained earnings of investments valued by equity method		(1.055.168)	(883.827)
- Adjustments for retained earnings of subsidiaries	3	(1.055.168)	(883.827)
Adjustments to interest income and expense		71.109.018	93.946.270
- Adjustments to interest income	19	(3.671.278)	(7.005.856)
- Adjustments to interest expense	22	74.780.296	100.952.126
Adjustments to foreign exchange differences		14.475.510	23.488.809
Operating profit from before the changes in working capital		60.436.213	91.800.246
Changes in working capital			
Changes in trade receivables		(5.822.626)	(3.723.982)
- Changes in trade receivables from related parties		410.005	1.694.136
- Changes in trade receivables from third parties		(6.232.631)	(5.418.118)
Changes in other receivables		691.780	(7.952.409)
- Changes in other receivables from related parties		325.000	1.035.610
- Changes in other receivables from third parties		366.780	(8.988.019)
Changes in inventories		84.808.948	50.075.154
Changes in derivative assets		--	933.877
Changes in prepaid expenses		1.914.856	1.172.558
Changes in trade payables		(31.469.387)	(13.869.118)
- Changes in trade payables from related parties		(31.952.778)	(4.812.547)
- Changes in trade payables from third parties		483.391	(9.056.571)
Changes in other payables		1.195.695	(726.835)
- Changes in other payables from third parties		1.195.695	(726.835)
Changes in derivative liabilities		--	(778.515)
Changes in liabilities from contracts with customers		(42.290.855)	(63.482.519)
- Changes in contractual obligations from sales of goods and services		(42.290.855)	(63.482.519)
Changes in deferred income (Excluding liabilities from contracts with customers)		(19.890.108)	(5.061.502)
Other changes in working capital		19.066.121	15.120.382
- Changes in other assets		12.654.501	15.374.565
- Changes in other liabilities		6.411.620	(254.183)
		68.640.637	63.507.337
Cash generated from operating activities			
Employee termination benefits paid	15	(122.859)	(120.206)
Interest received	5, 19	5.102.109	7.735.537
Net cash provided by / (used in) operating activities		73.619.887	71.122.668
B. Cash flows from investing activities			
Cash outflows arising from purchase of investment properties		(8.783.892)	(6.888.411)
Cash outflows arising from purchases of tangible and intangible assets	12, 13	(897.327)	(356.493)
- Cash outflows arising from purchases of tangible assets		(297.236)	(5.429)
- Cash outflows arising from purchases of intangible assets		(600.091)	(351.064)
Net cash used in investing activities		(9.681.219)	(7.244.904)
C. Cash flows from financing activities			
Cash outflows arising from derivatives		12.951.242	8.379.791
Cash inflows arising from derivatives		(3.826.878)	--
Borrowings received	7	233.236.250	751.469.000
Borrowings paid	7	(582.123.137)	(750.975.997)
Interest paid	7	(78.654.550)	(109.177.126)
Net cash provided by financing activities		(418.417.073)	(100.304.332)
Increase / (decrease) in cash and cash equivalents before effect of changes in foreign currency rates		(354.478.405)	(36.426.568)
Effect of changes in foreign currency rates over cash and cash equivalents		16.960.692	190.551
Net increase / (decrease) in cash and cash equivalents		(337.517.713)	(36.236.017)
Cash and cash equivalents at the beginning of the period	5	386.968.340	53.467.044
Cash and cash equivalents at the end of the period	5	49.450.627	17.231.027

The accompanying notes form an integral part of these financial statements

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2020

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

1. Organization and operations of the Company

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

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

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

The Company has 71 employees as of June 30, 2020 (December 31, 2019: 72).

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 June 30, 2020 have been approved for issue by the Board of Directors on July 29, 2020. The General Assembly and the legal authorities have the authority to amend the statutory financial statements and these financial statements.

Additional paragraph for convenience translation into English

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

Preparation of financial statements

The accompanying financial statements have been presented in accordance with the TAS taxonomy of POA announced at April 15, 2019.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2020

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

2. Basis of presentation of financial statements (continued)

2.1 Basis of presentation (continued)

Functional and presentation currency

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

Basis of measurement

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

Preparation of financial statements in Hyperinflationary Periods

The CMB, with its resolution dated March 17, 2005 and numbered 11/367, 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.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2020

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

2. Basis of presentation of financial statements (continued)

2.2 Changes in accounting policies and estimates

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

2.3 Summary of significant accounting policies

Condensed consolidated financial statements for the period ended June 30, 2020, have been prepared in accordance with IAS 34, the IFRS standard on interim financial reporting. Furthermore, accounting policies applied in the preparation of condensed financial statements as of June 30, 2020 are consistent with the accounting policies used for the preparation of financial statements for the year ended December 31, 2019. Thus, these condensed financial statements should be read together with the financial statements for the year ended December 31, 2019.

2.4 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as at June 30, 2020 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, 2020. The effects of these standards and interpretations on the Company financial position and performance have been disclosed in the related paragraphs.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2020

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

2. Basis of presentation of financial statements (continued)

2.4 The new standards, amendments and interpretations (continued)

i) The new standards, amendments and interpretations which are effective as at January 1, 2020 are as follows:

Definition of a Business (Amendments to TFRS 3)

In May 2019, the POA issued amendments to the definition of a business in TFRS 3 Business Combinations standards. The amendments are intended to assist entities to remove the assessment regarding the definition of business.

The amendments:

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

The amendments to TFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

Amendments to TFRS 9, TAS 39 and TFRS 7- Interest Rate Benchmark Reform

The amendments issued to TFRS 9 and TAS 39 which are effective for periods beginning on or after January 1, 2020 provide reliefs which enable hedge accounting to continue. For these reliefs, it is assumed that the benchmark on which the cash flows of hedged risk or item are based and/or, the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform. in connection with interest rate benchmark reform.

Reliefs used as a result of amendments in TFRS 9 and TAS 39 is aimed to be disclosed in financial statements based on the amendments made in TFRS 7. The amendments did not have a significant impact on the financial position or performance of the Company.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2020

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

2. Basis of presentation of financial statements (continued)

2.4 The new standards, amendments and interpretations (continued)

Definition of Material (Amendments to TAS 1 and TAS 8)

In June 2019, the POA issued amendments to TAS 1 Presentation of Financial Statements and TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of ‘material’ across the standards and to clarify certain aspects of the definition. The new definition states that, ‘Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to TAS 1 and TAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted. The amendments did not have a significant impact on the financial position or performance of the Company.

Amendments to TFRS 16 – Covid-19 Rent Related Concessions

In June 5, 2020, the POA issued amendments to TFRS 16 Leases to provide relief to lessees from applying TFRS 16 guidance on lease modifications to rent concessions arising a direct consequence of the Covid-19 pandemic. A lessee that makes this election accounts for any change in lease payments related rent concession the same way it would account for the change under the standard, if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021
- There is no substantive change to other terms and conditions of the lease.

A lessee will apply the amendment for annual reporting periods beginning on or after 1 June 2020. Early application of the amendments is permitted. The amendments did not have a significant impact on the financial position or performance of the Company.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2020

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

2. Basis of presentation of financial statements (continued)

2.4 The new standards, amendments and interpretations (continued)

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

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

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

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Company will wait until the final amendment to assess the impacts of the changes.

TFRS 17 - The new Standard for insurance contracts

The POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted. The standard is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

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

On March 12, 2020, the POA issued amendments to TAS 1 Presentation of Financial Statements. The amendments issued to TAS 1 which are effective for periods beginning on or after 1 January 2023 , clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

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.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2020

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

2. Basis of presentation of financial statements (continued)

2.4 The new standards, amendments and interpretations (continued)

Amendments to IFRS 3 – Reference to the Conceptual Framework

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

Amendments to IAS 16 – Proceeds before intended use

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

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

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2020

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

2. Basis of presentation of financial statements (continued)

2.4 The new standards, amendments and interpretations (continued)

Annual Improvements – 2018–2020 Cycle

In May 2020, the IASB issued Annual Improvements to IFRS Standards 2018–2020 Cycle, amending the followings:

- *IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter: The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.*
- *IFRS 9 Financial Instruments – Fees in the “10 per cent test” for derecognition of financial liabilities: The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other’s behalf.*
- *IAS 41 Agriculture – Taxation in fair value measurements: The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of IAS 41.*
- *Illustrative Examples accompanying IFRS 16 Leases – Lease incentives: The amendment removes the illustration of payments from the lessor relating to leasehold improvements in illustrative Example 13 accompanying IFRS 16 and also removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.*

Improvements are effective for annual reporting periods beginning on or after 1 January 2022 except the changes in IFRS 16 Leases (became effective date of issue). Earlier application is permitted for all. The Company is in the process of assessing the impact of the amendments / improvements on financial position or performance of the Company.

2.5 Restrictions on the investment portfolio of real estate investment trusts

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2020

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

2. Basis of presentation of financial statements (continued)

2.6 Accounting estimates

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

- *Note 10 Investment property*
- *Note 11 Inventories*
- *Note 14 Provision for litigation*
- *Note 15 Provision for employee benefits*

Working capital ratio

As of 30 June 2020, current assets of the Company are amount to TL 658.853.248 and short term liabilities of the Company are amount to 971.763.166. Current assets exceeded short term liabilities TL 312.909.918. In addition, there are advances received are amount to TL 106.745.390 arising from house sales are included to short term liabilities.

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

The Company anticipates that approximately 215 million TL of rental income will be collected from the investment properties in the following year.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2020

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

3. Equity accounted investees

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

	Ownership (%)	June 30, 2020	Ownership (%)	December 31, 2019
Kanyon	50	3.296.424	50	3.741.256
		3.296.424		3.741.256

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

Kanyon	June 30, 2020	December 31, 2019
Current assets	28.515.533	26.376.993
Non-current assets	1.328.228	1.255.149
Short-term liabilities	(22.207.916)	(19.227.326)
Long-term liabilities	(1.042.997)	(922.304)
Net assets	6.592.848	7.482.512

Kanyon	January 1 – June 30, 2020	January 1 – June 30, 2019
Income for the period	32.469.850	35.648.491
Expense for the period (-)	(30.359.514)	(33.880.837)

The Company recognized profit amounting to TL 1.055.168 TL resulting from consolidation of Kanyon with equity method for the year ended June 30, 2020 (June 30, 2019: TL 883.827) in the accompanying statement of profit and loss.

4. Operating segments

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2020

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

4. Operating segments (continued)

	Ankara İş Kule Building	Istanbul İş Kuleleri Complex	Maslak Office Building	Mugla Marmaris Mallmaris Shopping Mall	Istanbul Kanyon Shopping Mall	Istanbul Marmara Park Shopping Mall	Taksim Office Lamartine	Tuzla Technology and Operating Center	Istanbul Tuzla Combined	İzmir Ege Perla Shpping Mall	İzmir Ege Perla Residance/ Office	Kartal Manzara Adalar	Topkapı Inistanbul	Other Real Estates	Total
June 30, 2020															
Sales Revenue															
Income from sales of residence	--	--	--	--	--	--	--	--	--	--	6.047.789	16.498.106	88.304.188	--	110.850.083
Rent income	2.825.832	19.296.690	165.377	374.091	11.959.670	--	1.121.577	50.926.328	466.254	1.630.450	237.150	220.458	--	--	89.223.877
Income from right of construction	--	--	--	--	--	15.002.634	--	--	--	--	--	--	--	--	15.002.634
Income fees and service	--	--	45.211	--	37.345	--	--	--	--	321.815	208.264	265.651	--	--	878.286
Other income	--	27.289	--	--	38.308	--	--	--	--	--	19.009	3.005	--	--	87.611
Real estate revenues	2.825.832	19.323.979	210.588	374.091	12.035.323	15.002.634	1.121.577	50.926.328	466.254	1.952.265	6.512.212	16.987.220	88.304.188	--	216.042.491
Cost of Sales															
Cost of sales of residence	--	--	--	--	--	--	--	--	--	--	5.288.109	16.397.128	74.128.024	--	95.813.261
Administrative expense	--	5.064.616	113.658	--	3.595.659	--	80.481	--	456.098	5.055.335	473.368	2.686.058	--	166.262	17.691.535
Tax and duty and other charges	188.727	1.383.551	136.797	15.553	1.150.193	610.292	67.531	694.141	46.752	413.336	--	108.939	--	1.624	4.817.436
Insurance expense	17.532	362.532	11.794	14.119	163.899	--	8.730	420.576	55.038	259.568	55.224	--	--	13.015	1.382.027
Other	--	95.195	5.903	--	12.180	--	--	--	4.862	163.922	--	32.013	--	26.566	340.641
Cost of Sales	206.259	6.905.894	268.152	29.672	4.921.931	610.292	156.742	1.114.717	562.750	5.892.161	5.816.701	19.224.138	74.128.024	207.467	120.044.900
Gross Profit	2.619.573	12.418.085	(57.564)	344.419	7.113.392	14.392.342	964.835	49.811.611	(96.496)	(3.939.896)	695.511	(2.236.918)	14.176.164	(207.467)	95.997.591
Capital investments	40.115	696.666	5.759.949	455.487	--	--	--	45.577	--	943.406	--	263.909	11.192.957	1.140.173	20.538.239

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2020

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

4. Operating segments (continued)

	Ankara İş Kule Building	Istanbul İş Kuleleri Complex	Maslak Office Building	Mugla Marmaris Mallmarine Shopping Mall	Istanbul Kanyon Shopping Mall	Istanbul Marmara Park Shopping Mall	Nevşehir Kapadokya Lodge Hotel	Taksim Office Lamartine	Tuzla Technology and Operating Center	Istanbul Tuzla Shopping Combined	İzmir Ege Perla Shpping Mall	İzmir Ege Perla Residance/ Office	Kartal Manzara Adalar	Topkapı Inistanbul	Other Real Estates	Total
June 30, 2019																
<u>Sales Revenue</u>																
Income from sales of residence	--	--	--	--	--	--	--	--	--	--	--	2.824.756	10.228.566	107.154.596	--	120.207.918
Rent income	2.731.038	18.567.016	697.018	481.356	20.284.233	--	1.040.000	1.172.960	46.465.628	12.405.377	2.835.463	255.907	7.675	--	129.560	107.073.231
Income from right of construction	--	--	--	--	--	12.925.650	--	--	--	--	--	--	--	--	--	12.925.650
Income fees and service	--	--	--	--	49.648	--	--	--	--	131.301	--	347.271	--	--	--	528.220
Other income	--	106.942	--	--	27.795	--	--	--	--	7.512	--	58.421	281.690	--	--	482.360
Real estate revenues	2.731.038	18.673.958	697.018	481.356	20.361.676	12.925.650	1.040.000	1.172.960	46.465.628	12.544.190	2.835.463	3.486.355	10.517.931	107.154.596	129.560	241.217.379
Cost of sales of residence	--	--	--	--	--	--	--	--	--	--	--	2.835.653	10.728.688	92.232.730	--	105.797.071
Administrative expense	--	4.729.813	65.324	--	3.895.788	--	47.807	145.518	--	543.119	6.146.782	441.466	1.463.824	--	13.826	17.493.267
Tax and duty and other charges	169.580	1.201.787	122.983	13.976	1.037.645	548.378	20.500	60.067	620.532	325.941	465.820	--	876.783	--	3.146	5.467.138
Insurance expense	13.946	370.642	11.762	14.097	181.419	--	10.089	8.178	440.346	275.473	290.922	4.988	98.581	--	1.987	1.722.430
Other	5.124	93.572	700	--	39.710	22.000	--	--	235.087	35.305	33.704	92.860	--	--	--	558.062
Cost of Sales	188.650	6.395.814	200.769	28.073	5.154.562	570.378	78.396	213.763	1.295.965	1.179.838	6.937.228	3.374.967	13.167.876	92.232.730	18.959	131.037.968
Gross Profit	2.542.388	12.278.144	496.249	453.283	15.207.114	12.355.272	961.604	959.197	45.169.663	11.364.352	(4.101.765)	111.388	(2.649.945)	14.921.866	110.601	110.179.411
Capital investments	2.933.413	322.312	20.139	--	71.631	--	--	--	10.630	9.316	1.637.502	--	3.648.086	58.922.824	6.932.072	74.507.925

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2020

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

4. Operating segments (continued)

Reconciliation of income, assets and liabilities

Sales Revenue	January 1 – June 30, 2020	January 1 – June 30, 2019
Segment revenue	216.042.491	241.217.379
Undistributed revenue	3.892.054	7.320.061
Total Revenue	219.934.545	248.537.440

Cost of Sales	January 1 – June 30, 2020	January 1 – June 30, 2019
Segment Costs	(120.044.900)	(131.037.968)
Total cost of sales	(120.044.900)	(131.037.968)

Assets	June 30, 2020	December 31, 2019
Segment assets	4.588.957.483	4.663.898.512
Other assets	154.588.580	149.190.377
Non-segment related assets	379.675.040	903.267.997
Total assets	5.123.221.103	5.716.356.886

Liabilities	June 30, 2020	December 31, 2019
Segment liabilities	1.241.932.370	1.619.474.210
Other liabilities	32.969.344	236.655.598
Total liabilities	1.274.901.714	1.856.129.808

5. Cash and cash equivalent

	June 30, 2020	December 31, 2019
Time deposits	38.271.551	353.698.955
Demand deposits	635.439	30.224.490
Mutual funds	10.559.853	4.491.942
	49.466.843	388.415.387
Interest accrued on cash and cash equivalents	(16.216)	(1.447.047)
Total cash and cash equivalents in the statement of cash flows	49.450.627	386.968.340

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2020

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

5. Cash and cash equivalents (continued)

<u>Time deposits::</u>			June 30, 2020
<u>Currency</u>	<u>Interest rate</u>	<u>Maturity</u>	
Euro	0,01%	July 2020	1.927.041
US Dollars	0,20%	July 2020	30.833.352
TL	8,25%	July 2020	5.511.158
			38.271.551
			June 30, 2020
		Cost	Fair Value
Mutual Funds		10.541.112	10.559.853
Total		10.541.112	10.559.853
<u>Time deposits::</u>			December 31, 2019
<u>Currency</u>	<u>Interest rate</u>	<u>Maturity</u>	
US Dollars	1,50%	February 2020	1.702.478
TL	9,25-10,30%	January 2020	351.996.477
			353.698.955
			December 31, 2019
		Cost	Fair Value
Mutual Funds		4.483.900	4.491.942
Total		4.483.900	4.491.942

6. Financial investments / Derivatives

Short-term financial investments

	June 30, 2020	December 31, 2019
Financial assets at fair value through profit or loss		
İş Asset Management 2nd Real Estate Investment Fund	--	173.465.888
Total	--	173.465.888

Shares of fund participation held at short-term financial investments as of December 31, 2019 is transferred to Tecim Yapı Elemanları Ltd. Şti., which is the former land owner of Kartal Manzara Adalar project, in regards to conducted revenue share payment as of January 2, 2020.

Long-term financial investments

	June 30, 2020	December 31, 2019
Financial assets at fair value through profit or loss		
İş Asset Management 2nd Real Estate Investment Fund	222.804.647	221.249.112
Total	222.804.647	221.249.112

The number of İş Asset Management 2nd Real Estate Fund, held at financial investments as of June 30, 2020, is 219.122.512.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2020

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

6. Financial investments / Derivatives

As of June 30, 2020 and 2019, the movement of İş Asset Management 2nd Real Estate Fund held at financial investments of the Company as follows:

	June 30, 2020	June 30, 2019
Opening balance, 1 January	394.715.000	--
Disposals	(175.592.488)	--
Fair value changes (Note 21)	3.682.135	--
Closing balance	222.804.647	--

Derivative instruments

	June 30, 2020	December 31, 2019
Financial assets held for trading		
Derivative instruments	44.076.087	42.367.396
Total	44.076.087	42.367.396

	June 30, 2020	December 31, 2019
Financial liabilities held for trading		
Derivative instruments	8.615.991	8.393.543
Total	8.615.991	8.393.543

7. Loans and borrowings

The details of financial borrowings as of June 30, 2020 and December 31, 2019 are as follows:

	June 30, 2020	December 31, 2019
Short-term borrowings		
Short-term bank borrowings	323.597.217	288.256.265
Issued commercial papers	83.856.470	176.080.201
Total	407.453.687	464.336.466

	June 30, 2020	December 31, 2019
Current portion of long term borrowings		
Current portion of long term borrowings	94.704.354	246.435.387
Bonds issued	315.178.612	105.985.400
Total	409.882.966	352.420.787

	June 30, 2020	December 31, 2019
Long-term borrowings:		
Long-term bank borrowings	300.930.882	418.287.652
Bonds issued	--	203.463.542
Total	300.930.882	621.751.194

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For the Interim Period Ended June 30, 2020

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

7. Loans and borrowings (continued)

The details of loans and borrowings as of June 30, 2020 and December 31, 2019 are as follows:

June 30, 2020				
Currency	Interest rate (%)	Original amount	Short-term (TL)	Long-term (TL)
US Dollar	Libor + 4,25	31.284.785	63.125.872	150.930.882
TL	11,75-13,00	505.175.699	355.175.699	150.000.000
Total			418.301.571	300.930.882

December 31, 2019				
Currency	Interest rate (%)	Original amount	Short-term (TL)	Long-term (TL)
Euro	Euribor + 3,50	2.425.236	16.129.273	--
US Dollar	Libor + 4,25	35.840.945	55.661.791	157.240.589
TL	11,75-17,90	723.947.651	462.900.588	261.047.063
Total			534.691.652	418.287.652

The Company has obtained 1 year maturity, 11,75% interest rate loan amounting to TL 150.000.000 in the period ended June 30, 2020.

The details of issued bonds as of June 30, 2020 and December 31, 2019 are as follows:

June 30, 2020					
ISIN CODE	Interest rate (%)	Issued nominal amount (TL)	Issue date	Amortization date	Net book value
TRSISGY12113	TRLIBOR + 2,00	100.000.000	January 24, 2019	January 25, 2021	102.012.895
TRSISGY32111	Benchmark + 2,50	100.000.000	March 23, 2018	March 23, 2021	100.180.383
TRSISGYK2014	14,88	50.000.000	October 22, 2019	November 13, 2020	47.605.592
TRSISGYA2016	12,48	68.800.000	December 2, 2019	December 11, 2020	65.379.742
					315.178.612

December 31, 2019					
ISIN CODE	Interest rate (%)	Issued nominal amount (TL)	Issue date	Amortization date	Net book value
TRSISGY12113	TRLIBOR + 2,00	100.000.000	January 24, 2019	January 25, 2021	103.241.618
TRSISGY32111	Benchmark + 2,50	100.000.000	March 23, 2018	March 23, 2021	100.221.924
TRSISGYK2014	14,88	50.000.000	October 22, 2019	November 13, 2020	44.401.310
TRSISGYA2016	12,48	68.800.000	December 2, 2019	December 11, 2020	61.584.090
					309.448.942

The details of issued commercial papers as of June 30, 2020 and December 31, 2019 are as follows:

June 30, 2020					
ISIN CODE	Interest rate (%)	Issued nominal amount (TL)	Issue date	Amortization date	Net book value
TRFISGY82014	8,50	85.000.000	May 27, 2020	August 28, 2020	83.856.470
					83.856.470

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7. Loans and borrowings (continued)

						December 31, 2019
ISIN CODE	Interest rate (%)	Issued nominal amount (TL)	Issue date	Amortization date	Net book value	
TRFISGY52017	11,40	80.000.000	December 2, 2019	29 Mayıs 2020	76.448.136	
TRFISGY12011	13,90	100.000.000	November 8, 2019	January 10, 2020	99.632.065	
					176.080.201	

As of June 30, 2020 and 2019, the movement of loans and borrowings as follows:

	June 30, 2020	June 30, 2019
Opening balance, 1 January	1.438.508.447	1.314.848.120
Borrowings received	233.236.250	751.469.000
Borrowings paid	(582.123.137)	(750.975.997)
Interest paid	(78.654.550)	(109.177.126)
Interest accrual	75.864.323	113.979.395
Currency translation difference	31.436.202	23.679.360
Closing balance	1.118.267.535	1.343.822.752

8. Trade receivables and payables

Short-term trade receivables and payables

	June 30, 2020	December 31, 2019
<u>Trade receivables</u>		
Receivables from customers	58.179.268	51.931.388
Income accruals	71.332.623	59.724.729
Notes receivable	1.850.846	1.862.704
Rediscount of notes receivables (-)	(60.950)	(52.817)
Doubtful receivables	5.836.187	5.411.764
Provision for doubtful receivables (-)	(5.836.187)	(5.411.764)
Due from related parties (Note 24)	2.654.494	3.064.499
Total	133.956.281	116.530.503
<u>Trade payables</u>		
Payables to suppliers	7.775.123	7.291.732
Due to related parties (Note 24)	2.100.008	209.645.274
Total	9.875.131	216.937.006

As of June 30, 2020, provision for doubtful trade receivables is TL 5.836.187 (December 31, 2019: TL 5.411.764). Provision for doubtful receivables is determined based on the historical collection performance.

As of June 30, 2020 and 2019, movement of provision for doubtful receivables are as follows:

	June 30, 2020	June 30, 2019
Opening balance, 1 January	(5.411.764)	(3.814.164)
Charge for the period	(757.740)	(2.742.480)
Provisions released	333.317	1.048.599
Closing balance	(5.836.187)	(5.508.045)

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For the Interim Period Ended June 30, 2020

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

8. Trade receivables and payables (continued)

Long Term Trade Receivables

	June 30, 2020	December 31, 2019
<u>Trade receivables</u>		
Receivables from customers	16.356.350	27.655.032
Income accruals	4.275.949	5.004.842
Closing balance	20.632.299	32.659.874

9. Other receivables and payables

	June 30, 2020	December 31, 2019
Other short-term receivables (*)	5.318.508	5.685.288
Other receivables from related parties (Note 24)	1.175.000	--
Total	6.493.508	5.685.288

(*) The amount is consist of receivables from tax office amounting to TL 3.491.294 (December 31, 2019: 3.501.450) and receivables from colletive building mangement of projects amounting to TL 1.251.935 (December 31, 2019: TL 2.102.238).

	June 30, 2020	December 31, 2019
<u>Other payables – short-term</u>		
Deposits and guarantees received	12.114.763	11.465.776
Other short-term payables (*)	1.350.116	803.408
Total	13.464.879	12.269.184

(*) The amount is consist of title deed fees which will be repaid to the customers of Inistanbul Project.

10. Investment property

As of June 30, 2020 and December 31, 2019, the details of investment properties are as follows:

	June 30, 2020	December 31, 2019
Investment property under operating lease	3.732.337.701	3.724.396.501
Investment property under construction and other	262.429.927	261.537.000
Total	3.994.767.628	3.985.933.501

As of June 30, 2020, total insurance amount on investment properties is TL 3.417.272.884 (December 31, 2019: TL 3.104.003.145).

Finance expense amounting to TL 1.084.027 has capitalized on the investment properties and inventories of the Company in the period ended June 30, 2020 (December 31, 2019: TL 14.935.375).

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Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2020

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

10. Investment property (continued)

	January 1, 2020 opening balance	Purchases	Disposals	Transfers	Fair value difference	June 30, 2020 closing balance
Investment property under operating lease						
Tuzla Technology and Operation Center	1.198.000.000	45.577	--	--	--	1.198.045.577
Istanbul İş Kuleleri Complex	1.068.763.000	696.666	--	--	--	1.069.459.666
Kanyon Shopping Mall	614.479.043	455.487	--	--	--	614.934.530
Izmir Ege Perla Shopping Mall	270.100.000	943.406	--	--	--	271.043.406
Istanbul Marmarapark Shopping Mall	202.139.000	--	--	--	--	202.139.000
Ankara İş Kule Building	151.865.000	40.115	--	--	--	151.905.115
Maslak Office Building	114.923.000	5.759.949	--	--	--	120.682.949
Taksim Office Lamartine	57.042.000	--	--	--	--	57.042.000
Istanbul Tuzla Combined (*)	23.700.000	--	--	--	--	23.700.000
Mugla Marmaris Mallmarine Shopping Mall	16.224.000	--	--	--	--	16.224.000
Levent Land	7.161.458	--	--	--	--	7.161.458
	3.724.396.501	7.941.200	--	--	--	3.732.337.701
Investment property under construction						
Istanbul Finance Center Project	210.047.000	387.952	--	--	--	210.434.952
Üsküdar Land	51.490.000	504.975	--	--	--	51.994.975
	261.537.000	892.927	--	--	--	262.429.927
Total	3.985.933.501	8.834.127	--	--	--	3.994.767.628

The fair values of the Company’s investment properties at June 30, 2020 have been arrived at on the basis of valuations carried out in December 2019 by four independent appraiser firms which are not related party of the Company. Appraisal firms are accredited independent firms licensed by the Capital Markets Board of Turkey, and have appropriate qualifications and recent experience in appraising properties in the relevant locations. According to the appraisal reports, the valuations made in accordance with the International Valuation Standards have been performed according to the methods specified in the table below.

	2019	2018
Investment property under operating lease		
Tuzla Technology and Operation Center	Discounted cash flow and directly capitalization approach	Directly capitalization approach
Istanbul İş Kuleleri Complex	Sales comparison approach	Sales comparison approach
Kanyon Shopping Mall	Discounted cash flow approach	Discounted cash flow approach
Izmir Ege Perla Shopping Mall	Discounted cash flow and sales comparison approach	Sales comparison approach
Istanbul Marmara Park Shopping Mall	Sales comparison approach	Sales comparison approach
Ankara İş Kule Building	Sales comparison approach	Sales comparison approach
Maslak Office Building	Sales comparison approach	Sales comparison approach
Taksim Office Lamartine	Sales comparison approach	Sales comparison approach
Tuzla Combined Project	Directly capitalization approach	Directly capitalization approach
Mugla Marmaris Mallmarine Shopping Mall	Sales comparison approach	Sales comparison approach
Levent Land	Fair value based on estate tax	Fair value based on estate tax
Kartal Manzara Adalar	Sales comparison approach	Sales comparison approach
Kapadokya Lodge Hotel	Cost approach	Cost approach
Tuzla Çınarlı Bahçe Project	Sales comparison approach	Sales comparison approach
Investment property under construction		
Istanbul Finance Center Project	Sales comparison and cost approach	Sales comparison and cost approach
Üsküdar Land	Sales comparison approach	Sales comparison approach

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10. Investment property (continued)

	January 1, 2019 opening balance	Purchases	Disposals	Transfers	Fair value difference	December 31, 2019 closing balance
Investment property under operating lease						
Tuzla Technology and Operation Center	1.076.500.000	18.630	--	--	121.481.370	1.198.000.000
Istanbul İş Kuleleri Complex	938.885.000	1.956.852	--	--	127.921.148	1.068.763.000
Kanyon Shopping Mall	575.512.500	1.030.497	--	--	37.936.046	614.479.043
Izmir Ege Perla Shopping Mall	252.680.000	3.337.031	--	--	14.082.969	270.100.000
Istanbul Marmarapark Shopping Mall	185.675.000	--	--	--	16.464.000	202.139.000
Ankara İş Kule Building	149.630.000	3.055.291	--	--	(820.291)	151.865.000
Maslak Office Building	112.540.000	212.132	--	--	2.170.868	114.923.000
Taksim Office Lamartine	53.035.000	--	--	--	4.007.000	57.042.000
Istanbul Tuzla Combined (*)	290.160.000	9.094	(264.260.000)	--	(2.209.094)	23.700.000
Mugla Marmaris Mallmarine Shopping Mall	14.975.000	--	--	--	1.249.000	16.224.000
Levent Land	--	--	--	6.443.458	718.000	7.161.458
Kartal Manzara Adalar (**)	--	1.368.408	(216.835.700)	222.878.220	(7.410.928)	--
Kapadokya Lodge Hotel (***)	27.000.000	--	(29.740.000)	--	2.740.000	--
Tuzla Çınarlı Bahçe (****)	2.600.000	--	(2.600.000)	--	--	--
	3.679.192.500	10.987.935	(513.435.700)	229.321.678	318.330.088	3.724.396.501
Investment property under construction						
Istanbul Finance Center Project	200.103.000	6.970.591	--	--	2.973.408	210.047.000
Üsküdar Land	44.912.500	983.565	--	--	5.593.935	51.490.000
Levent Land	6.401.879	41.579	--	(6.443.458)	--	--
Kartal Manzara Adalar	222.878.220	--	--	(222.878.220)	--	--
	474.295.599	7.995.736	--	(229.321.678)	8.567.343	261.537.000
Total	4.153.488.099	18.983.671	(513.435.700)	--	326.897.431	3.985.933.501

(*) On December 16, 2019, 21 residential units which has a gross area of 31.402m² of Istanbul Tuzla Karma in the Company's real estate portfolio has been sold amounting to TL 310.000.000 + VAT to Türkiye Şişe ve Cam Fabrikaları A.Ş. (Note 25).

(**) On December 31, 2019, offices and commercial areas situated in Kartal Manzara Adalar in the Company's portfolio has been sold amounting to TL 352.215.000 TL + VAT on condition that invested in kind to İş Asset Management 2nd Real Estate Investment Fund's participation shares (Note 25).

(***) On December 24, 2019, Kapadokya Lodge Hotel in the Company's real estate portfolio has been sold amounting to TL 51.300.434 TL + VAT.

(****) On October 28, 2019, commercial area situated in Tuzla Çınarlıbahçe in the Company's real estate portfolio has been sold amounting to TL 2.645.000 + VAT.

As of June 30, 2020, the Company has 1st and 2nd degree mortgage on the investment properties amounting to USD 136.000.000 and TL 879.000.000 which are established in favor of İş Bank. In the current period, the Company obtained rent income amounting to TL 104.226.551 (June 30, 2019: TL 119.998.882) of its investment property. Total direct operating expenses related to these properties amounting to TL 24.231.639 (June 30, 2019: TL 25.240.897).

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Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2020

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11. Inventories

<i>Short-term inventories</i>	June 30, 2020	December 31, 2019
<i>Inventories</i>		
Kartal Manzara Adalar (*)	311.960.102	327.629.649
Topkapı İnistanbul (**)	68.161.555	10.606.763
İzmir Ege Perla (***)	38.820.952	43.604.044
<i>Inventories under development</i>		
Topkapı İnistanbul (**)	--	121.124.555
Total	418.942.609	502.965.011

<i>Long-term inventories</i>	June 30, 2020	December 31, 2019
Tuzla Land	219.068.978	218.821.732
Impairment provision on inventories (-)	(43.821.732)	(43.821.732)
Total	175.247.246	175.000.000

(*) There are 975 residential units in Kartal Manzara Adalar Project, as of June 30, 2020, 643 residential units has been delivered to the customers. Balance of advances given related with the Project is amounting to TL 5.903.062 (December 31, 2019: TL 1.467.674) (Note 17).

(**) There are 2.741 residential units in Topkapı İnistanbul Project, as of June 30, 2020, 2.420 residential units has been delivered to the customers. Balance of advances given related with the Project is amounting to TL 100.460.747 (December 31, 2019: TL 146.315.939) (Note 17).

(***) There are 243 residential units in İzmir Ege Perla Project, as of June 30, 2020, 182 residential units has been delivered to the customers. Balance of advances given related with the Project is amounting to TL 381.581 (December 31, 2019: 1.252.632 TL) (Note 17).

As of June 30, 2020 and 2019 the movement of provision for inventories are as follows:

	June 30, 2020	June 30, 2019
Opening balance, 1 January	(43.821.732)	(43.304.501)
Charge for the period (-)	--	--
Provisions released	--	--
Closing balance	(43.821.732)	(43.304.501)

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2020

(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, 2020	41.538.843	85.950	374.647	3.495.994	45.495.434
Purchases	--	--	--	297.236	297.236
Closing balance as of June 30, 2020	41.538.843	85.950	374.647	3.793.230	45.792.670
Accumulated Depreciation					
Opening balance as of January 1, 2020	3.898.843	85.950	106.149	2.943.754	7.034.696
Current year charge	617.520	--	37.465	91.522	746.507
Closing balance as of June 30, 2020	4.516.363	85.950	143.614	3.035.276	7.781.203
Net book value as of January 1, 2020	37.640.000	--	268.498	552.240	38.460.738
Net book value as of June 30, 2020	37.022.480	--	231.033	757.954	38.011.467

	Buildings (*)	Machinery and equipment	Vehicles	Fixtures	Total
Cost					
Opening balance as of January 1, 2019	35.639.936	85.950	374.647	3.403.788	39.504.321
Purchases	--	--	--	95.764	95.764
Disposals	--	--	--	(3.558)	(3.558)
Fair value difference	5.898.907	--	--	--	5.898.907
Closing balance as of December 31, 2019	41.538.843	85.950	374.647	3.495.994	45.495.434
Accumulated Depreciation					
Opening balance as of January 1, 2019	2.839.936	85.950	31.220	2.733.056	5.690.162
Current year charge	1.058.907	--	74.929	212.873	1.346.709
Disposal	--	--	--	(2.175)	(2.175)
Closing balance as of December 31, 2019	3.898.843	85.950	106.149	2.943.754	7.034.696
Net book value as of January 1, 2019	32.800.000	--	343.427	670.732	33.814.159
Net book value as of December 31, 2019	37.640.000	--	268.498	552.240	38.460.738

(*) As of June 30, 2020, 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 37.022.480. 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, 2019: USD 136 million and TL 185 million).

As of June 30, 2020, the Company has tangible assets which is fully depreciated amounting to TL 2.968.617.

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Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2020

*(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)***13. Intangible assets**

	Computer Programs	Total
<u>Cost</u>		
Opening balance as of January 1, 2020	4.675.030	4.675.030
Purchases	600.091	600.091
Closing balance as of June 30, 2020	5.275.121	5.275.121
<u>Accumulated Depreciation</u>		
Opening balance as of January 1, 2020	3.743.946	3.743.946
Current year charge	387.602	387.602
Closing balance as of June 30, 2020	4.131.548	4.131.548
Net book value as of January 1, 2020	931.084	931.084
Net book value as of June 30, 2020	1.143.573	1.143.573
<u>Cost</u>		
Opening balance as of January 1, 2019	4.102.413	4.102.413
Purchases	592.668	592.668
Disposals	(20.051)	(20.051)
Closing balance as of December 31, 2019	4.675.030	4.675.030
<u>Accumulated Depreciation</u>		
Opening balance as of January 1, 2019	3.086.804	3.086.804
Current year charge	664.340	664.340
Disposals	(7.198)	(7.198)
Closing balance as of December 31, 2019	3.743.946	3.743.946
Net book value as of January 1, 2019	1.015.609	1.015.609
Net book value as of December 31, 2019	931.084	931.084

As at June 30, 2020 and December 31, 2019, the Company has no intangible assets which is capitalized in the business area.

As at June 30, 2020, the Company has intangible assets which is fully depreciated amounting to TL 2.714.089.

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Notes to the Condensed Financial Statements

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14. Provisions, contingent assets and liabilities

	June 30, 2020	December 31, 2019
Debt provisions (*)	5.526.254	3.772.221
Provision for litigation	1.207.997	1.207.997
Total	6.734.251	4.980.218

	June 30, 2020	December 31, 2019
Letters of guarantee received (**)	108.878.821	136.439.755
Mortgage received	21.103.410	28.462.440
Total	129.982.231	164.902.195

(*) As of June 30, 2020, debt provisions of the Company consists of title deed fee accruals of delivered houses and accrued real estate taxes to be paid to T. İş Bankası A.Ş. related with Ege Perla project home and office sales.

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

Details of collaterals, pledges and mortgages (“CPM”) given by the Company as of June 30, 2020 and December 31, 2019 are as follows:

	June 30, 2020	December 31, 2019
A. CPM given for companies own legal personality (*)	1.765.746.782	1.646.196.096
B. CPM given in behalf of fully consolidated companies	--	--
C. CPM given for continuation of its economic activities on behalf of third parties (**)	78.221.152	80.638.494
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	1.843.967.934	1.726.834.590

(*) CPM given for the Company’s own legal personality consists of letters of guarantee amounting to TL 43.792.418 and pledge amounting to USD 136.000.000 and TL 879.000.000. As of June 30, 2020, the investment properties are pledged in favour of İş Bankası amounting to 1st degree USD 136.000.000 and TL 444.000.000 and 2nd degree TL 185.000.000. (Mortgage was constituted in favour of İş Bankası from investment properties portfolio of the Company, Kule-2 and Kule Çarşısı amounting to USD 136.000.000 as 1st degree mortgage, Kule-3 amounting to TL 444.000.000 1st degree mortgage, Kule-2 and Kule Çarşısı amounting to TL 185.000.000 as 2nd degree mortgage.)

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

(**) Represents the cost of guarantors given to the related banks in return for the loan amount in case the buyers of the Company’s ongoing residential and office projects use mortgage/business loan from contracted banks. In this respect, as of June 30, 2020, the ratio of CPM given by the Company to the Company’s shareholders’ equity is 2% (December 31, 2019: 2%).

As of June 30, 2020, 1.207.997 TL legal case provision is accrued and there are 180 legal cases and 107 enforcement proceedings of the Company is a party. The Company is not a party of any lawsuits that may significantly affect the financial statements or contain uncertainty.

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Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2020

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14. Provisions, contingent assets and liabilities (continued)

Operating leases

The Company, as the lessor in the operating lease transactions

The Company signed operating lease agreements as lessor for the investment properties in its portfolio with tenants which are shopping mall tenants, hotel operators and other third parties. The future minimum lease receivables as of June 30, 2020 and 2019 are as follows:

	June 30, 2020	June 30, 2019
Less than 1 year	205.300.680	212.153.594
Between 1-5 years	729.385.611	709.209.091
More than 5 years	3.502.314.737	3.137.735.248
Total	4.437.001.028	4.059.097.932

15. Provision for employee benefits

	June 30, 2020	December 31, 2019
Unused vacation provisions	687.417	455.484
Total	687.417	455.484

	June 30, 2020	December 31, 2019
Severance pay indemnity	2.207.666	2.013.706
Total	2.207.666	2.013.706

There is an obligation to pay the severance indemnities to those employees are terminated with employment contract to be entitled to severance pay in accordance with Labor Law No. 4857 and Social Security Law No. 5510.

The amount payable consists of one month’s salary limited to a maximum of TL 6.730 for each period of service as of June 30, 2020 (December 31, 2019: TL 6.380).

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

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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 June 30, 2020, 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 7,20% (estimated salary increase rate) and a discount rate of 11,70%, resulting in a real discount rate of approximately 4,20% (December 31, 2019: The provisions have been calculated assuming an annual inflation rate of 7,20% (estimated salary increase rate) and discount rate of 11,70%, resulting in a real discount rate of approximately 4,20% discount rate). The anticipated rate of for features is considered. As the maximum liability is revised semi-annually, the maximum amount of TL 6.730 effective from June 30, 2019 has been taken into consideration in calculation of provision from employment termination benefits.

	January 1 – June 30, 2020	January 1 – June 30, 2019
Opening balance at January 1	2.013.706	1.627.690
Service cost	163.054	147.294
Interest cost	153.765	138.902
Retirement pay provisions (-)	(122.858)	(120.206)
Closing balance at June 30	2.207.667	1.793.680

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

<i>Prepaid expenses – short term</i>	June 30, 2020	December 31, 2019
Job advances (*)	3.253.903	4.222.757
Prepaid expenses	1.013.920	987.997
Related party prepaid expenses (Note 24)	1.447.807	2.286.461
Total	5.715.630	7.497.215

(*) The amount consists of job advance is amounting to TL 1.181.694 (December 31, 2019: TL 1.328.611) to the related directorates within the scope of the construction supervision services of the projects and job advance is amounting to TL 1.278.803 (December 31, 2019: TL 1.310.020) to Altyapı Temel Müh. Taah. Ve Tic. Ltd. Şti. in relation to the land which has gross area of 9.043 m² registered in Kadıkoy district, Istanbul city.

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Notes to the Condensed Financial Statements

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

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

<i>Prepaid expenses – long term</i>	June 30, 2020	December 31, 2019
Job advances (*)	8.042.114	7.774.313
Prepaid taxes and dues payable	422.457	823.529
Total	8.464.571	8.597.842

(*) An agreement has signed in order to bought 45% shares of the land registered in Kadikoy, Istanbul, has 9.043 m2 of floor space which is ownership of the land is belong to Tecim Yapı Elemanları İnşaat Servis ve Yönetim Hizmetleri San. ve Tic. Limited Şirketi (Tecim Ltd. Şti.). In this context, the expenses incurred until the price of the land is reached in accordance with the terms of the agreement will be accounted in this account.

<i>Other current assets</i>	June 30, 2020	December 31, 2019
Prepaid taxes and dues payable	106.160	87.903
Deposits and guarantees given	96.130	96.130
VAT transferred	--	12.672.758
Total	202.290	12.856.791

<i>Other short-term liabilities</i>	June 30, 2020	December 31, 2019
Overdue, deferred or installment taxes and other liabilities	2.901.929	--
Taxes and funds payable	2.127.436	467.909
Payable social security cuts	333.009	236.878
Total	5.362.374	704.787

<i>Deferred revenue - short-term</i>	June 30, 2020	December 31, 2019
Deferred revenue	2.839.901	22.779.097
Short-term deferred revenue from related party (Note24)	101.179	52.091
Total	2.941.080	22.831.188

17. Liabilities from contracts with customers

<i>Liabilities from contracts with customers</i>	June 30, 2020	December 31, 2019
Contractual liabilities from sales of goods and services (*)	106.745.390	149.036.245
Total	106.745.390	149.036.245

(*) The amount consists of advances received from the owners of the houses sold by Kartal Manzara Adalar Project, Topkapı İnstanbul Project and İzmir Ege Perla Project (Note 11).

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2020

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

18. Shareholder’s equity

Share capital

The composition of the paid-in share capital as of June 30, 2020 and December 31, 2019 are as follows:

		June 30, 2020		December 31, 2019
<u>İş Gayrimenkul Yat. Ort. A.Ş.</u>	(%)		(%)	
Türkiye İş Bankası A.Ş.	50,51	484.271.809	47,90	459.237.058
Anadolu Hayat Emeklilik A.Ş.	7,11	68.151.714	7,11	68.151.714
Other	42,38	406.326.477	44,99	431.361.228
Total	100	958.750.000	100	958.750.000

The total number of ordinary shares consists of TL 958.750.000 (December 31, 2019: TL 958.750.000) shares with a par value of TL 1 per share. All of the shares are issued to name and TL 1.369.642,817 (December 31, 2019: TL 1.369.642,817) of the total amount is Group A and TL 957.380.357,183 (December 31, 2019: TL 957.380.357,183) of the total amount is Group B shares. Group A shares, which are hold by Türkiye İş Bankası A.Ş., have the privilege to nominate candidates during the Board of Directors member elections. One member of Board of Directors is selected among the candidates nominated by Group B shareholders while the rest is selected among the candidates nominated by Group A shareholders. There is no other privilege given to the Group A shares.

There was no capital increase with or without price during the period.

Adjustment to share capital

Adjustment to share capital amount is TL 240.146.090 as of June 30, 2020 and December 31, 2019. Adjustment to share capital represents the restatement effect of the cash contributions to share capital equivalent to purchasing power of TL.

Share premium

As of June 30, 2020 and December 31, 2019, share premiums amounting TL 423.981 represent excess amount of selling price and nominal value for each share during initial public offering of the Company’s shares.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

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18. Shareholders’ equity (continued)

Restricted reserves

	June 30, 2020	December 31, 2019
Legal reserves	70.941.969	65.949.792
Total	70.941.969	65.949.792

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

Prior years’ profits

	June 30, 2020	December 31, 2019
Prior years’ profits	2.553.397.882	2.261.000.280
Total	2.553.397.882	2.261.000.280

Dividend distribution

At the Ordinary General Assembly Meeting held on March 25, 2020; After the Board of Directors' Profit Share Distribution Proposal for the distribution of 2019 profit was accepted and the dividend was not distributed, and after the legal reserves required to be set aside in accordance with the legislation on the financial statements and the statutory records prepared in accordance with the capital market legislation; It has been decided to transfer the remaining profit from the profit to the previous year's profits according to the financial statements prepared in accordance with the capital market legislation.

In the Ordinary General Shareholders’ Meeting held on March 25, 2020, the distribution of 2019 net profit was determined as follows:

	Amount
Primary reserve (TTK 466/1) %5	4.992.177
Dividend	--
Secondary reserve (TTK 466/2)	--
Capital increase through bonus shares	--
Transferred to prior years’ profits	292.397.602
Total	297.389.779

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

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

19. Revenue and cost of revenue

	January 1– June 30, 2020	April 1– June 30, 2020	January 1– June 30, 2019	April 1– June 30, 2019
Income from sales of residence	110.850.083	100.412.772	120.207.918	106.813.080
Rent income	89.223.877	39.240.297	107.073.231	54.281.368
Income from right of construction	15.002.634	7.601.116	12.925.650	7.130.373
Income fees and service	878.286	473.516	528.220	280.779
Other revenue	87.611	33.676	482.360	454.917
Total real estate revenues	216.042.491	147.761.377	241.217.379	168.960.517
Interest income on bank deposits	3.671.278	1.175.497	7.002.517	2.836.240
Gain on buy/sell of marketable securities	220.776	135.072	314.205	159.644
Interest income from reverse repos	--	--	3.339	1.949
Total debt instruments revenue	3.892.054	1.310.569	7.320.061	2.997.833
Total revenue	219.934.545	149.071.946	248.537.440	171.958.350
	January 1– June 30, 2020	April 1– June 30, 2020	January 1– June 30, 2019	April 1– June 30, 2019
Cost of sales of residence	(95.813.261)	(85.595.560)	(105.797.071)	(93.313.798)
Cost of administrative expenses	(17.691.535)	(7.117.285)	(17.493.267)	(8.277.705)
Taxes and dues	(4.817.436)	(2.436.233)	(5.467.138)	(2.752.338)
Insurance expenses	(1.382.027)	(832.293)	(1.722.430)	(900.328)
Other	(340.641)	(174.038)	(558.062)	(460.976)
Total	(120.044.900)	(96.155.409)	(131.037.968)	(105.705.145)

20. Administrative expenses / Marketing, selling and distribution expenses

	January 1– June 30, 2020	April 1– June 30, 2020	January 1– June 30, 2019	April 1– June 30, 2019
Administrative expenses				
Personnel expenses	(12.092.817)	(7.655.433)	(10.114.672)	(6.300.690)
Outsourced service expenses	(2.125.167)	(924.230)	(2.714.767)	(1.315.890)
Depreciation and amortization	(1.134.109)	(570.799)	(986.538)	(490.181)
Provision for doubtful receivables	(424.423)	650.553	(1.693.881)	(1.034.455)
Taxes and dues	(41.115)	(19.249)	(47.971)	(24.718)
Other	(1.650.207)	(737.055)	(1.005.028)	(418.786)
Total	(17.467.838)	(9.256.213)	(16.562.857)	(9.584.720)
	January 1– June 30, 2020	April 1– June 30, 2020	January 1– June 30, 2019	April 1– June 30, 2019
Marketing, selling and distribution expenses				
Advertising expenses	(3.243.031)	(1.029.070)	(5.543.184)	(2.774.772)
Consultancy expenses	(600.689)	(285.572)	(795.701)	(418.145)
Office expenses	(92.470)	(26.903)	(112.971)	(78.455)
Sales commission expenses	(8.334)	335.520	(1.597.987)	(705.470)
Other	(33.167)	(21.156)	(41.589)	--
Total	(3.977.691)	(1.027.181)	(8.091.432)	(3.976.842)

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2020

*(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)***21. Other operating income / expense**

	January 1– June 30, 2020	April 1– June 30, 2020	January 1– June 30, 2019	April 1– June 30, 2019
Other Operating Income				
Real estate investment fund fair value changes	3.682.135	3.682.135	--	--
Foreign exchange gains	3.556.680	1.527.656	3.556.568	3.179.723
Revaluation income of investment property (Note 10)	--	--	2.740.000	2.740.000
Other	304.762	135.365	978.947	178.297
Total	7.543.577	5.345.156	7.275.515	6.098.020

	January 1– June 30, 2020	April 1– June 30, 2020	January 1– June 30, 2019	April 1– June 30, 2019
Other Operating Expense				
Real estate investment fund share transfers	(2.126.601)	--	--	--
Real estate investment fund fair value changes	--	3.154.268	--	--
Other expenses	(147.278)	(330)	(1.784)	(1.784)
Total	(2.273.879)	3.153.938	(1.784)	(1.784)

22. Finance income / expense

	January 1– June 30, 2020	April 1– June 30, 2020	January 1– June 30, 2019	April 1– June 30, 2019
Finance income				
Derivative gains	10.610.607	3.493.383	6.582.227	(9.028.552)
Total	10.610.607	3.493.383	6.582.227	(9.028.552)

	January 1– June 30, 2020	April 1– June 30, 2020	January 1– June 30, 2019	April 1– June 30, 2019
Finance expense				
Interest expense on loans and borrowings	(74.780.296)	(34.198.193)	(100.952.126)	(54.942.304)
Foreign exchange losses	(31.436.200)	(11.138.823)	(23.679.359)	(6.055.741)
Other interest expense	(1.070.782)	(1.063.975)	(1.493.869)	(1.298.940)
Total	(107.287.278)	(46.400.991)	(126.125.354)	(62.296.985)

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2020

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

23. Earnings per share

	January 1– June 30, 2020	January 1– June 30, 2019
Period opening of number of shares in circulation	95.875.000.000	95.875.000.000
Number of shares in circulation as of June 30	95.875.000.000	95.875.000.000
Weighted average number of shares in circulation	95.875.000.000	95.875.000.000
Net profit for the period	(11.907.689)	(18.540.386)
Earnings per share	(0,0001)	(0,0002)
Diluted earnings per share	(0,0001)	(0,0002)

As of June 30, 2020 capital of the Company consists of 95.875.000.000 shares that are valued TL 0,01 for each one.

24. Related party disclosures

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

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

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

Details of related party balances are as follows:

Balances at İş Bankası	June 30, 2020	December 31, 2019
Time deposits	38.271.551	353.698.955
Demand deposits	635.439	30.224.490
Total	38.906.990	383.923.445

The Company has letters of guarantee amounting TL 43.792.418 (December 31, 2019: TL 40.671.104) from İş Bankası. In addition, 1st and 2nd degree mortgage is instituted by the Company in favour İş Bankası amounting to USD 136.000.000 and TL 879.000.000 on some investment properties.

As of June 30, 2020 and December 31, 2019, the Company has mutual funds, established by, İş Bankası and İş Portföy Yönetimi A.Ş.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2020

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

24. Related party disclosures (continued)

	June 30, 2020				
	Short Term Other Receivable	Short Term Trade Receivable	Short Term Prepaid Expenses	Short Term Trade Payable	Deferred Income
Balances with related parties					
İş Merkezleri Yönetim ve İşletim A.Ş.	--	71.100	35.502	507.186	--
İş Girişim Sermayesi A.Ş.	--	82	--	--	--
Türkiye İş Bankası A.Ş.	--	11.808	1.164	--	29.522
Kanyon Yönetim İşl. Paz. A.Ş.	1.175.000	432.538	--	395.431	71.657
Anadolu Anonim Türk Sigorta A.Ş.	--	96.573	1.408.583	328.512	--
İş Net Elektronik Hizmetler A.Ş.	--	118	--	28.847	--
Paşabahçe Mağazaları A.Ş.	--	73.682	--	--	--
Tecim Yapı Elemanları Ltd. Şti.	--	1.968.593	--	--	--
Ortaklara borçlar (temettü)	--	--	--	705	--
Bayek Ağız ve Diş Sağlığı A.Ş.	--	--	--	4.818	--
Other	--	--	2.558	834.509	--
	1.175.000	2.654.494	1.447.807	2.100.008	101.179

	June 30, 2020	
	Loans and borrowings	
Balances with related parties	Short Term	Long Term
T. İş Bankası A.Ş.	418.301.571	300.930.882
Transactions with related parties		
	Interest expense on loans	Capitalized interest expense
T. İş Bankası A.Ş.	46.616.838	366.318

The Company has interest rate swap transactions realized during the period by T. İş Bankası A.Ş. as of June 30, 2020. Derivative losses amounting to TL 4.049.326 accounted in the financial statements of the Company.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

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

24. Related party disclosures (continued)

	December 31, 2019			
	Short Term Trade Receivable	Short Term Prepaid Expenses	Short Term Trade Payable	Deferred Income
<i>Balances with related parties</i>				
İş Merkezleri Yönetim ve İşletim A.Ş.	745.860	25.905	239.610	--
Türkiye İş Bankası A.Ş.	59.116	--	--	21.260
Kanyon Yönetim İşl. Paz. A.Ş.	--	--	1.186.821	30.831
Anadolu Anonim Türk Sigorta A.Ş.	94.057	2.260.556	1.953.061	--
Anadolu Cam Sanayii A.Ş.	4.067	--	--	--
İş Yatırım Menkul Değerler A.Ş.	--	--	605.447	--
Anadolu Hayat Emeklilik A.Ş.	43.613	--	--	--
Şişecam Çevre Sistemleri A.Ş.	161	--	--	--
Cam Elyaf San. A.Ş.	857	--	--	--
Şişecam Otomotiv A.Ş.	1.062	--	--	--
İş Net Elektronik Hizmetler A.Ş.	--	--	21.751	--
Paşabahçe Mağazaları A.Ş.	140.690	--	--	--
Trakya Cam Sanayii A.Ş.	6.423	--	--	--
Tecim Yapı Elemanları Ltd. Şti. (*)	1.968.593	--	204.689.747	--
Ortaklara borçlar (temettü)	--	--	705	--
Other	--	--	948.132	--
	3.064.499	2.286.461	209.645.274	52.091

(*) Consists of revenue share payment to be made in the form of mutual fund participation share and VAT amount to be paid in cash to Tecim Yapı Elemanları Ltd. Şti. (TECİM), according to the revenue share agreement with TECİM, which is the former land owner of Kartal Manzara Adalar project, within the scope of transfers of offices and commercial units situated in the Project to real estate investment fund.

	December 31, 2019	
	Financial liabilities	
<i>Balances with related parties</i>	Short term	Long term
T. İş Bankası A.Ş.	489.007.162	366.578.246

	June 30, 2019	
<i>Transactions with related parties</i>	Interest expense on loans	Capitalized interest expense
T. İş Bankası A.Ş.	28.716.880	1.179.348

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Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2020

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

24. Related party disclosures (continued)

	January 1 – June 30, 2020				
<i>Transactions with related parties</i>	Purchases (*)	Interest received	Rent income	Other income	Other expense
Anadolu Anonim Türk Sigorta A.Ş. (*)	2.619.563	--	312.816	9.232	--
Anadolu Hayat Emeklilik A.Ş.	100.816	--	3.193.360	191.600	--
İş Finansal Kiralama A.Ş.	--	--	20.714	--	--
İş Merkezleri Yönetim ve İşletim A.Ş.	6.428.078	--	513.309	--	574.395
İş Yatırım Menkul Değerler A.Ş.	--	--	2.096.624	--	--
Türkiye Şişe ve Cam Fabrikaları A.Ş.	--	--	314.588	--	--
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	--	--	222.985	--	--
İş Net Elektronik Hizmetler A.Ş.	496.607	--	236.327	--	15.811
Paşabahçe Mağazacılık A.Ş.	1.545	--	288.639	--	--
Softtech Yazılım Teknolojileri A.Ş.	--	--	4.002.601	--	--
Maxis Girişim Sermayesi Portföy Yön. A.Ş.	--	--	97.242	--	--
İş Faktoring A.Ş.	--	--	32.788	--	--
Bayek Ağız ve Diş Sağlığı A.Ş.	--	--	14.290	--	--
Türkiye İş Bankası A.Ş.	--	3.671.278	49.252.830	25.328	390.495
	9.646.609	3.671.278	60.599.113	226.160	980.701

(*) 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.

In the period ended June 30, 2020, revenue share compensation is amounting to TL 526.865 (June 30, 2019: TL 552.155) has been paid to Türkiye İş Bankası A.Ş. within the scope of Ege Perla project. Additionally, as of June 30, 2020, there is unpaid revenue share compensation is amounting to TL 3.376.324 (December 31, 2019: TL 3.108.440) at debt provisions.

In the period ended June 30, 2020, revenue share compensation is amounting to TL 173.465.887 (June 30, 2019: TL 3.658.300) has been paid to Tecim Yapı Elemanları Ltd. Şti. within the scope of Kartal Manzara Adalar project.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2020

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

24. Related party disclosures (continued)

	January 1 – June 30, 2019				
<i>Transactions with related parties</i>	Purchases (*)	Interest received	Rent income	Other income	Other expense
Anadolu Anonim Türk Sigorta A.Ş. (*)	2.861.329	--	280.636	269.896	--
Anadolu Hayat Emeklilik A.Ş.	91.515	--	2.715.429	--	--
İş Finansal Kiralama A.Ş.	--	--	3.150	--	--
İş Merkezleri Yönetim ve İşletim A.Ş.	5.853.916	--	1.958.573	--	--
İş Yatırım Menkul Değerler A.Ş.	899.528	--	1.869.034	--	--
Türkiye Şişe ve Cam Fabrikaları A.Ş.	--	--	5.139.540	54.222	--
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	--	--	243.911	--	--
İş Net Elektronik Hizmetler A.Ş.	119.992	--	207.732	--	--
Paşabahçe Mağazacılık A.Ş.	1.018	--	929.642	5.765	--
Paşabahçe Cam San. Ve Tic. A.Ş.	--	--	2.467.518	27.436	--
Trakya Cam Sanayii A.Ş.	--	--	1.470.614	16.352	--
Soda Sanayii A.Ş.	--	--	772.376	8.588	--
Anadolu Cam Sanayii A.Ş.	--	--	931.263	10.355	--
Camiş Madencilik A.Ş.	--	--	344.519	3.831	--
Camiş Elektrik A.Ş.	--	--	4.360	48	--
Softtech Yazılım Teknolojileri A.Ş.	--	--	3.636.577	--	--
Şişecam Enerji A.Ş.	--	--	116.940	1.300	--
Şişecam Otomotiv A.Ş.	--	--	243.127	2.703	--
Şişecam Çevre Sistemleri A.Ş.	--	--	36.908	410	--
Şişecam Elyaf Sanayii A.Ş.	--	--	4.360	48	--
Madencilik San. Ve Tic. A.Ş.	--	--	4.360	48	--
Cam Elyaf San. A.Ş.	--	--	4.360	48	--
Trakya Yenişehir Cam San. A.Ş.	--	--	4.360	48	--
Trakya Polatlı Cam San. A.Ş.	--	--	4.360	48	--
Çayırova Cam San. A.Ş.	--	--	4.360	48	--
Maxis Girişim Sermayesi Portföy Yön. A.Ş.	--	--	106.336	--	--
İş Faktoring A.Ş.	--	--	30.526	--	--
Kültür Yayınları İş Türk A.Ş.	10.067	--	--	--	--
Türkiye İş Bankası A.Ş.	--	7.005.856	45.341.422	--	438.795
	9.837.365	7.005.856	68.876.293	401.194	438.795

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

As of June 30, 2020 and December 31, 2019, related party balances of issued bonds and commercial papers as follows:

Balances with related parties	June 30, 2020	December 31, 2019
İş Yatırım Ortaklığı A.Ş.	1.458.784	1.476.359
T. İş Bankası A.Ş.	236.816	5.062.693
	1.695.600	6.539.052

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

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24. Related party disclosures (continued)

As of June 30, 2020 and 2019, coupon payments of issued bonds and commercial papers as follows:

Transactions with related parties	January 1- June 30, 2020	January 1- June 30, 2019
İş Yatırım Menkul Değerler A.Ş.	133.392	364.481
İş Yatırım Ortaklığı A.Ş.	89.068	202.977
T. İş Bankası A.Ş.	16.323	18.815
Anadolu Anonim Türk Sigorta A.Ş.	--	2.125.650
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	--	466.128
	238.783	3.178.051

Benefits provided to key management personnel:

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

	January 1- June 30, 2020	January 1- June 30, 2019
Salaries and other short term benefits	3.916.215	3.295.384
Employee termination benefits	667.797	554.856
Total	4.584.012	3.850.240

25. Nature and level of risks arising from financial instruments

Foreign currency risk management

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

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

Foreign currency transactions lead to currency risks.

The exchange rates applied as of June 30, 2020 and December 31, 2019 are as follows:

	US Dollars	Euro	GBP
June 30, 2020	6,8422	7,7082	8,4282
December 31, 2019	5,9402	6,6506	7,7765

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

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

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

Foreign currency risk management (continued)

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

June 30, 2020			
	TL Equivalent (Functional currency)	US Dollar	Euro
1. Trade Receivables	--	--	--
2a. Monetary Financial Assets	32.760.399	4.506.349	250.001
2b. Non-Monetary Financial Assets	11.591	1.694	--
3. Other	--	--	--
4. CURRENT ASSETS	32.771.990	4.508.043	250.001
5. Trade Receivables	--	--	--
6a. Monetary Financial Assets	--	--	--
6b. Non-Monetary Financial Assets	--	--	--
7. Other	--	--	--
8. NON CURRENT ASSETS	--	--	--
9. TOTAL ASSET	32.771.990	4.508.043	250.001
10. Trade Payables	--	--	--
11. Financial Liabilities	60.372.350	8.823.529	--
12a. Other Monetary Liabilities	--	--	--
12b. Other Non-Monetary Liabilities	3.194.992	324.211	126.706
13. SHORT TERM LIABILITIES	63.567.342	9.147.740	126.706
14. Trade Payables	--	--	--
15. Financial Liabilities	150.930.886	22.058.824	--
16a. Other Monetary Liabilities	--	--	--
16b. Other Non-Monetary Liabilities	--	--	--
17. LONG TERM LIABILITIES	150.930.886	22.058.824	--
18. TOTAL LIABILITIES	214.498.228	31.206.564	126.706
19. Net asset/liability position of off balance sheet derivatives (19a-19b)	211.303.236	30.882.353	--
19.a Off-balance sheet foreign currency derivative assets	211.303.236	30.882.353	--
19b. Off-balance sheet foreign currency derivative liabilities	--	--	--
20. Net foreign currency asset / liability position	29.576.998	4.183.832	123.295
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(178.542.837)	(26.376.004)	250.001
22. Fair Value of foreign currency hedged Financial asset	44.076.086	6.441.800	--
23. Hedged foreign currency assets	--	--	--
24. Hedged foreign currency liabilities	--	--	--

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2020

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

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

Foreign currency risk management (continued)

December 31, 2019			
	TL Equivalent (Functional currency)	US Dollar	Euro
1. Trade Receivables	--	--	--
2a. Monetary Financial Assets	1.702.480	286.603	--
2b. Non-Monetary Financial Assets	439.337	73.960	--
3. Other	--	--	--
4. CURRENT ASSETS	2.141.817	360.563	--
5. Trade Receivables	--	--	--
6a. Monetary Financial Assets	--	--	--
6b. Non-Monetary Financial Assets	--	--	--
7. Other	--	--	--
8. NON CURRENT ASSETS	--	--	--
9. TOTAL ASSET	2.141.817	360.563	--
10. Trade Payables	--	--	--
11. Financial Liabilities	68.541.232	8.823.529	2.425.000
12a. Other Monetary Liabilities	--	--	--
12b. Other Non-Monetary Liabilities	2.744.638	334.849	113.609
13. SHORT TERM LIABILITIES	71.285.870	9.158.378	2.538.609
14. Trade Payables	--	--	--
15. Financial Liabilities	157.240.587	26.470.588	--
16a. Other Monetary Liabilities	--	--	--
16b. Other Non-Monetary Liabilities	--	--	--
17. LONG TERM LIABILITIES	157.240.587	26.470.588	--
18. TOTAL LIABILITIES	228.526.458	35.628.966	2.538.845
19. Net asset/liability position of off balance sheet derivatives (19a-19b)	209.654.120	35.294.118	--
19.a Off-balance sheet foreign currency derivative assets	209.654.120	35.294.118	--
19b. Off-balance sheet foreign currency derivative liabilities	--	--	--
20. Net foreign currency asset / liability position	(16.730.521)	25.715	(2.538.609)
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(224.079.340)	(35.007.514)	(2.425.000)
22. Fair Value of foreign currency hedged Financial asset	42.367.395	7.132.318	--
23. Hedged foreign currency assets	--	--	--
24. Hedged foreign currency liabilities	--	--	--

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2020

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

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

Foreign currency risk management (continued)

Foreign currency sensitivity

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

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

June 30, 2020		
	Appreciation of foreign currency	Devaluation of foreign currency
<u>If US Dollar changes against TL by 10%</u>		
US Dollar net asset / liability	(18.046.989)	18.046.989
Portion hedged against US Dollar risk (-)	21.130.324	(21.130.324)
US Dollar net effect	3.083.335	(3.083.335)
<u>If Euro changes against TL by 10%</u>		
Euro net asset / liability	192.705	(192.705)
Portion hedged against Euro risk (-)	--	--
Euro net effect	192.705	(192.705)
December 31, 2019		
	Appreciation of foreign currency	Devaluation of foreign currency
<u>If US Dollar changes against TL by 10%</u>		
US Dollar net asset / liability	(20.795.163)	20.795.163
Portion hedged against US Dollar risk (-)	20.965.412	(20.965.412)
US Dollar net effect	170.249	(170.249)
<u>If Euro changes against TL by 10%</u>		
Euro net asset/liability	(1.612.771)	1.612.771
Portion hedged against Euro risk (-)	--	--
Euro net effect	(1.612.771)	1.612.771

26. Other significant matters affecting to or making financial statements more clear, interpretable and understandable should be disclosed

Due to the global epidemic of coronavirus (COVID-19), Kanyon Shopping Center, Ege Perla Shopping Center and other bazaars and commercial areas (Kule Çarşısı, Mallmarine ve Tuzla Meydan Çarşısı), which are included in the Company's portfolio, have been temporarily closed to the service. The rental fee has not been collected from the store tenants, which were closed between the date of March 20, 2020 and May 31, 2020. The closed units have been started to operations as of June 1, 2020. However, as a consequence of changing consumer habits, continuing to working remotely, falling of the number of visitors in the summer period etc., it is estimated that the recovery in the retail sector will take a time. For this reason, taking into consideration the current number of visitors and business volume for the shopping mall and market tenants; it has been decided to continue to provide rental fee support in terms of rental fees at varying rates until the end of the August, and to make discounts on the minimum turnover fee for the Marmara Park Shopping Mall tenant.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2020

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

26. Other significant matters affecting to or making financial statements more clear, interpretable and understandable should be disclosed (continued)

As the portfolio of the company mainly consists of office investments except shopping malls, bazaars etc., the loss of income that will occur within the scope of the decision taken is expected to be limited.

The rental income that the Company projected to earn from its entire portfolio at the beginning of 2020 is 235 million TL, and this amount is revised as 215 million TL after the rental support decisions. Since the course and duration of the outbreak cannot be predicted, the final impact of the decisions taken and/or to be taken by the Company's management will be analyzed more clearly in the following period and the necessary explanations will be included in this footnote.

According to the general opinion in the market, the effect of coronavirus epidemic and subsequent uncertainties on the fair value of real estates is not clearly measurable in the short term and according to the decrease in uncertainties, the changes in the fair values can be seen more clearly in the valuations to be made at the end of the year.

In December 2019, valuations of the Kanyon and Ege Perla Shopping Mall, which have a significant size among the Company's retail investments, were valued in accordance with the International Valuation Standards. Within the scope of the measures taken due to the coronavirus epidemic and rental fee supports, the sensitivity analysis of the inputs used in the measurement of the fair values of these investment properties determined at the end of the year is as follows;

		Increase	Decrease
		Gain/(loss)	Gain/(loss)
		effect on	effect on
		fair value (TL)	fair value (TL)
June 30, 2020	Sensitivity analysis		
Kanyon Shopping Center			
Discount rate	2%	(82.412.380)	99.276.873
Capacity rate	5%	--	(31.734.028)
Rent income	5%	31.569.512	(31.569.512)
		Increase	Decrease
		Gain/(loss)	Gain/(loss)
		effect on	effect on
		fair value (TL)	fair value (TL)
June 30, 2019	Sensitivity analysis		
Ege Perla Shopping Center			
Discount rate	2%	(38.393.327)	46.453.379
Capacity rate	5%	7.910.687	(14.771.149)
Rent income	5%	14.173.766	(14.173.766)

27. Events after the reporting period

The Company is completed the deed transactions in regards to purchasement of 67,2% ownership share in the 15.313,76 m2 land on the registered parcel no 5, island no 115, Omerli-Cekmekoy District, Istanbul Province, as amounting to TL 14.785.000+VAT as of July 2, 2020.

The company's debt instrument issuance application within the scope of the TL 1.000.000.000 issue ceiling is approved by the Capital Markets Board's decision dated July 9, 2020 and numbered 41/850

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

For the Interim Period Ended June 30, 2020

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

The main accounts of separate financial statements	Related regulation	June 30, 2020	December 31, 2019
A Capital and money market instruments	III-48.1. Md. 24 / (b)	272.271.490	783.130.387
B Real estates, rights supported by real estates and real estate projects	III-48.1. Md. 24 / (a)	4.588.957.483	4.663.898.512
C Affiliates	III-48.1. Md. 24 / (b)	3.296.424	3.741.256
Due from related parties (other receivables) (**)	III-48.1. Md. 23 / (f)	1.175.000	--
Other assets		257.520.706	265.586.731
D Total assets	III-48.1. Md. 3 / (k)	5.123.221.103	5.716.356.886
E Loans and borrowings	III-48.1. Md. 31	1.118.267.535	1.438.508.447
F Other financial liabilities	III-48.1. Md. 31	6.734.251	4.980.218
G Financial lease obligations	III-48.1. Md. 31	--	--
H Due to related parties (other payables)	III-48.1. Md. 23 / (f)	--	--
I Equity	III-48.1. Md. 31	3.848.319.389	3.860.227.078
Other liabilities		149.899.928	412.641.143
D Total liabilities and equity	III-48.1. Md. 3 / (k)	5.123.221.103	5.716.356.886
Other separate financial information	Related regulation	June 30, 2020	December 31, 2019
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)	38.906.990	383.923.445
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)	59.156.433	58.651.459
C1 Foreign affiliates	III-48.1. Md. 24 / (d)	--	--
C2 Participating to operating company	III-48.1. Md. 28	3.296.424	3.741.256
J Non-cash loans	III-48.1. Md. 31	43.792.418	40.671.104
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	III-48.1 Md. 22 / (1)	49.466.843	388.415.384

(*) From the associates disclosed in Note 3, Kanyon is in the scope of the Company under the scope of Article 28 paragraph 1 of the "Communiqué on Principles Regarding Real Estate Investment Trusts" No: 48.1 of the CMB, III. The Company accounts for this associate according to the equity method in the accompanying financial statements. As of June 30, 2020, the Company's participation in Kanyon is TL 500.000 and does not exceed 10% of the total assets.

(**) The amount consists of dividend receivables from Kanyon Yön. İşl. Paz. A.Ş., which is subsidiary of the Company.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements

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

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

Portfolio restrictions	Related regulation	June 30, 2020	December 31, 2019	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)	90%	82%	Min %51
3 Capital and money market instruments and subsidiaries	III-48.1. Md. 24 / (b)	5%	14%	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	30%	38%	Max %500
8 Time balances / demand balances TL / foreign currency	III-48.1. Md. 24 / (b)	1%	7%	Max %10
9 The sum of investments in money and capital market instruments in a single company	III-48.1 Md. 22 / (1)	1%	7%	Max %10