

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

**Condensed Financial Statements As of and
For the Interim Period Ended June 30, 2021
With Review Report**

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

August 3, 2021

*This report includes 1 pages of Independent Auditors' Review Report and
47 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
working world**

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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 Shareholders of İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Introduction

We have reviewed the accompanying interim condensed statement of financial position of İş Gayrimenkul Yatırım Ortaklığı A.Ş. (the Company) as of June 30, 2021 and the interim condensed statement of profit or loss and other comprehensive income, statement of changes in equity and the statement cash flows for the six-month period then ended, and explanatory notes. 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 (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.

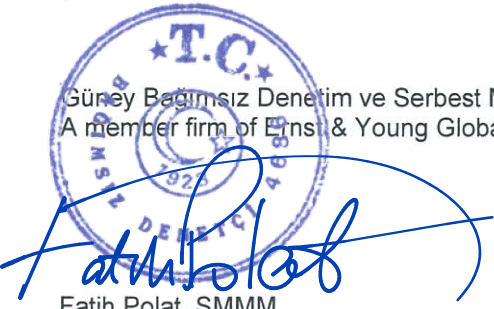
Conclusion

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 28 of the financial statements, which describes the effects of a Coronavirus pandemic on the Group's operations. Our conclusion is not modified in respect of this matter.

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


Fatih Polat, SMMM
Partner

3 August 2021
İstanbul, Türkiye

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İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Condensed Statement of Financial Position (Balance Sheet) For the Interim Period Ended June 30, 2021

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

		<i>Reviewed</i>	<i>Audited</i>
		June 30,	December 31,
	<i>Notes</i>	2021	2020
ASSETS			
Current assets		443.867.472	464.909.637
Cash and cash equivalents	5	47.877.715	59.156.089
Trade receivables	8	129.339.667	125.644.421
<i>Trade receivables from related parties</i>	24	2.874.674	2.183.477
<i>Trade receivables from third parties</i>		126.464.993	123.460.944
Other receivables	9	5.511.214	6.374.055
<i>Other receivables from related parties</i>	24	--	1.175.000
<i>Other receivables from third parties</i>		5.511.214	5.199.055
Derivatives	6	29.785.693	33.617.110
Inventories	11	197.003.832	234.619.247
Prepaid expenses	16	33.992.818	5.234.925
<i>Prepaid expenses to related parties</i>	24	1.709.441	211.610
<i>Prepaid expenses to third parties</i>		32.283.377	5.023.315
Other current assets	16	356.533	263.790
Non-current assets		4.842.339.947	4.760.495.830
Financial investments	6	229.197.163	230.571.960
Trade receivables	8	8.222.814	13.203.105
<i>Other trade receivables from third parties</i>		8.222.814	13.203.105
Inventories	11	341.386.787	200.107.126
Equity accounted investees	3	4.457.613	4.285.294
Investment properties	10	3.947.448.656	3.942.624.436
Investment properties under development	10	259.623.830	318.570.000
Tangible assets	12	41.455.387	41.395.040
Intangible assets	13	1.144.411	939.699
Prepaid expenses	16	9.403.286	8.799.170
<i>Prepaid expenses to third parties</i>		9.403.286	8.799.170
TOTAL ASSETS		5.286.207.419	5.225.405.467

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

**Condensed Statement of Financial Position (Balance Sheet)
For the Interim Period Ended June 30, 2021**

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

		<i>Reviewed</i>	<i>Audited</i>
		June 30,	December 31,
	<i>Notes</i>	2021	2020
LIABILITIES			
Short-term liabilities		1.041.987.706	962.552.803
Short term loans and borrowings	7	712.742.002	446.021.370
<i>Loans and borrowings to related parties</i>	24	320.823.478	222.657.441
<i>Loans and borrowings to third parties</i>		391.918.524	223.363.929
Current portion of long-term loans and borrowings	7	231.793.177	437.419.301
<i>Loans and borrowings to related parties</i>	24	231.793.177	235.880.646
<i>Loans and borrowings to third parties</i>		--	201.538.655
Trade payables	8	10.168.042	8.041.258
<i>Trade payables to related parties</i>	24	2.926.202	2.896.856
<i>Trade payables to third parties</i>	8	7.241.840	5.144.402
Other payables	9	10.771.936	11.374.522
<i>Other payables to third parties</i>	9	10.771.936	11.374.522
Liabilities from contracts with customers		68.140.008	38.013.150
<i>Contractual obligations from sales of goods and services</i>	17	68.140.008	38.013.150
Deferred income (Excluding liabilities from contracts with customers)	16	460.274	2.107.021
<i>Deferred income from related parties</i>	24	142.311	47.113
<i>Deferred income from third parties</i>		317.963	2.059.908
Short-term provisions		7.358.196	7.207.646
<i>Provisions for employee benefits</i>	15	579.085	459.525
<i>Other short-term provisions</i>	14	6.779.111	6.748.121
Other short-term liabilities	16	554.071	2.460.885
Derivatives	6	--	9.907.650
Long-term liabilities		117.880.190	131.898.858
Loans and borrowings	7	115.215.882	129.538.235
<i>Loans and borrowings to related parties</i>	24	115.215.882	129.538.235
Long term provisions		2.664.308	2.360.623
<i>Provisions for employee benefits</i>	15	2.664.308	2.360.623
EQUITY		4.126.339.523	4.130.953.806
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		40.791.881	40.791.881
<i>Revaluation and classification of gains / losses</i>		41.094.769	41.094.769
<i>Other earnings/ losses</i>		(302.888)	(302.888)
Restricted reserves	18	71.190.580	70.941.969
Prior years' profits	18	2.819.651.274	2.553.397.882
Net profit for the period		(4.614.283)	266.502.003
TOTAL EQUITY AND LIABILITIES		5.286.207.419	5.225.405.467

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Condensed Statement of Profit or Loss For the Interim Period Ended June 30, 2021

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

		<i>Reviewed</i>	<i>Reviewed</i>	<i>Reviewed</i>	<i>Reviewed</i>
	Not	January 1- June 30 2021	April 1- June 30 2021	January 1 - June 30 2020	April 1 - June 30 2020
Revenue	19	165.916.171	93.884.211	219.934.545	149.071.946
Cost of sales (-)	19	(66.289.974)	(39.720.170)	(120.044.900)	(96.155.409)
Gross profit		99.626.197	54.164.041	99.889.645	52.916.537
General administrative expense (-)	20	(18.034.870)	(10.312.204)	(17.467.838)	(9.256.213)
Marketing expenses (-)	20	(3.140.588)	(1.602.229)	(3.977.691)	(1.027.181)
Other operating income	21	6.767.334	2.237.735	7.543.577	5.345.156
Other operating expense (-)	21	(1.996.630)	(620.855)	(2.273.879)	3.153.938
Operating profit		83.221.443	43.866.488	83.713.814	51.132.237
Share of profit of equity-accounted investees	3	672.319	371.099	1.055.168	605.813
Operating Profit Before Finance Expense		83.893.762	44.237.587	84.768.982	51.738.050
Financial income	22	22.899.293	(3.152.570)	10.610.607	3.493.383
Financial expenses (-)	22	(111.407.338)	(49.297.663)	(107.287.278)	(46.400.991)
Operating Profit before Tax From Continuing Operations		(4.614.283)	(8.212.646)	(11.907.689)	8.830.442
Tax Expense From Continuing Operations					
- Corporate tax charge		--	--	--	--
- Deferred tax benefit		--	--	--	--
Net profit for the period		(4.614.283)	(8.212.646)	(11.907.689)	8.830.442
Earnings per share	23	(0,00005)	(0,00009)	(0,00012)	0,00009

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Condensed Statement of Other Comprehensive Income For the Interim Period Ended June 30, 2021

(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	April 1 - June 30,	January 1- June 30,	April 1 - June 30,
Notes	2021	2021	2020	2020
Net profit for the period	(4.614.283)	(8.212.646)	(11.907.689)	8.830.442
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	(4.614.283)	(8.212.646)	(11.907.689)	8.830.442

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Consensed Statement of Changes in Equity For the Interim Period Ended June 30, 2021

(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, 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
Balances at January 1, 2021		958.750.000	240.146.090	423.981	(302.888)	41.094.769	70.941.969	2.553.397.882	266.502.003	4.130.953.806
Transfers		--	--	--	--	--	248.611	266.253.392	(266.502.003)	--
Total comprehensive income		--	--	--	--	--	--	--	(4.614.283)	(4.614.283)
Balances at June 30, 2021	18	958.750.000	240.146.090	423.981	(302.888)	41.094.769	71.190.580	2.819.651.274	(4.614.283)	4.126.339.523

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Consensed Statement of Cash Flow

For the Interim Period Ended June 30, 2021

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

	Notes	Reviewed	Relieved
		January 1 – June 30, 2021	January 1 – June 30, 2020
A. Cash flows from operating activities			
Net profit for the period		(4.614.283)	(11.907.689)
<i>Profit adjustments for:</i>			
Adjustments to depreciation and amortization	12, 13	1.192.727	1.134.109
Adjustments for impairment (reversal)		972.367	424.423
-adjustments for impairment (cancellation) of receivables	8	972.367	424.423
Adjustments for provisions		423.243	548.752
- Adjustments for provisions (cancellation) of employee benefits	15	423.243	548.752
Adjustments for (gain)/losses on fair value		(21.524.497)	(14.292.742)
- Adjustments for appropriate value losses (gains) of financial assets	21	1.374.796	(3.682.135)
- Adjustments to (gain)/losses on fair value of derivatives	22	(22.899.293)	(10.610.607)
Adjustments for retained earnings of investments valued by equity method		(672.319)	(1.055.168)
- Adjustments for retained earnings of subsidiaries	3	(672.319)	(1.055.168)
Adjustments to interest income and expense		75.610.633	71.109.018
- Adjustments to interest income	19	(2.322.406)	(3.671.278)
- Adjustments to interest expense	22	77.933.039	74.780.296
-Adjustments for unrealized foreign exchange difference		26.620.435	14.475.510
Operating profit from before the changes in working capital		78.008.306	60.436.213
<i>Changes in working capital</i>			
Changes in trade receivables		312.678	(5.822.626)
- Changes in trade receivables from related parties		(691.197)	410.005
- Changes in trade receivables from third parties		1.003.875	(6.232.631)
Changes in other operating receivables		862.841	691.780
- Changes in other receivables from related parties		1.175.000	325.000
- Changes in other receivables from third parties		(312.159)	366.780
Changes in inventories		24.230.842	84.808.948
Changes in prepaid expenses		(29.362.009)	1.914.856
Changes in trade payables		2.126.784	(31.469.387)
- Changes in trade payables from related parties		29.336	(31.952.778)
- Changes in trade payables from third parties		2.097.448	483.391
Changes in other payables		(602.586)	1.195.695
- Changes in other payables from third parties		(602.586)	1.195.695
Changes in liabilities from contracts with customers		30.126.859	(42.290.855)
- Changes in contractual obligations from sales of goods and services		30.126.859	(42.290.855)
Changes in deferred income (Excluding liabilities from contracts with customers)		(1.646.746)	(19.890.108)
Other changes in working capital		(1.968.565)	19.066.121
- Changes in other assets		(92.743)	12.654.501
- Changes in other liabilities		(1.875.822)	6.411.620
		102.088.404	68.640.637
Cash generated from operating activities			
Employee termination benefits paid	15	--	(122.859)
Interest received	5, 19	2.387.154	5.102.109
Net cash provided by / (used in) operating activities		104.475.558	73.619.887
B. Cash flows from investing activities			
Cash outflows arising from purchase of investment properties		(75.727.652)	(8.783.892)
Cash outflows arising from purchases of tangible and intangible assets	12, 13	(1.457.786)	(897.327)
- Cash outflows arising from purchases of tangible assets		(969.808)	(297.236)
- Cash outflows arising from purchases of intangible assets		(487.978)	(600.091)
Dividends received		500.000	--
Net cash used in investing activities		(76.685.438)	(9.681.219)
C. Cash flows from financing activities			
Cash inflows arising from derivatives		18.336.846	12.951.242
Cash outflows arising from derivatives		(1.513.785)	(3.826.878)
Borrowings received	7	1.242.943.851	233.236.250
Borrowings paid	7	(1.239.780.055)	(582.123.137)
Interest paid	7	(65.796.344)	(78.654.550)
Net cash provided by financing activities		(45.809.487)	(418.417.073)
Increase / (decrease) in cash and cash equivalents before effect of changes in foreign currency rates			
		(18.019.367)	(354.478.405)
Effect of changes in foreign currency rates over cash and cash equivalents		6.805.741	16.960.692
Net increase / (decrease) in cash and cash equivalents		(11.213.626)	(337.517.713)
Cash and cash equivalents at the beginning of the period	5	58.915.973	386.968.340
Cash and cash equivalents at the end of the period	5	47.702.347	49.450.627

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Interim Period Ended June 30, 2021

(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 68 employees as of June 30, 2021 (December 31, 2020: 69).

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

2. Basis of presentation of financial statements

2.1 Basis of presentation

Statement of compliance

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

The financial statements as at June 30, 2021 have been approved for issue by the Board of Directors on August 3, 2021. The General Assembly and the legal authorities have the authority to amend the statutory financial statements and these financial statements.

Additional paragraph for convenience translation into English

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Interim Period Ended June 30, 2021

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

2. Basis of presentation of financial statements (continued)

2.1 Basis of presentation (continued)

Preparation of financial statements

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

Functional and presentation currency

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

Basis of measurement

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

Preparation of financial statements in Hyperinflationary Periods

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

Interest in Joint Arrangements

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

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

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Interim Period Ended June 30, 2021

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

2. Basis of presentation of financial statements (continued)

2.1 Basis of presentation (continued)

Foreign currency transactions

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

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

2.2 Changes in accounting policies and estimates

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

2.3 Summary of significant accounting policies

Interim condensed financial statements have been prepared in accordance with TAS 34 for the preparation of interim financial statements. In addition, the interim condensed financial statements have been prepared by applying the accounting policies that are consistent with the accounting policies applied during the preparation of the interim financial statements for the period ended 30 June 2021. Therefore, these interim condensed financial statements should be evaluated together with the financial statements for the year ended 31 December 2020.

2.4 The new standards, amendments, and interpretations

The accounting policies used in the preparation of the financial statements for the accounting period ending on 30 June 2021 have been applied consistently with those used in the previous year, except for the new and amended TFRS standards and TFRYK interpretations valid as of 1 January 2021, which are summarized below. The effects of these standards and interpretations on the financial position and performance of the Company are explained in the relevant paragraphs.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Interim Period Ended June 30, 2021

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

2. Basis of presentation of financial statements (continued)

i) The new standards, amendments and interpretations which are effective as at January 1, 2021 are as follows:

Benchmark Interest Rate Reform - Phase 2 - Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16

In December 2020, POA introduced the Benchmark Rate Reform – Phase 2- TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16, which introduced temporary exemptions in order to eliminate the effects on Financial reporting of replacing the benchmark interest rate (IBOR) with an alternative reference interest rate. It has published its changes. Businesses will apply these changes for annual accounting periods beginning on or after January 1, 2021. Early application is permitted. The changes cover the following topics:

Facilitating practice for changes in the basis for determining contractual cash flows because of the IBOR reform

The changes include a facilitating practice to treat contractual changes or changes in cash flows directly required by the reform as changes in a floating interest rate equivalent to a move in the market rate. Under this facilitating practice, if the interest rates applicable to financial instruments change as a result of the interest rate reform, the situation is not considered as a derecognition or contract change; instead, cash flows are expected to continue to be determined using the original interest rates of the financial instrument.

The facilitating application is mandatory for companies applying the TFRS 4 Insurance Contracts Standard by providing exemption from TFRS 9 Financial Instruments (and therefore TAS 39 Financial Instruments: Classification and Measurement) and for the implementation of TFRS 16 Leases for lease changes stemming from the IBOR Reform.)

Privileges on termination of the hedge accounting relationship

The amendments allow revisions to the hedge accounting setup and documentation required due to the IBOR reform, without terminating the hedging relationship.

The accumulated amount in the cash flow hedge fund is assumed to be based on the alternative reference interest rate.

In the alternative interest rate transition period, companies may choose to reset the accumulated fair value changes in each hedging relationship when evaluating retrospective effectiveness tests in accordance with TAS 39.

The amendments provide an exemption from changing the items identified as the subject of the grouping approach (for example, those that are part of the macro hedging strategy) due to revisions required by the IBOR reform. The relevant exemption allows the hedging strategy to be maintained and continued uninterrupted.

In the alternative reference interest rate pass, the hedging relationship may be revised more than once. Phase 2 exemptions apply to all revisions to the hedging relationship resulting from the IBOR reform.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Interim Period Ended June 30, 2021

(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)

Separate identification of risk components

The amendments provide companies with a temporary exemption to meet the criterion that risk components must be defined separately where the alternative reference interest rate is determined as a risk component in the hedging relationship.

Further Explanations

Changes Within the scope of TFRS 7 Disclosures on Financial Instruments standard; requires additional footnote obligations, such as the entity's transition process to alternative reference interest rates and how it manages the risks arising from the transition, quantitative information about the financial instruments that will be affected by the IBOR transition, even if the transition has not yet occurred, and disclosure of this change if the IBOR reform has led to any change in the risk management strategy.

These changes are mandatory and early implementation is permitted. While the practice is retrospective, companies are not required to restate past periods.

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

TFRS 16 Amendments - Change in Concessions Granted in Leases Payments Related to Covid-19

In June 2020, POA has amended the TFRS 16 Leases standard to exempt the lease concessions granted to lessees due to the COVID-19 outbreak to evaluate whether there has been a change in the lease. On April 7, 2021, POA made an amendment to extend the exemption to include concessions that cause a decrease in rental payments due on or before 30 June 2022.

Tenants will apply this change in annual accounting periods beginning on or after April 1, 2021. Early application is permitted.

The said amendment does not apply to the Company and has no impact on its financial position or performance.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Interim Period Ended June 30, 2021

(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

The new standards, interpretations and amendments that have been published as of the approval date of the financial statements but have not yet entered into force for the current reporting period and have not been applied early by the Company are as follows. Unless otherwise stated, the company will make the necessary changes that will affect its financial statements and footnotes after the new standards and interpretations come into force.

TFRS 10 and TAS 28: Asset Sales or Contributions by an Investor to an Associate or Joint Venture

POA has indefinitely postponed the validity date of the amendments made in TFRS 10 and TAS 28 in December 2017 to be changed depending on the ongoing research project outputs regarding the equity method. However, it still allows for early application. The company will evaluate the effects of these changes after the mentioned standards are finalized.

TFRS 17 - The new Standard for insurance contracts

In February 2019, POA published TFRS 17, a comprehensive new accounting standard covering recognition and measurement, presentation, and disclosure for insurance contracts. TFRS 17 introduces a model that provides both the measurement of liabilities arising from insurance contracts with current balance sheet values and the recognition of profit throughout the period in which the services are provided. TFRS 17 will be applied for annual accounting periods beginning on or after 1 January 2023. Early application is permitted. The Standard does not apply to the Company and will not have an impact on the Company's financial position or performance.

TFRS 3 Amendments – Amendment to References to the Conceptual Framework

POA made changes to the TFRS Business Combinations standard in July 2020. The change was made with the intention of replacing the reference to the old version of the Conceptual Framework (the 1989 Framework) with a reference to the current version (Conceptual Framework) released in March 2018, without materially changing the requirements of TFRS 3. However, it added a new paragraph to TFRS 3 to define contingent assets that do not meet the recognition criteria at the acquisition date. The amendment will be applied prospectively for annual accounting periods beginning on or after January 1, 2022. Early application is permitted if the entity implements all changes in TFRS standards that refer to the Conceptual Framework (March 2018) at the same time or earlier. The effects of the said change on the financial position and performance of the Company are being evaluate.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Interim Period Ended June 30, 2021

(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)

TAS 16 Amendments - Adaptation for intended use

In July 2020, POA made changes to TAS 16 Tangible Fixed Assets standard. With the amendment, companies do not allow revenues from the sale of manufactured products to be deducted from the cost of the tangible fixed asset item, while making a property, plant, and equipment suitable for its intended use. Companies will now recognize such sales revenue and related costs in profit or loss. The amendment will be applied for annual accounting periods beginning on or after 1 January 2022. Changes may be applied retrospectively only for items of property, plant and equipment that are made available at or after the earliest presented period, in comparison with the accounting period in which the entity first applied the change. There is no exemption for those who will apply TFRS for the first time. The effects of the said change on the financial position and performance of the Company are being evaluated.

TAS 37 Amendments - Economically disadvantageous contracts - Costs of fulfilling the contract

In July 2020, POA made amendments to TAS 37 Provisions, Contingent Liabilities and Contingent Assets. The amendment made in TAS 37, which will be applied for annual accounting periods beginning on or after January 1, 2022, has been made to determine the costs to be taken into account when assessing whether a contract is "disadvantaged" or "disadvantaged" from an economic point of view, and includes "directly related costs". includes the implementation of the approach. Changes should be applied retrospectively for contracts for which the entity has not fulfilled all its obligations at the beginning of the annual reporting period (first application date) in which the changes will be applied for the first time. Early application is permitted.

The effects of the said change on the financial position and performance of the Company are being evaluated.

TAS 1 Amendments - Classification of liabilities as short-term and long-term

On March 12, 2020, POA made amendments to the “TAS 1 Presentation of Financial Statements” standard. These amendments, which are effective for the annual reporting periods beginning on or after January 1, 2023, clarify the criteria for long- and short-term classification of liabilities. Changes made should be applied retrospectively according to TAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”. Early application is permitted. The effects of the said change on the financial position and performance of the Company are being evaluated.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Interim Period Ended June 30, 2021

(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)

iii) Annual Improvements - 2018-2020 Cycle

"Annual Improvements to TFRS standards / 2018-2020 Period" was published by the POA in July 2020, with the following changes:

- TFRS 1- First Adoption of International Financial Reporting Standards – Associate as First Adoptive: The amendment allows a subsidiary to measure accumulated currency translation differences using the amounts reported by the parent. The amendment also applies to the subsidiary or joint venture.
- TFRS 9 Financial Instruments - Fees taken into account in the '10% test for derecognition of financial liabilities: The amendment clarifies the fees that an entity considers when assessing whether the terms of a new or modified financial liability differ materially from the terms of the original financial liability. These fees include only fees paid or received between the borrower and the lender, including fees paid by the parties on behalf of each other.
- TAS 41 Agricultural Activities – Taxes in determining fair value: With the amendment made, the provision in TAS 41 paragraph 22 that the cash flows made for taxation are not taken into account in determining the appropriate value of companies' assets within the scope of TAS 41 has been removed.

All the improvements made will be applied for annual accounting periods beginning on or after January 1, 2022. Early application is permitted. The effects of the said change on the financial position and performance of the Company are being evaluated.

iv) New and revised standards and interpretations published by the International Accounting Standards Institution (UMSK) but not by KGK

The new standards, interpretations, and amendments to existing IFRS standards listed below have been published by the IASB but have not yet entered into force for the current reporting period. However, these new standards, interpretations and amendments have not yet been adapted/published to TFRS by KGK and therefore do not form a part of TFRS. The company will make the necessary changes in its financial statements and footnotes after these standards and interpretations become effective in TFRS.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Interim Period Ended June 30, 2021

(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)

iv) New and revised standards and interpretations published by the International Accounting Standards Institution (UMSK) but not by POA (continued)

IAS 8 Amendments – Definition of Accounting Estimates

In February 2021, IASB published amendments to IAS 8 that introduce a new definition for "accounting estimates". The amendments published for IAS 8 are valid for annual accounting periods beginning on or after 1 January 2023. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and correction of errors. It also clarifies how businesses can use measurement techniques and inputs to improve accounting estimates. The amended standard clarifies that the effects of a change in input or a change in a measurement technique on the accounting estimate are changes in accounting estimates unless they result from a correction for prior period errors. The previous definition of change in accounting estimate stated that changes in accounting estimates could result from new information or new developments. Therefore, such changes are not considered as corrections of errors. This aspect of the definition has been preserved by the IASB.

The effects of the said change on the financial position and performance of the Company are being evaluated.

Amendments to IAS 1 and IFRS Application Notice 2 – Presentation of Accounting Policies

In February 2021, IASB published changes to IAS 1 and IFRS Application Statement 2 for Making Materiality Estimates, where it provides guidance and examples to help businesses apply materiality estimates to their accounting policy disclosures. The amendments published in IAS 1 are valid for annual accounting periods beginning on or after 1 January 2023. Due to the lack of a definition of the term "significant" in IFRS, IASB has decided to replace this term with the term "significant" in the context of disclosure of accounting policy information. 'Significant' is a term defined in IFRS and is widely understood by financial statement users, according to the IASB. When assessing the materiality of accounting policy information, entities need to consider both the size of transactions, other events or conditions, and their nature. In addition, examples of situations where the entity may consider accounting policy information to be important are included.

The said amendment does not apply to the Company and has no impact on its financial position or performance.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Interim Period Ended June 30, 2021

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

2. Basis of presentation of financial statements (continued)

2.5 Real estate investment trust investment portfolio restrictions

The information included in the footnote titled “Control of Compliance with Portfolio Limitations” is in the nature of summary information derived from the financial statements in accordance with the CMB's II-14.1 “Communiqué on Financial Reporting in Capital Markets” and as of 23 January 2014, it has been published in the Official Gazette No. 28891 of the CMB. It has been prepared within the framework of the provisions of the “Communiqué on Principles Regarding Real Estate Investment Trusts”, numbered III-48.1.

2.6 Accounting estimates

The preparation of the financial statements requires the disclosure of the amounts of assets and liabilities reported as of the balance sheet date, the disclosure of contingent assets and liabilities, and the use of estimates and assumptions that may affect the amounts of income and expenses reported during the accounting period. Although these estimates are based on the best judgment and knowledge of the management, accounting estimates may not result in the same amounts as the actual results due to their nature. The main notes using estimates are as follows:

- *Note 10 Fair value measurement of investment properties*
- *Note 11 Net realizable value measurement of inventories*
- *Note 14 Measuring expected resource outflows for litigation provisions*
- *Note 15 Provisions for employee benefits*

Working Capital Ratio

As of 30 June 2021, the Company's current assets are 443.867.472 TL, short-term liabilities are 1.041.987.706 TL, while short-term liabilities exceed current assets by 598.120.234 TL. Short-term liabilities also include order advances amounting to TL 68.140.008 arising from house sales.

The Company does not foresee any disruption to the fulfilment of these short-term obligations. The Company anticipates that approximately TL 210-230 million of rental income will be collected from its investment properties during the year.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Interim Period Ended June 30, 2021

(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, 2021	Ownership (%)	December 31, 2020
Kanyon	50	4.457.613	50	4.285.294
		4.457.613		4.285.294

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

Kanyon	June 30, 2021	December 31, 2020
Current assets	27.802.343	21.095.672
Non-current assets	1.163.295	1.266.553
Short-term liabilities	(18.851.167)	(12.725.896)
Long-term liabilities	(1.199.245)	(1.065.741)
Net assets	8.915.226	8.570.588

Kanyon	January 1 – June 30, 2021	January 1 – June 30, 2020
Income for the period	30.595.733	32.469.850
Expense for the period (-)	(29.251.094)	(30.359.514)

For the period ending on 30 June 2021, the company reflected a profit of 672.319 TL (30 June 2020: 1.055.168 TL) arising from the consolidation of Kanyon using the equity method in the profit or loss statement.

4. Operating segments

Reportable segments of the Company are monitored on a project basis by the Company management. The resources to be allocated to the departments and the use of these resources are also made on a project basis.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Interim Period Ended June 30, 2021

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

4. Operating segments (continue)

	Ankara İş Kule Building	İstanbul İş Kuleleri Complex	Maslak Ofis Building	Muğla Marmaris Shopping Mall	İstanbul Kanyon Shopping Mall	İstanbul Marmara Park Shopping Mall	Taksim Ofis Lamartine	Tuzla Technology and Operating Center	İstanbul Tuzla Meydan Shopping Mall	İzmir Ege Perla Shopping Mall	İzmir Ege Perla Residence/Office	Kartal Manzara Adalar	Topkapı İstanbul	Other Real Estate	Total
June 30, 2021															
Sales Revenue															
Rent income	3.156.252	17.671.346	184.412	426.866	10.679.606	--	1.466.048	57.180.081	564.453	1.562.318	254.717	50.082	--	--	93.196.181
Income from sales of residential unit	--	--	--	--	--	--	--	--	--	--	7.537.977	27.924.326	16.656.889	--	52.119.192
Income from right of construction	--	--	--	--	--	17.039.667	--	--	--	--	--	--	--	--	17.039.667
Income fees and service	--	--	12.112	--	40.252	--	--	--	--	406.890	--	--	--	--	459.254
Other income	--	--	--	--	37.409	--	--	--	--	--	--	2.954	--	--	40.363
Real estate revenues	3.156.252	17.671.346	196.524	426.866	10.757.267	17.039.667	1.466.048	57.180.081	564.453	1.969.208	7.792.694	27.977.362	16.656.889	--	162.854.657
Cost of sales of residential unit	--	--	--	--	--	--	--	--	--	--	5.593.819	22.422.717	13.420.504	--	41.437.040
Administrative expenses	--	5.207.152	154.322	--	4.409.547	--	82.521	--	482.735	5.017.244	343.266	1.070.479	--	171.538	16.938.804
Tax and duty and other charges	230.209	1.637.059	166.866	18.973	1.402.969	744.440	82.226	845.957	50.946	606.829	--	146.270	--	--	5.932.744
Insurance expenses	48.567	338.492	37.517	18.055	220.278	--	15.279	489.510	74.856	202.551	10.760	30.834	--	19.574	1.506.273
Other	10.497	13.347	--	--	3.980	12.500	--	--	--	16.324	108.990	309.001	--	473	475.112
Cost of Sales	289.273	7.196.050	358.705	37.028	6.036.774	756.940	180.026	1.335.467	608.537	5.842.948	6.056.835	23.979.301	13.420.504	191.585	66.289.974
Gross Profit	2.866.979	10.475.296	(162.181)	389.838	4.720.493	16.282.727	1.286.022	55.844.614	(44.084)	(3.873.740)	1.735.859	3.998.061	3.236.385	(191.585)	96.564.683
Capital investments	72.035	247.653	--	--	2.084.072	--	--	223.715	--	2.148.355	--	160.610	1.896.234	82.381.881	89.214.555

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Interim Period Ended June 30, 2021

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

4. Operating segments (continue)

	Ankara İş Kule Building	İstanbul İş Kuleleri Complex	Maslak Ofis Buildings	Muğla Marmaris Mallmarine Shopping Mall	İstanbul Kanyon Shopping Mall	İstanbul Marmara Park Shopping Mall	Taksim Ofis Lamartine	Tuzla Technology and Operating Center	İstanbul Tuzla Meydan Shopping Mall	İzmir Ege Perla Shopping Mall	İzmir Ege Perla Residence/ Office	Kartal Manzara Adalar	Topkapı İstanbul	Other Real Estate	Total
June 30, 2020															
Sales Revenue															
Income from sales of residential units	--	--	--	--	--	--	--	--	--	--	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 of residential units	--	--	--	--	--	--	--	--	--	--	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 investment	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, 2021

(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, 2021	January 1 – June 30, 2020
Segment revenue	162.854.657	216.042.491
Undistributed revenue	3.061.514	3.892.054
Total Revenue	165.916.171	219.934.545

Cost of Sales	January 1 – June 30, 2021	January 1 – June 30, 2020
Segment Costs (-)	(66.289.974)	(120.044.900)
Total cost of sales	(66.289.974)	(120.044.900)

Assets	June 30,2021	December 31,2020
Segment assets	4.745.463.105	4.695.920.809
Other assets	137.562.481	138.847.526
Non-segment related assets	403.181.833	390.637.132
Total assets	5.286.207.419	5.225.405.467

Liabilities	June 30, 2021	December 31, 2020
Segment liabilities	1.128.905.415	1.065.467.611
Other liabilities	30.962.482	28.984.050
Total liabilities	1.159.867.897	1.094.451.661

5. Cash and cash equivalents

	June 30,2021	December 31, 2020
Time deposits	39.489.884	56.249.378
Demand deposits	3.725.466	818.504
Mutual funds	4.662.365	2.088.207
	47.877.715	59.156.089
Interest accrued on cash and cash equivalents	(175.368)	(240.116)
Total cash and cash equivalents in the statement of cash flows	47.702.347	58.915.973

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Interim Period Ended June 30, 2021

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

5. Cash and cash equivalents (continued)

<u>Time deposits:</u>			June 30, 2021
<u>Currency</u>	<u>Interest Rate</u>	<u>Maturity</u>	
US Dollar	0,90%	October 2021	39.489.884
			39.489.884
			June 30, 2021
		Cost	Fair Value
Mutual Funds		4.653.263	4.662.365
			4.653.263
			4.662.365
			December 31, 2020
<u>Time deposits:</u>	<u>Interest rate</u>	<u>Maturity</u>	
Euro	0,50%	February 2021	2.253.698
US Dollar	0,25-0,90%	February 2021	38.803.466
TL	16,75%	January 2021	15.192.214
			56.249.378
			December 31, 2020
		Cost	Fair Value
Mutual funds		2.087.654	2.088.207
			2.087.654
			2.088.207

6. Financial investments / Derivatives

Long-term financial investments

	June 30, 2021	December 31, 2020
Financial assets at fair value through profit or loss		
İş Asset Management 2nd Real Estate Investment Fund	229.197.163	230.571.960
Total	229.197.163	230.571.960

The number of İş Asset Management 2nd Real Estate Fund, held at financial investments as of June 30, 2021, is 221.813.008.

The movement of İş Asset Management 2nd Real Estate Fund held at financial investments of the Company as follows:

	June 30, 2021	30 June, 2020
Opening Balance, January 1	230.571.960	394.715.000
Disposal	--	(175.592.488)
Fair value difference (Note 21)	(1.374.797)	3.682.135
Closing Balance	229.197.163	222.804.647

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Interim Period Ended June 30, 2021

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

6. Financial investments / Derivatives (continued)

Derivatives		
	June 30, 2021	December 31, 2020
Financial assets held for trading		
Derivative instruments	29.785.693	33.617.110
Total	29.785.693	33.617.110
Financial liabilities held for trading		
Derivative instruments	--	9.907.650
Total	--	9.907.650

7. Loans and borrowings

The details of the coins to be used on 30 June 2021 and 31 December 2020 are as follows:

	June 30, 2021	December 31, 2020
Short-term borrowings		
Short-term bank borrowings	255.335.637	151.629.029
Issued commercial papers	457.406.365	294.392.341
Total	712.742.002	446.021.370
Current portion of long term borrowings		
Current portion of long term borrowings	231.793.177	234.151.528
Bonds issued	--	203.267.773
Total	231.793.177	437.419.301
Long-term borrowings:		
Long-term bank borrowings	115.215.882	129.538.235
Total	115.215.882	129.538.235

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Interim Period Ended June 30, 2021

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

7. Loans and borrowings (continued)

As of 30 June 2021, and 31 December 2020, the details of bank loans are as follows:

June 30, 2021				
Currency	Interest rate (%)	Original amount	Short-term (TL)	Long-term (TL)
US Dollar	Libor + 4,25	22.058.824	78.876.253	115.215.882
TL	13,00-20,15	408.252.561	408.252.561	--
Total			487.128.814	115.215.882

December 31, 2020				
Currency	Interest rate (%)	Original amount	Short-term (TL)	Long-term (TL)
US Dollar	Libor + 4,25	26.761.797	66.906.736	129.538.235
TL	11,75-13,00	318.873.821	318.873.821	--
Total			385.780.557	129.538.235

As of June 30 2021, the Company has obtained cash loan varied in some of them expired in the current period and 11 days to 1 year's maturity, with an interest rate of 18,50%- %20,25, amounting to TL 510.000.000 in total.

The details of issued bonds as of 30 June 2021 and 31 December 2020 are as follows:

June 30, 2021					
ISIN CODE	Interest rate (%)	Issued Nominal Amount (TL)	Issue Date	Amortization Date	Net Book Value
TRFISGY72114	19,35%	120.250.000	02/04/2021	14/07/2021	119.401.957
TRFISGY82113	19,20%	274.000.000	16/04/2021	18/08/2021	267.356.368
TRFISGY92112	19,05%	73.500.000	17/05/2021	17/09/2021	70.648.041
					457.406.365

December 31, 2020					
ISIN CODE	Interest rate (%)	Issued Nominal Amount (TL)	Issue Date	Amortization Date	Net Book Value
TRFISGY12113	TRLIBOR + 2,00	100.000.000	24/01/2019	25/01/2021	102.924.684
TRFISGY32111	Benchmark + 2,50	100.000.000	23/03/2018	23/03/2021	100.343.089
TRFISGY12110	14,10%	150.000.000	19/10/2020	20/01/2021	148.880.440
TRFISGY22119	15,75%	50.750.000	18/11/2020	18/02/2021	49.717.170
TRFISGY42117	16,90%	100.000.000	02/12/2020	06/04/2021	95.794.731
					497.660.114

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Notes to the Condensed Financial Statements For the Interim Period Ended June 30, 2021

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

7. Loans and borrowings (continued)

The movement table of financial borrowings as of 30 June 2021 and 2020 is as follows:

	June 30, 2021	June 30, 2020
Opening balance, 1 January	1.012.978.908	1.438.508.447
Borrowings received	1.242.943.851	233.236.250
Borrowings paid	(1.239.780.055)	(582.123.137)
Interest paid	(65.796.344)	(78.654.550)
Interest accrual	75.978.524	75.864.323
Currency translation difference	33.426.177	31.436.202
Closing balance	1.059.751.061	1.118.267.535

8. Trade receivables and payables

Short-term trade receivables and payables

	June 30, 2021	December 31, 2020
<u>Trade receivables</u>		
Income accruals	72.454.345	65.695.716
Receivables from customers	51.946.582	56.274.184
Notes receivable	2.112.188	1.563.501
Rediscount of notes receivables (-)	(48.122)	(72.457)
Doubtful receivables	7.462.501	6.490.134
Provision for doubtful receivables (-)	(7.462.501)	(6.490.134)
Due from related parties (Not 24)	2.874.674	2.183.477
	129.339.667	125.644.421
<u>Trade payables</u>		
Payables to suppliers	7.241.840	5.144.402
Due to related parties (Note 24)	2.926.202	2.896.856
	10.168.042	8.041.258

As of June 30, 2021, provision for doubtful trade receivables is TL 7.462.501 (December 31, 2020: TL 6.490.134). Provision for doubtful receivables is determined based on the historical collection performance.

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

	June 30, 2021	June 30, 2020
Opening Balance, January 1	(6.490.134)	(5.411.764)
Charge for the period (-)	(1.340.406)	(757.740)
Provisions released	368.039	333.317
Closing Balance	(7.462.501)	(5.836.187)

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Notes to the Condensed Financial Statements For the Interim Period Ended June 30, 2021

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

8. Trade receivables and payables (continued)

Long Term Trade Receivables

	June 30, 2021	December 31, 2020
<u>Trade receivables</u>		
Receivables from customers	7.004.344	10.635.788
Income accruals	1.218.470	2.567.317
Closing balance	8.222.814	13.203.105

9. Other receivables and payables

	June 30, 2021	December 31, 2020
Other short-term receivables (*)	5.511.214	5.199.055
Other receivables from related parties (Not 24)	--	1.175.000
	5.511.214	6.374.055

(*) The amount is consisting of receivables from tax office amounting to TL 3.456.536 (December 31, 2020: 3.456.536 TL) receivables from collective building management of projects amounting to TL 723.123 (December 31, 2020: TL 1.557.066).

	June 30, 2021	December 31, 2020
<u>Other payables – short-term</u>		
Deposits and guarantees given	8.571.380	10.427.563
Other short-term payables (*)	2.200.556	946.959
Total	10.771.936	11.374.522

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

10. Investment property

As of June 30, 2021, and December 31, 2020 details of investment properties are as follows:

	June 30, 2021	December 31, 2020
Investment property under operating lease	3.947.448.656	3.942.624.436
Investment property under construction and other	259.623.830	318.570.000
Total	4.207.072.486	4.261.194.436

As of June 30, 2021, total insurance amount on investment properties is TL 2.357.155.524 (December 31, 2020: TL 2.263.594.913).

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Interim Period Ended June 30, 2021

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

10. Investment property (continued)

	January 1, 2021 opening balance	Purchases	Disposals	Transferers	Fair value difference	June 30, 2021 closing balance
Investment property under operating lease						
Tuzla Technology and Operations Center	1.339.000.000	223.715	--	--	--	1.339.223.715
İstanbul İş Kuleleri Complex	1.133.076.000	247.653	--	--	--	1.133.323.653
Kanyon Shopping Mall	580.258.447	2.084.072	--	--	--	582.342.519
İzmir Ege Perla Shopping Mall	235.000.000	2.148.355	--	--	--	237.148.355
İstanbul Marmara Park Shopping Mall	245.330.000	--	--	--	--	245.330.000
Ankara İş Kule Building	154.745.000	72.035	--	--	--	154.817.035
Maslak Office Building	130.385.000	--	--	--	--	130.385.000
Taksim Ofis Lamartine	73.830.000	--	--	--	--	73.830.000
İstanbul Tuzla Combined	25.095.000	--	--	--	--	25.095.000
Muğla Marmaris Mallmarine Shopping Mall	17.935.000	--	--	--	--	17.935.000
Levent Land	7.969.989	48.390	--	--	--	8.018.379
	3.942.624.436	4.824.220	--	--	--	3.947.448.656
Investment property under construction						
İstanbul Finance Center Project	248.795.000	10.828.830	--	--	--	259.623.830
Üsküdar Land	69.775.000	60.074.601	--	(129.849.601)	--	--
	318.570.000	70.903.431	--	(129.849.601)	--	259.623.830
Total	4.261.194.436	75.727.651	--	(129.849.601)	--	4.207.072.486

As of June 30, 2021, 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 110.235.848 TL (June 30, 2020: TL 104.226.552) of its investment property. Total direct operating expenses related to these properties amounting to TL 24.852.934 (June 30, 2020: TL 24.231.639).

The fair values of the Company’s investment properties at June 30, 2021 have been arrived at based on valuations carried out in December 2020 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.

	2021	2020
Investment property under operating lease		
Tuzla Technology and Operation Center	Discounted cash flow and directly capitalization approach	Discounted cash flow and directly capitalization approach
İstanbul İş Kuleleri Complex	Sales comparison approach	Sales comparison approach
Kanyon Shopping Mall	Discounted cash flow approach	Discounted cash flow approach
İzmir Ege Perla Shopping Mall	Discounted cash flow and sales comparison approach	Discounted cash flow and sales comparison approach
İstanbul 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 Square Market	Directly capitalization approach	Directly capitalization approach
Muğla 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
Investment property under construction		
İstanbul Finance Center Project	Fair value based on estate tax	Fair value based on estate tax
Üsküdar Land	Sales comparison approach	Sales comparison approach

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Notes to the Condensed Financial Statements For the Interim Period Ended June 30, 2021

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

10. Investment property (continued)

	January 1, 2020 opening balance	Purchases	Disposals	Transfers	Fair value difference	December 31, 2020 closing balance
Investment property under operating lease						
Tuzla Technology and Operation Center	1.198.000.000	45.577	--	--	140.954.423	1.339.000.000
İstanbul İş Kuleleri Complex	1.068.763.000	1.146.960	--	--	63.166.040	1.133.076.000
Kanyon Shopping Mall	614.479.043	640.303	--	--	(34.860.899)	580.258.447
İstanbul Marmara Park Shopping Mall	202.139.000	--	--	--	43.191.000	245.330.000
İzmir Ege Perla Shopping Mall	270.100.000	3.216.602	--	--	(38.316.602)	235.000.000
Ankara İş Kule Building	151.865.000	158.465	--	--	2.721.535	154.745.000
Maslak Office Building	114.923.000	6.316.484	--	--	9.145.516	130.385.000
Taksim Ofis Lamartine	57.042.000	--	--	--	16.788.000	73.830.000
İstanbul Tuzla Combined	23.700.000	--	--	--	1.395.000	25.095.000
Muğla Marmaris Mallmarine Shopping Mall	16.224.000	--	--	--	1.711.000	17.935.000
Levent Land	7.161.458	92.556	--	--	715.975	7.969.989
	3.724.396.501	11.616.947	--	--	206.610.988	3.942.624.436
Investment property under construction						
İstanbul Finance Center Project	210.047.000	1.476.296	--	--	37.271.704	248.795.000
Üsküdar Land	51.490.000	837.741	--	--	17.447.259	69.775.000
	261.537.000	2.314.037	--	--	54.718.963	318.570.000
Total	3.985.933.501	13.930.984	--	--	261.329.951	4.261.194.436

11. Inventories

<i>Short-term inventories</i>	June 30, 2021	December 31, 2020
<i>Inventories</i>		
Kartal Manzara Adalar (*)	168.220.738	189.922.001
İzmir Ege Perla (**)	24.402.848	28.827.471
Topkapı İnistanbul projesi (***)	4.380.246	15.869.775
Total	197.003.832	234.619.247
<i>Long-term inventories</i>		
	June 30, 2021	December 31, 2020
Tuzla Land	219.625.540	219.317.379
Üsküdar Land (****)	129.849.601	--
Ömerli Kasaba Project(*****)	26.229.025	15.107.126
Impairment provision on inventories (-)	(34.317.379)	(34.317.379)
Total	341.386.787	200.107.126

(*) There are 975 residential units in Kartal Manzara Adalar Project, as of June 30, 2021, 832 residential units has been delivered to the customers. Balance of advances given related with the Project is amounting to TL 3.079.064 (December 31, 2020: TL 2.738.972) (Note 17).

(**) There are 243 residential units in Izmir Ege Perla Project, as of June 30, 2021, 208 residential units has been delivered to the customers. Balance of advances given related with the Project is amounting to TL 1.011.254 (December 31, 2020: TL 2.494.079) (Note 17).

(***) There are 2.741 residential units in Topkapı İnistanbul Project, as of June 30, 2021, 2.727 residential units has been delivered to the customers. Balance of advances given related with the Project is amounting to TL 30.984.820 (December 31, 2020: TL 32.780.099) (Note 17).

(****) The construction of the project, which will consist of 6 residential blocks, 1 office block and partially commercial area to be developed on the land of Üsküdar, started on June 15, 2021. Therefore, the property was transferred from the account "Investment Properties" to the account "Inventories".

(*****)The balance of advances given related with Ömerli Kasaba Project is amounting to TL 33.064.870 (December 31, 2020: None).

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Notes to the Condensed Financial Statements For the Interim Period Ended June 30, 2021

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11. Inventories (continued)

Movement of provision for inventories for the year is as follows:

	June 30, 2021	June 30, 2020
Opening balance, 1 January	(34.317.379)	(43.821.732)
Charge for the period (-)	--	--
Provisions released	--	--
Closing balance	(34.317.379)	(43.821.732)

12. Tangible assets

	Buildings (*)	Machinery and equipment	Vehicles	Fixtures	Total
Cost					
Opening balance as of January 1, 2021	45.681.656	85.950	374.648	3.818.167	49.960.421
Purchases	--	--	650.744	367.784	1.018.528
Disposals	--	--	--	(48.720)	(48.720)
Closing balance as of June 30, 2021	45.681.656	85.950	1.025.392	4.137.231	50.930.229
Accumulated Depreciation					
Opening balance as of January 1, 2021	5.154.657	85.950	181.080	3.143.694	8.565.381
Current year expenses	687.441	--	102.539	119.481	909.461
Closing balance as of June 30, 2021	5.842.098	85.950	283.619	3.263.175	9.474.842
Net book value as of January 1, 2021	40.527.000	--	193.569	674.471	41.395.040
Net book value as of June 30, 2021	39.839.558	--	741.773	874.056	41.455.387
Cost					
Opening balance as of January 1, 2020	41.538.843	85.950	374.647	3.495.994	45.495.434
Purchases	--	--	--	322.173	322.173
Disposals	--	--	--	--	--
Fair value difference	4.142.813	--	--	--	4.142.813
Closing balance as of December 31, 2020	45.681.656	85.950	374.647	3.818.167	49.960.420
Accumulated Depreciation					
Opening balance as of January 1, 2020	3.898.843	85.950	106.149	2.943.754	7.034.696
Current year expenses	1.255.813	--	74.929	199.942	1.530.684
Disposal	--	--	--	--	--
Closing balance December 31, 2020	5.154.656	85.950	181.078	3.143.696	8.565.380
Net book value as of January 1, 2020	37.640.000	--	268.498	552.240	38.460.738
Net book value as of December 31, 2020	40.527.000	--	193.569	674.471	41.395.040

(*) As of June 30, 2021, 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 39.839.559. These areas get share from the mortgages amounting to USD 136 million and TL 185 million established in İş Kuleleri and Kule Çarşısı (December 31, 2020: USD 136 million and TL 185 million). As of June 30, 2021, the Company has tangible assets which is fully depreciated amounting to TL 3.112.710.

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Notes to the Condensed Financial Statements For the Interim Period Ended June 30, 2021

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

13. Intangible assets

	Computer Licences	Total
Cost		
Opening balance as of January 1, 2021	5.460.120	5.460.120
Additions	487.978	487.978
Closing balance as of June 30, 2021	5.948.098	5.948.098
Accumulated Depreciation		
Opening balance as of January 1, 2021	4.520.421	4.520.421
Current year charge	283.266	283.266
Closing balance as of June 30, 2021	4.803.687	4.803.687
Net book value as of January 1, 2021	939.699	939.699
Net book value as of June 30, 2021	1.144.411	1.144.411
	Computer Licences	Total
Cost		
Opening balance January 1, 2020	4.675.030	4.675.030
Purchases	785.090	785.090
Disposals	--	--
Closing balance as of December 31, 2020	5.460.120	5.460.120
Accumulated Depreciation		
Opening balance as of January 1, 2020	3.743.946	3.743.946
Current year charge	776.475	776.475
Disposals	--	--
Closing balance as of December 31, 2020	4.520.421	4.520.421
Net book value as of January 1, 2020	931.084	931.084
Net book value as of December 31, 2020	939.699	939.699

As at June 30, 2021 and December 31, 2020, the Company has no intangible assets which is capitalized in the business area.

As at June 30, 2021, the Company has intangible assets which is fully depreciated amounting to TL 3.476.169.

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Notes to the Condensed Financial Statements For the Interim Period Ended June 30, 2021

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

14. Provisions, contingent assets, and liabilities

	June 30, 2021	December 31, 2020
Debt provisions (*)	5.571.114	5.540.124
Legal case provisions	1.207.997	1.207.997
Total	6.779.111	6.748.121

	June 30, 2021	December 31, 2020
Letters of guarantee received (**)	170.003.738	114.147.836
Mortgage received	17.510.235	20.903.410
Total	187.513.973	135.051.246

(*) As of June 30, 2021, debt provisions consists of title deed fee accruals of delivered residential units and accrued residential unit 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, 2021 and December 31, 2020 are as follows:

	June 30, 2021	December 31, 2020
A. CPM given for companies own legal personality (*)	2.098.080.584	1.921.039.304
B. CPM given in behalf of fully consolidated companies	--	--
C. CPM given for continuation of its economic activities on behalf of third parties (**)	33.850.992	45.289.792
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	2.131.931.576	1.966.329.096

(*) CPM given for the Company's own legal personality consists of letters of guarantee amounting to TL 35.173.384 and pledge amounting to USD 136.000.000 and TL 879.000.000. As of June 30, 2021, 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 Çarşı 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 Çarşı amounting to TL 185.000.000 as 2nd degree mortgage.)

1st degree mortgage is constituted in favour of İş Bankası 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, 2021, the ratio of CPM given by the Company to the Company's shareholders' equity is 1% (December 31, 2020: 1%).

As of June 30, 2021, 1.207.997 TL legal case provision is accrued and there are 281 legal cases and 129 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, 2021

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

14. Provisions, contingent assets, and liabilities (continued)

Operating leases

The Company, as the lessor in the operating lease transactions

The Company signed operating lease agreements as lessor for the investment properties in its portfolio with tenants which are shopping mall tenants, hotel operators and other third parties. The future minimum lease receivables as of June 30, 2021 and 2020 are as follows:

	June 30, 2021	June 30, 2020
Less than 1 year	219.542.205	205.300.680
Between 1-5 years	730.594.450	729.385.611
More than 5 years	4.184.698.106	3.502.314.737
Total	5.134.834.761	4.437.001.028

15. Provision for employee benefits

	June 30, 2021	December 31, 2020
Unused vacation provisions	579.085	459.525
Total	579.085	459.525

	June 30, 2021	December 31, 2020
Severance pay indemnity	2.664.308	2.360.623
Total	2.664.308	2.360.623

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 7.639 for each period of service as of June 30, 2021 (December 31, 2020: TL 7.117).

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

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, 2021, 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 8% (estimated salary increase rate) and a discount rate of 12,40%, resulting in a real discount rate of approximately 4,07% (December 31, 2020: the provisions have been calculated assuming an annual inflation rate of 8% (estimated salary increase rate) and discount rate of 12,40%, resulting in a real discount rate of approximately 4,07% discount rate).

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Notes to the Condensed Financial Statements For the Interim Period Ended June 30, 2021

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

15. Provision for employee benefits (continued)

The anticipated rate of for features is considered. As the maximum liability is revised semi-annually, the maximum amount of TL 7.639 effective from June 30, 2021 has been taken into consideration in calculation of provision from employment termination benefits.

	January 1 - June 30 2021	January 1 - June 30 2020
Opening balance at January 1	2.360.623	2.013.706
Service cost	156.295	163.054
Interest cost	147.390	153.765
Retirement pay provisions (-)	--	(122.858)
Closing balance as of year end	2.664.308	2.207.667

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

<i>Prepaid expenses – short term</i>	June 30, 2021	December 31, 2020
Job advances (*)	31.268.503	4.178.201
Related party prepaid expenses (Not 24)	1.709.441	211.610
Prepaid expenses	1.014.874	845.114
Total	33.992.818	5.234.925

(*) The amount generally consists of advances given to the contractors of the projects.

<i>Prepaid expenses – long term</i>	June 30, 2021	December 31, 2020
Job advances (*)	9.304.087	8.699.970
Prepaid expenses	99.199	99.200
Total	9.403.286	8.799.170

(*) An agreement has signed in order to buy 45% shares of the land registered in Kadıköy, 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 (TECİM). 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, 2021	December 31, 2020
Prepaid taxes and dues payable	272.721	173.231
Deposits and guarantees given	83.812	90.559
Total	356.533	263.790

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Interim Period Ended June 30, 2021

(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>Other short-term liabilities</i>	June 30, 2021	December 31, 2020
Payable social security cuts	368.160	249.211
Taxes and funds payable	185.911	2.211.674
Total	554.071	2.460.885

Deferred revenue - short-term	June 30, 2021	December 31, 2020
Deferred revenue	317.963	2.059.908
Short-term deferred revenue from related party	142.311	47.113
Total	460.274	2.107.021

17. Liabilities from contracts with customers

Liabilities from contracts with customers	June 30, 2021	December 31, 2020
Contractual liabilities from sales of goods and services(*)	68.140.008	38.013.150
Total	68.140.008	38.013.150

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

18. Shareholder’s equity

Share capital

The composition of the paid-in share capital as of June 30, 2021 and December 31, 2020 are as follows:

		June 30, 2021		December 31, 2020
İş Gayrimenkul Yat. Ort. A.Ş.	(%)		(%)	
Türkiye İş Bankası A.Ş.	50,51	484.271.902	50,51	484.271.866
Anadolu Hayat Emeklilik A.Ş.	7,11	68.151.714	7,11	68.151.714
Other	42,38	406.326.384	42,38	406.326.420
Total	100	958.750.000	100	958.750.000

The total number of ordinary shares consists of TL 958.750.000 (December 31, 2020: TL 958.750.000) shares with a par value of TL 1 per share. All the shares are issued to name and TL 1.369.642,817 (December 31, 2020: TL 1.369.642,817) of the total amount is Group A and TL 957.380.357,183 (December 31, 2020: TL 957.380.357,183) of the total amount is Group B shares. Group A shareholders have the privilege to nominate candidates during the Board of Directors member elections. One member of Board of Directors is selected among the candidates nominated by Group B shareholders while the rest is selected among the candidates nominated by Group A shareholders. There is no other privilege given to the Group A shares. There was no capital increase with or without price during the period.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Interim Period Ended June 30, 2021

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

18. Shareholders’ equity (continued)

Adjustment to share capital

Adjustment to share capital amount is TL 240.146.090 as of June 30, 2021 and December 31, 2020. 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, 2021, and December 31, 2020, share premiums amounting TL 423.981 represent excess amount of selling price and nominal value for each share during initial public offering of the Company’s shares.

Restricted reserves

	June 30, 2021	December 31, 2020
Legal reserves	71.190.580	70.941.969
Total	71.190.580	70.941.969

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, more than %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, 2021	December 31, 2020
Prior years’ profits	2.819.651.274	2.553.397.882
Total	2.819.651.274	2.553.397.882

Dividend distribution

At the Ordinary General Assembly Meeting held on March 24, 2021; After the Board of Directors' Profit Share Distribution Proposal for the distribution of 2020 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 24, 2021, the distribution of 2020 net profit was determined as follows:

	Total
1.Primary reserve (TTK 466/1) %5	248.611
Dividend	--
2.Secondary reserve (TTK 466/2)	--
Capital increase through bonus shares	--
Transferred to prior years’ profits	266.253.392
Total	266.502.003

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Interim Period Ended June 30, 2021

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

19. Revenue and cost of sales

	January 1 - June 30, 2021	April 1- June 30, 2021	January 1- June 30, 2020	April 1- June 30, 2020
Rent income	93.196.181	48.650.333	89.223.877	39.240.297
Income from sales of residential unit	52.119.192	34.265.670	110.850.083	100.412.772
Income from right of construction	17.039.667	8.728.799	15.002.634	7.601.116
Income fees and service	459.254	247.081	878.286	473.516
Other revenue	40.363	39.540	87.611	33.676
Total real estate revenues	162.854.657	91.931.423	216.042.491	147.761.377
Interest income on bank deposits	2.322.406	1.604.461	3.671.278	1.175.497
Gain on buy/sell of marketable securities	739.108	348.327	220.776	135.072
Interest income from reverse repos	--	--	--	--
Total debt instruments revenue	3.061.514	1.952.788	3.892.054	1.310.569
Total revenue	165.916.171	93.884.211	219.934.545	149.071.946
	January 1- June 30, 2021	April 1- June 30, 2021	January 1- June 30, 2020	April 1- June 30, 2020
Cost of sales of residential units	(41.437.040)	(26.658.803)	(95.813.261)	(85.595.560)
Cost of administrative expenses	(16.938.804)	(8.562.722)	(17.691.535)	(7.117.285)
Taxes and dues	(5.932.744)	(3.339.640)	(4.817.436)	(2.436.233)
Insurance expenses	(1.506.273)	(792.186)	(1.382.027)	(832.293)
Other	(475.113)	(366.819)	(340.641)	(174.038)
Total	(66.289.974)	(39.720.170)	(120.044.900)	(96.155.409)

20. Administrative expenses / Marketing, selling and distribution expenses

Administrative expenses	January 1- June 30, 2021	April 1- June 30, 2021	January 1- June 30, 2020	April 1- June 30, 2020
Personnel expenses	(11.766.937)	(7.183.100)	(12.092.817)	(7.655.433)
Outsourced service expenses	(2.515.629)	(1.098.795)	(2.125.167)	(924.230)
Depreciation and amortization	(1.192.727)	(598.263)	(1.134.109)	(570.799)
Provision for doubtful receivables	(972.367)	(499.846)	(424.423)	650.553
Taxes and dues	(73.450)	(49.230)	(41.115)	(19.249)
Other	(1.513.760)	(882.970)	(1.650.207)	(737.055)
Total	(18.034.870)	(10.312.204)	(17.467.838)	(9.256.213)
	January 1- June 30, 2021	April 1- June 30, 2021	January 1- June 30, 2020	April 1- June 30, 2020
Marketing, selling and distribution expenses				
Advertising expenses	(1.794.770)	(884.125)	(3.243.031)	(1.029.070)
Sales commission expenses	(711.754)	(436.311)	(8.334)	335.520
Consultancy expenses	(553.695)	(242.382)	(600.689)	(285.572)
Sales office expenses	(20.081)	(7.591)	(92.470)	(26.903)
Other	(60.288)	(31.820)	(33.167)	(21.156)
Total	(3.140.588)	(1.602.229)	(3.977.691)	(1.027.181)

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Interim Period Ended June 30, 2021

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

21. Other operating income / expense

	January 1- June 30, 2021	April 1- June 30, 2021	January 1- June 30, 2020	April 1- June 30, 2020
Other operating income				
Foreign exchange gains	6.402.866	1.987.510	3.556.680	1.527.656
Real estate investment fund fair value changes	--	-	3.682.135	3.682.135
Other income	364.468	250.225	304.762	135.365
Total	6.767.334	2.237.735	7.543.577	5.345.156
	January 1 - June 30, 2021	April 1- June 30, 2021	January 1 - June 30, 2020	April 1- June 30, 2020
Other operating expense				
Real estate investment fund fair value changes	(1.374.797)	(620.855)	--	3.154.268
Real estate investment fund share transfers	--	--	(2.126.801)	--
Other expense	(621.833)	--	(147.278)	(330)
Total	(1.996.630)	(620.855)	(2.273.879)	3.153.938

22. Finance income / expense

Finance income and expenses as of June 30,2021 and 2020 are as follows:

	January 1- June 30, 2021	April 1- June 30, 2021	January 1- June 30, 2020	April 1- June 30, 2020
Finance income				
Derivative gains	22.899.293	(3.152.570)	10.610.607	3.493.383
Total	22.899.293	(3.152.570)	10.610.607	3.493.383
	January 1- June 30, 2021	April 1- June 30, 2021	January 1- June 30, 2020	April 1- June 30, 2020
Finance expense				
Interest expenses	(77.933.039)	(41.969.902)	(74.780.296)	(34.198.193)
Foreign exchange losses	(33.426.177)	(7.339.412)	(31.436.200)	(11.138.823)
Other	(48.122)	11.651	(1.070.782)	(1.063.975)
Total	(111.407.338)	(49.297.663)	(107.287.278)	(46.400.991)

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Interim Period Ended June 30, 2021

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

23. Earnings per share

	January 1 - June 30, 2021	January 1 - June 30, 2020
Period opening of number of shares in circulation	95.875.000.000	95.875.000.000
Number of shares in circulation as of year end	95.875.000.000	95.875.000.000
Weighted average number of shares in circulation	95.875.000.000	95.875.000.000
Net loss for the period	(4.614.283)	(11.907.689)
Earnings per share	(0,00005)	(0,00012)
Diluted earnings per share	(0,00005)	(0,00012)

As of June 30, 2021, 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, 2021	December 31, 2020
Time deposits	39.489.884	56.249.378
Demand deposits	3.725.466	818.504
Total	43.215.350	57.067.882

The Company has letters of guarantee amounting TL 35.173.384 (December 31, 2020: TL 43.731.304) 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, 2021, and December 31, 2020 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, 2021

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

24. Related party disclosures(continued)

	June 30, 2021			
	Short Term Trade Receivables	Short Term Prepaid Expenses	Short Term Trade Payables	Deferred Income
Balances with related parties				
İş Merkezleri Yönetim ve İşletim A.Ş.	4.721	3.549	261.134	--
İş Girişim Sermayesi A.Ş.	82	--	--	--
Türkiye İş Bankası A.Ş.	23.935	--	--	30.618
Kanyon Yönetim İşl. Paz. A.Ş.	587.631	--	647.348	84.479
Anadolu Anonim Türk Sigorta A.Ş.	--	1.705.892	896.347	--
İş Net Elektronik Hizmetler A.Ş.	557	--	20.167	--
Paşabahçe Mağazaları A.Ş.	149.705	--	40.089	--
Tecim Yapı Elemanları Ltd. Şti.	1.968.593	--	--	--
Softtech Yazılım Teknolojileri A.Ş.	13.435	--	--	--
Moka Ödeme Kuruluşu A.Ş.	--	--	--	27.214
Türkiye Şişe ve Cam Fabrikaları A.Ş.	126.015	--	--	--
Due to shareholders (Dividend)	--	--	705	--
Other	--	--	1.060.412	--
Total	2.874.674	1.709.441	2.926.202	142.311

	June 30, 2021	
	Loans and borrowings	
Balances with related parties	Short Term	Long Term
T. İş Bankası A.Ş.	487.128.814	115.215.882
Transactions with related parties		
	Interest expense on loans	Capitalized interest expense
T. İş Bankası A.Ş.	35.452.970	--

The Company has forward transactions realized during the period by T. İş Bankası A.Ş. as of June 30, 2021. Derivative profit amounting to TL 15.488.960 accounted in the financial statements of the Company.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Interim Period Ended June 30, 2021

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

24. Related party disclosures (continued)

	December 31, 2020				
	Short Term Other Receivables	Short Term Trade Receivables	Short Term Prepaid Expenses	Short Term Trade Payables	Deferred Income
Balances with related parties					
İş Merkezleri Yönetim ve İşletim A.Ş.	--	7.328	--	269.684	--
Türkiye İş Bankası A.Ş.	--	4.773	166	13.692	14.541
Kanyon Yönetim İşl. Paz. A.Ş.	1.175.000	--	--	1.020.235	32.572
Anadolu Anonim Türk Sigorta A.Ş.	--	--	201.301	415.472	--
Anadolu Hayat Emeklilik A.Ş.	--	--	--	40	--
İş Net Elektronik Hizmetler A.Ş.	--	--	--	31.439	--
Paşabahçe Mağazaları A.Ş.	--	74.621	--	51.073	--
Maxis Girişim Sermayesi Portföy Yön. A.Ş.	--	2.064	--	--	--
Tecim Yapı Elemanları Ltd. Şti.	--	1.968.593	--	--	--
İş Girişim Sermayesi A.Ş.	--	83	--	--	--
Türkiye Şişe ve Cam Fabrikaları A.Ş.	--	126.015	--	--	--
Sofitech Yazılım Teknolojileri A.Ş.	--	--	--	268	--
Due to shareholders (Dividend)	--	--	--	704	--
Other	--	--	10.143	1.094.249	--
	1.175.000	2.183.477	211.610	2.896.856	47.113

	December 31, 2020	
	Loans and borrowings	
Balances with related parties	Short Term	Long Term
T. İş Bankası A.Ş.	385.780.557	129.538.235
Transactions with related parties	Interest expense on loans	Capitalized interest expense
T. İş Bankası A.Ş.	83.219.208	366.318

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Interim Period Ended June 30, 2021

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

24. Related party disclosures (continued)

<i>Transactions with related parties</i>	January 1 – June 30, 2021				
	Purchases	Interest received	Rent income	Other income	Other expense
Anadolu Anonim Türk Sigorta A.Ş. (*)	2.303.289	--	351.037	241.832	--
Anadolu Hayat Emeklilik A.Ş.	106.871	--	3.612.304	--	21.889
BAYEK Ağız Ve Diş Sağlığı Hizmetleri ve İşletmeciliği A.Ş.	--	--	67.519	--	--
BAYEK Tedavi Sağlık Hizmetleri ve İşletmeleri A.Ş.	7.873.132	--	--	--	--
İş Faktoring A.Ş.	--	--	36.736	--	--
İş Finansal Kiralama A.Ş.	--	--	23.258	--	--
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	--	--	245.368	--	--
İş Merkezleri Yönetim ve İşletim A.Ş.	6.271.368	--	710.949	--	--
İş Net Elektronik Hizmetler A.Ş.	206.959	--	256.755	3.264	1.112
İş Portföy Yönetimi A.Ş.	--	--	16.500	--	--
İş Yatırım Menkul Değerler A.Ş.	--	--	2.217.152	--	--
Maxis Girişim Sermayesi Portföy Yön. A.Ş.	--	--	106.718	--	--
Paşabahçe Mağazacılık A.Ş.	296	--	341.520	--	--
Softtech Yazılım Teknolojileri A.Ş.	--	--	4.493.649	--	--
Türkiye İş Bankası A.Ş.	--	2.322.406	56.498.036	12.112	412.470
Türkiye Şişe ve Cam Fabrikaları A.Ş.	--	--	350.042	--	--
Total	16.761.915	2.322.406	69.327.543	257.208	435.471

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

As of June 30, 2021, revenue share compensation is amounting to TL 2.234.258 (June 30, 2020: 526.865 TL) has been paid to Türkiye İş Bankası A.Ş. within the scope of Ege Perla project. Additionally, as of June 30, 2021, there is unpaid revenue share compensation is amounting to TL 2.313.691 (December 31, 2020: 2.882.282 TL) at debt provisions.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Interim Period Ended June 30, 2021

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

24. Related party disclosures (continued)

<i>Transactions with related parties</i>	January 1 – June 30, 2020				
	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	--
Bayek Ağız ve Diş Sağlığı A.Ş.	--	--	14.290	--	--
İş Faktoring A.Ş.	--	--	32.788	--	--
İş Finansal Kiralama A.Ş.	--	--	20.714	--	--
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	--	--	222.985	--	--
İş Merkezleri Yönetim ve İşletim A.Ş.	6.428.078	--	513.309	--	574.395
İş Net Elektronik Hizmetler A.Ş.	496.607	--	236.327	--	15.811
İş Yatırım Menkul Değerler A.Ş.	--	--	2.096.624	--	--
Maxis Girişim Sermayesi Portföy Yön. A.Ş.	--	--	97.242	--	--
Paşabahçe Mağazacılık A.Ş.	1.545	--	288.639	--	--
Softtech Yazılım Teknolojileri A.Ş.	--	--	4.002.601	--	--
Türkiye İş Bankası A.Ş.	--	3.671.278	49.252.830	25.328	390.495
Türkiye Şişe ve Cam Fabrikaları A.Ş.	--	--	314.588	--	--
Total	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.

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

As of June 30, 2021, and December 31, 2020, related party balances of issued bonds and commercial papers are as follows:

Balances with related parties	June 30,2021	December 31, 2020
Milli Reasurans A.Ş	63.370.203	71.024.753
İş Girişim Sermayesi A.Ş.	2.040.276	--
İş Yatırım Menkul Değerler A.Ş.	77.362	3.659
İş Yatırım Ortaklığı A.Ş.	--	1.471.823
T. İş Bankası A.Ş.	--	257.295
	65.487.841	72.757.530

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Interim Period Ended June 30, 2021

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

24. Related party disclosures (continued)

As of June 30, 2021, and 2020 coupon payments of issued bonds and commercial papers are as follows:

Transactions with related parties	January 1- June 30, 2021	January 1- June 30, 2020
Milli Reasurans A.Ş	4.517.971	--
İş Yatırım Menkul Değerler A.Ş.	1.231.337	133.392
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş	92.120	--
İş Yatırım Ortaklığı A.Ş.	15.832	89.068
T. İş Bankası A.Ş.	1.947	16.323
	5.859.207	238.783

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, 2021	January 1- June 30, 2020
Salaries and other short term benefits	4.437.006	3.916.215
Employee termination benefits	811.488	667.797
Total	5.248.494	4.584.012

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

As of 30 June 2021, and 31 December 2020, the exchange rates used by the Company when converting foreign currency transactions into TL are given in the table below:

	US Dollar	Euro	GBP
June 30, 2021	8,7052	10,3645	12,0343
December 31, 2020	7,3405	9,0079	9,9438

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Interim Period Ended June 30, 2021

(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, 2021	TL Equivalent (Functional currency)	US Dollar	Euro
1. Trade Receivables	--	--	--
2a. Monetary Financial Assets	42.946.774	4.933.448	12
2b. Non-Monetary Financial Assets	--	--	--
3. Other	--	--	--
4. CURRENT ASSETS	42.946.774	4.933.448	12
5. Trade Receivables	--	--	--
6a. Monetary Financial Assets	--	--	--
6b. Non-Monetary Financial Assets	--	--	--
7. Other	--	--	--
8. NON CURRENT ASSETS	--	--	--
9. TOTAL ASSET	42.946.774	4.933.448	12
10. Trade Payables	397.403	45.651	--
11. Financial Liabilities	76.810.588	8.823.529	--
12a. Other Monetary Liabilities	--	--	--
12b. Other Non-Monetary Liabilities	3.469.191	243.196	130.457
13. SHORT TERM LIABILITIES	80.677.182	9.112.376	130.457
14. Trade Payables	--	--	--
15. Financial Liabilities	115.215.882	13.235.294	--
16a. Other Monetary Liabilities	--	--	--
16b. Other Non-Monetary Liabilities	--	--	--
17. LONG TERM LIABILITIES	115.215.882	13.235.294	--
18. TOTAL LIABILITIES	195.893.064	22.347.670	130.457
19. Net asset/liability position of off balance sheet derivatives (19a-19b)	192.026.471	22.058.824	--
19.a Off-balance sheet foreign currency derivative assets	192.026.471	22.058.824	--
19b. Off-balance sheet foreign currency derivative liabilities	--	--	--
20. Net foreign currency asset / liability position	39.080.181	4.644.601	(130.445)
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(149.477.099)	(17.171.027)	12
22. Fair Value of foreign currency hedged Financial asset	22.690.598	2.606.557	--
23. Hedged foreign currency assets	--	--	--
24. Hedged foreign currency liabilities	--	--	--

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Notes to the Condensed Financial Statements For the Interim Period Ended June 30, 2021

(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, 2020			
	TL Equivalent (Functional currency)	US Dollar	Euro
1. Trade Receivables	--	--	--
2a. Monetary Financial Assets	41.195.583	5.305.073	250.191
2b. Non-Monetary Financial Assets	--	--	--
3. Other	--	--	--
4. CURRENT ASSETS	41.195.583	5.305.073	250.191
5. Trade Receivables	--	--	--
6a. Monetary Financial Assets	--	--	--
6b. Non-Monetary Financial Assets	--	--	--
7. Other	--	--	--
8. NON CURRENT ASSETS	--	--	--
9. TOTAL ASSET	41.195.583	5.305.073	250.191
10. Trade Payables	84.515	11.513	--
11. Financial Liabilities	64.769.118	8.823.529	--
12a. Other Monetary Liabilities	--	--	--
12b. Other Non-Monetary Liabilities	3.555.014	324.211	130.457
13. SHORT TERM LIABILITIES	68.408.647	9.159.253	130.457
14. Trade Payables	--	--	--
15. Financial Liabilities	129.538.235	17.647.059	--
16a. Other Monetary Liabilities	--	--	--
16b. Other Non-Monetary Liabilities	--	--	--
17. LONG TERM LIABILITIES	129.538.235	17.647.059	--
18. TOTAL LIABILITIES	197.946.882	26.806.312	130.457
19. Net asset/liability position of off balance sheet derivatives (19a-19b)	194.307.353	26.470.588	--
19.a Off-balance sheet foreign currency derivative assets	194.307.353	26.470.588	--
19b. Off-balance sheet foreign currency derivative liabilities	--	--	--
20. Net foreign currency asset / liability position	37.556.054	4.969.349	119.734
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(153.196.285)	(21.177.028)	250.191
22. Fair Value of foreign currency hedged Financial asset	33.617.110	4.579.676	--
23. Hedged foreign currency assets	--	--	--
24. Hedged foreign currency liabilities	--	--	--

**Notes to the Condensed Financial Statements
For the Interim Period Ended June 30, 2021**

(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, 2021		
	Appreciation of foreign currency	Devaluation of foreign currency
<u>If US Dollar changes against TL by 10%</u>		
US Dollar net asset / liability	(14.947.722)	14.947.722
Portion hedged against US Dollar risk (-)	19.202.647	(19.202.647)
US Dollar net effect	4.254.925	(4.254.925)
<u>If Euro changes against TL by 10%</u>		
Euro net asset / liability	12	(12)
Portion hedged against Euro risk (-)	--	--
Euro net effect	12	(12)
December 31, 2020		
	Appreciation of foreign currency	Devaluation of foreign currency
<u>If US Dollar changes against TL by 10%</u>		
US Dollar net asset / liability	(15.544.999)	15.544.999
Portion hedged against US Dollar risk (-)	19.430.735	(19.430.735)
US Dollar net effect	3.885.736	(3.885.736)
<u>If Euro changes against TL by 10%</u>		
Euro net asset/liability	225.370	(225.370)
Portion hedged against Euro risk (-)	--	--
Euro net effect	225.370	(225.370)

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

The effects of the Covid-19 global epidemic, which started in 2020, continued in the first half of 2021. The company continues to take all necessary measures according to the course of the pandemic.

The retail sector, which is one of the sectors most affected by the epidemic, has not yet reached the number of visitors and trade volumes in the past periods due to the emergence of new variants and increasing number of cases despite the acceleration of the vaccination process. It is estimated that the recovery in the sector will take time depending on the course of the epidemic.

In order to ensure the sustainability of rental income, protect the tenant mix during the pandemic period, and support commercial relations, the Company continued to provide rental support at varying rates to the tenants of shopping malls, bazaars and commercial areas in the Company’s portfolio in the first six months of 2021.

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Notes to the Condensed Financial Statements For the Interim Period Ended June 30, 2021

(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)

Since the course of the epidemic and the developments in the vaccination process remain somewhat uncertain in 2021, the rental income that the Company plans to generate from its entire portfolio is expected to be between 210-230 million TL.

The effects of the said process on our operations and financials will continue to be included in this footnote.

27. Events after the reporting period

On 14 July 2021, the company has issued financial bonds with a nominal value of 130.000.000 TL with a maturity of 124 days. IS Investment Securities Inc. The redemption date of the financing bills, which were sold to qualified investors, is November 15, 2021.

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Notes to the Condensed Financial Statements For the Interim Period Ended June 30, 2021

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

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

The main accounts of separate financial statements	Relevant regulation	June 30, 2021	December 31, 2020
A Capital and money market instruments	III-48.1. Md. 24 / (b)	47.877.715	59.156.089
Real estates, rights supported by real estates and real estate projects. Real estate investment fund of the first paragraph of article 28 (ç), in which they have 100% participation in their participation shares and capital.	III-48.1. Md. 24 / (a)	4.974.660.268	4.926.492.769
B Affiliates (*)	III-48.1. Md. 24 / (b)	4.457.613	4.285.294
Due from related parties (**)	III-48.1. Md. 23 / (f)	--	1.175.000
Other assets		259.211.823	234.296.315
D Total assets	III-48.1. Md. 3 / (k)	5.286.207.419	5.225.405.467
E Loans and borrowings	III-48.1. Md. 31	1.059.751.061	1.012.978.906
F Other financial liabilities	III-48.1. Md. 31	6.779.111	6.748.121
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	4.126.339.523	4.130.953.807
Other liabilities		93.337.725	74.724.633
D Total liabilities and equity	III-48.1. Md. 3 / (k)	5.286.207.419	5.225.405.467
Other separate financial information	Relevant regulation	June 30, 2021	December 31, 2020
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)	43.215.350	57.067.882
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)	8.018.379	77.744.989
C1 Foreign affiliates	III-48.1. Md. 24 / (d)	--	--
C2 Participating to operating company	III-48.1. Md. 28	4.457.613	4.285.294
J Non-cash loans	III-48.1. Md. 31	35.173.384	43.731.304
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)	47.877.715	59.156.089

(*) 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, 2021, 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.

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Notes to the Condensed Financial Statements For the Interim Period Ended June 30, 2021

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

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

			June 30, 2021	December 31, 2020	Max / Min ratio
1	Mortgage amounts of the mortgaged lands that the project will be developed on without ownership Real estates, rights supported by real estates and real estate projects. Real estate investment fund of the first paragraph of article 28(ç), in which they have 100% participation in their participation shares and capital.	III-48.1. Md. 22 / (e)	0%	0%	Max 10%
2	Capital and money market instruments and subsidiaries	III-48.1. Md. 24 / (a). (b)	94%	94%	Max 51%
3	Foreign real estates, rights supported by real estates and real estate projects, affiliates and capital market instruments	III-48.1. Md. 24 / (b)	1%	1%	Max 49%
4	Inactive land/lands	III-48.1. Md. 24 / (d)	0%	0%	Max 49%
5	Participating to operating company	III-48.1. Md. 24 / (c)	0%	1%	Max 20%
6	Borrowings limits	III-48.1. Md. 28	0%	0%	Max 10%
7	Foreign Currency Time Deposit / Special Current-Participation Account and TL Time Deposit / Participation Account	III-48.1. Md. 31	27%	26%	Max 500%
8	The sum of investments in money and capital market instruments in a single company	III-48.1. Md. 24 / (b)	1%	1%	Max %10
9		III-48.1 Md. 22 / (1)	1%	1%	Max %10