

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

**Financial Statements As of and
For the Year Ended December 31, 2022
With Independent Auditors' Report**

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

30 January 2023

*This report consists of 4 pages independent
auditor's report and 62 pages financial statements
and supplementary footnotes*

İş Gayrimenkul Yatırım Ortaklığı
Anonim Şirketi

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

A) Report on the Audit of the Financial Statements

1) Opinion

We have audited the financial statements of İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi'nin ("Şirket"), which comprise the statement of financial position as at December 31, 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with the Turkish Financial Reporting Standards (TFRS).

2) Basis for Opinion

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

3) Key Audit Matters

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



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<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>Presentation of investment properties in the financial statements and significant information disclosed</p> <p>As explained in note 2 and 10, the Company recognizes investment properties at their fair values, after initial recognition.</p> <p>As of December 31, 2022, fair value amount of the investment properties disclosed in the financial statements has been valued at TL 13.813.456.730 TL by independent appraisal firms and details of the valuation have been disclosed in note 10. Due to the fact that investment properties are significant part of the Company's assets and applied valuation methods contain significant judgements and assumptions, we have considered the valuation of investment properties as a key audit matter.</p>	<p>We assessed the qualifications, competencies and independence of the professional appraisers engaged by the management.</p> <p>In our audit, we assessed whether the valuation methods as applied by appraisers are acceptable for valuation of the underlying investment property. We reconciled the appraised value for independent sections in the valuation report with disclosed amount in note 10. In addition, we reconciled standing data included in the valuation report such as rental income, duration of lease contracts, occupancy rates and administration expenses to source documents.</p> <p>Among the other audit procedures we performed, we verified the assumptions used by the external appraisers in their valuations (including the discount rate, the market rent and the expected occupancy rates) against external data. For this assessment we involved valuation experts of a firm which is in our audit network to our audit procedures.</p> <p>Due to the high level of judgment in the valuation of investment property and the existence of alternative assumptions and valuation methods, we assessed if the result of the external valuation is within an acceptable range.</p> <p>We also examined the suitability of the information in the financial statements and explanatory note, given the importance of this information for users of the financial statements.</p>

Inventories	
<p>As of December 31, 2022, in the financial statements of the Company there has been inventories amounting to TL 58.508.963 in the current assets and TL 1.043.171.764 in the non-current assets. Inventories comprise of cost of land that is held to build housing projects for sale in the short-term and construction costs of housing units. Accounting policy regarding to inventories is disclosed in note 2, related inventory amounts are disclosed in note 11. Due to the fact that inventories are significant part of the Company's assets and matters such as accounting of purchase, conversion- capitalization and other necessary costs which are included to inventories, housing inventories to be sold are considered as key audit matter to our audit.</p>	<p>Within the scope of our audit procedures erformed regarding to the subject stated above, it has been focused on the followings;</p> <ul style="list-style-type: none"> - Testing cost of development additions in the current year by comparing with documents such as invoice and progress payment - Review of borrowing costs capitalized to inventories in the current year and review the capitalization ceiling test - Testing of foreign currency differences capitalized and its verification with borrowing costs - Controlling of net realizable value of the inventories with valuation report and realized sales.

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

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

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

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

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

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

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

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

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

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

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

B) Report on Other Legal and Regulatory Requirements

- 1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on January 30, 2023.
- 2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January – 31 December 2022 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.
- 3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Fatih Polat.

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



Fatih Polat, SMMM
Partner

January 30, 2023
İstanbul, Turkey

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İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

As of December 31, 2022 Statement of Financial Position (Balance Sheet)

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

		<i>Audited</i>	<i>Audited</i>
	<i>Notes</i>	December 31, 2022	December 31, 2021
ASSETS			
Current assets			
		1.837.079.701	492.261.589
Cash and cash equivalents	5	1.246.119.883	138.562.954
Financial investments	6	128.943.342	--
Trade receivables	8	144.545.368	109.092.484
<i>Trade receivables from related parties</i>	25	<i>10.193.000</i>	<i>2.369.667</i>
<i>Trade receivables from third parties</i>		<i>134.352.368</i>	<i>106.722.817</i>
Other receivables	9	9.028.038	5.560.768
<i>Other receivables from third parties</i>		<i>9.028.038</i>	<i>5.560.768</i>
Derivatives	6	--	28.049.500
Inventories	11	58.508.963	139.873.007
Prepaid expenses	16	193.575.742	68.485.450
<i>Prepaid expenses to related parties</i>	25	<i>397.621</i>	<i>229.092</i>
<i>Prepaid expenses to third parties</i>		<i>193.178.121</i>	<i>68.256.358</i>
Other current assets	16	56.358.365	2.637.426
Non-current assets			
		15.580.139.555	6.184.059.709
Financial investments	6	555.334.332	272.785.497
Trade receivables	8	117.453	3.528.353
<i>Other trade receivables from third parties</i>		<i>117.453</i>	<i>3.528.353</i>
Inventories	11	1.043.171.764	381.236.548
Equity accounted investees	3	10.342.436	5.768.402
Investment properties	10	12.077.814.730	4.979.646.022
Investment properties under development	10	1.735.642.000	474.465.000
Tangible assets	12	143.597.505	55.492.519
Intangible assets	13	2.653.667	1.249.812
Prepaid expenses	16	11.465.668	9.887.556
<i>Prepaid expenses to third parties</i>		<i>11.465.668</i>	<i>9.887.556</i>
TOTAL ASSETS		17.417.219.256	6.676.321.298

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

As of December 31, 2022 Statement of Financial Position (Balance Sheet)

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

		<i>Audited</i>	<i>Audited</i>
	Notes	December 31, 2022	December 31, 2021
LIABILITIES			
Short-Term Obligations		3.488.283.156	1.000.398.213
Short term loans and borrowings	7	2.783.057.890	840.482.361
<i>Loans and borrowings to related parties</i>	25	909.896.992	442.594.531
<i>Loans and borrowings to third parties</i>		1.873.160.898	397.887.830
Current portion of long term loans and borrowings	7	615.429.589	5.645.663
<i>Loans and borrowings to related parties</i>	25	122.645.658	5.645.663
<i>Loans and borrowings to third parties</i>		492.783.931	--
Trade payables	8	18.433.078	10.550.029
<i>Trade payables to related parties</i>	25	7.466.348	4.310.834
<i>Trade payables to third parties</i>		10.966.730	6.239.195
Other payables	9	24.213.754	16.137.729
<i>Other payables to third parties</i>		24.213.754	16.137.729
Liabilities from contracts with customers	17	15.327.577	98.315.105
<i>Contractual obligations from sales of goods and services</i>		15.327.577	98.315.105
Deferred income (Excluding liabilities from contracts with customers)	16	2.022.923	18.673.511
<i>Deferred income from related parties</i>	25	104.619	56.771
<i>Deferred income from third parties</i>		1.918.304	18.616.740
Short-term provisions		6.374.683	6.517.479
<i>Provisions for employee benefits</i>	15	958.829	496.510
<i>Other short-term provisions</i>	14	5.415.854	6.020.969
Other short-term liabilities	16	9.212.963	4.076.336
Derivatives	6	14.210.699	--
Long-term liabilities		8.700.038	200.260.206
Long term loans and borrowings	7	--	197.107.317
<i>Loans and borrowings to related parties</i>	25	--	117.000.002
<i>Loans and borrowings to third parties</i>		--	80.107.315
Long term provisions		8.700.038	3.152.889
<i>Provisions for employee benefits</i>	15	8.700.038	3.152.889
EQUITY		13.920.236.062	5.475.662.879
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		135.964.985	55.581.064
<i>Revaluation and classification of gains / losses</i>		141.279.787	56.043.574
<i>Other earnings/ losses</i>		(5.314.802)	(462.510)
Legal reserves	18	77.792.818	71.190.580
Prior years' profits	18	4.142.968.926	2.819.651.274
Net profit for the period		8.364.189.262	1.329.919.890
TOTAL EQUITY AND LIABILITIES		17.417.219.256	6.676.321.298

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**Statement of Profit or Loss For the Year Ended December 31, 2022***(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)*

		<i>Audited</i>	<i>Audited</i>
	<i>Notes</i>	1 January- 31 December 2022	1 January - 31 December 2021
Revenue	19	686.935.509	488.577.001
Cost of sales (-)	19	(240.442.642)	(200.955.447)
Gross Profit		446.492.867	287.621.554
General administrative expenses (-)	20	(49.350.519)	(30.243.898)
Marketing expenses (-)	20	(18.411.807)	(14.512.469)
Other operating income	22	8.279.018.073	1.235.439.964
Other operating expenses (-)	22	(3.384.162)	(659.131)
Operating profit		8.654.364.452	1.477.646.020
Income from investment activities	22	18.943.342	--
Share of profit of equity-accounted investees	3	5.074.034	1.983.108
Operating Profit Before Financing Expense		8.678.381.828	1.479.629.128
Financing income	23	--	46.193.755
Financing expenses (-)	23	(314.192.566)	(195.902.993)
Operating Profit before Tax From Continuing Operations		8.364.189.262	1.329.919.890
Tax Expense From Continuing Operations			
- Corporate tax charge		--	--
- Deferred tax benefit		--	--
Period Profit		8.364.189.262	1.329.919.890
Earnings per share	24	0,0872	0,0139

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Statement of Other Comprehensive Income For the Year Ended December 31, 2022

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

		<i>Audited</i>	<i>Audited</i>
	<i>Notes</i>	1 January- 31 December 2022	1 January - 31 December 2021
Net profit for the period		8.364.189.262	1.329.919.890
Other comprehensive income			
Other comprehensive income that will never be reclassified to profit or loss		80.383.921	14.789.183
Revaluation and classification of gains / losses	12	85.236.213	14.948.805
Actuarial gain/(loss) arising from defined benefit plans	15	(4.852.292)	(159.622)
Other comprehensive revenue		80.383.921	14.789.183
TOTAL COMPREHENSIVE REVENUE		8.444.573.183	1.344.709.073

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Statement of Changes in Equity For the Year Ended December 31, 2022

(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 as of 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		--	--	--	(159.622)	14.948.805	--	--	1.329.919.890	1.344.709.073
Balances as of December 31, 2021	18	958.750.000	240.146.090	423.981	(462.510)	56.043.574	71.190.580	2.819.651.274	1.329.919.890	5.475.662.879
Balances as of January 1, 2022		958.750.000	240.146.090	423.981	(462.510)	56.043.574	71.190.580	2.819.651.274	1.329.919.890	5.475.662.879
Transfers		--	--	--	--	--	6.602.238	1.323.317.652	(1.329.919.890)	--
Total comprehensive income		--	--	--	(4.852.292)	85.236.213	--	--	8.364.189.262	8.444.573.183
Balances as of December 31, 2022	18	958.750.000	240.146.090	423.981	(5.314.802)	141.279.787	77.792.818	4.142.968.926	8.364.189.262	13.920.236.062

The accompanying notes are an integral part of these financial statements

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi
Statement of Cash Flow For the Year Ended December 31, 2022
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

		<i>Independently Audited</i>	<i>Independently Audited</i>
		2022	2021
A. Cash flows from operating activities			
Net profit for the period		8.364.189.262	1.329.919.890
<i>Profit adjustments for:</i>			
Adjustments to depreciation and amortization	12, 13	3.473.565	2.477.126
Adjustments to impairment or cancelation		66.385	(32.220.733)
- Adjustments to impairment of receivables	8	66.385	2.096.646
- Adjustments to impairment of inventories	11	--	(34.317.379)
Adjustments for provisions		1.699.854	760.529
- Adjustments to provision for employee severance indemnity	15	1.699.854	760.529
Adjustments for (gain)/losses on fair value		(8.219.826.040)	(1.226.018.007)
- Adjustments to (gain)/losses on fair value of investment property	10	(7.948.849.894)	(1.139.831.513)
- Adjustments to (gain)/losses on fair value of financial assets	6	(286.145.275)	(39.992.739)
- Adjustments to (gain)/losses on fair value of derivatives	23	15.169.129	(46.193.755)
Adjustments for retained earnings of investments valued by equity method		(5.074.034)	(1.983.108)
- Adjustments for retained earnings of subsidiaries	3	(5.074.034)	(1.983.108)
Adjustments to interest income and expense		238.276.285	148.338.747
- Adjustments to interest income	19,22	(43.739.246)	(6.123.271)
- Adjustments to interest expense	23	282.015.531	154.462.018
Adjustments to foreign exchange differences		(48.257.737)	(19.297.162)
Operating profit from before the changes in working capital		334.547.540	201.977.282
<i>Changes in working capital</i>			
Changes in trade receivables		(32.108.369)	24.130.044
- Changes in trade receivables from related parties		(7.823.333)	(186.190)
- Changes in trade receivables from third parties		(24.285.036)	24.316.234
Changes in other receivables		(3.467.270)	813.287
- Changes in other receivables from related parties		--	1.175.000
- Changes in other receivables from third parties		(3.467.270)	(361.713)
Changes in inventories		(447.085.330)	77.884.013
Changes in prepaid expenses		(126.668.404)	(64.338.911)
Changes in trade payables		7.883.049	2.508.771
- Changes in trade payables from related parties		3.155.514	1.413.968
- Changes in trade payables from third parties		4.727.535	1.094.803
Changes in other payables		8.076.025	4.763.236
- Changes in other payables from third parties		8.076.025	4.763.236
Changes in liabilities from contracts with customers		(82.987.528)	60.301.956
- Changes in contractual obligations from sales of goods and services		(82.987.528)	60.301.956
Changes in deferred income (Excluding liabilities from contracts with customers)		(16.650.588)	16.566.490
Other changes in working capital		(48.584.312)	(1.485.363)
- Changes in other assets		(53.720.939)	(2.373.636)
- Changes in other liabilities		5.136.627	888.273
		(407.045.187)	323.120.805
Cash generated from operating activities			
Employee termination benefits paid	15	(542.678)	(90.902)
Interest received	5, 19	30.033.133	5.798.034
Net cash provided by / (used in) operating activities		(377.554.732)	328.827.937
B. Cash flows from investment activities			
Cash outflows for the acquisition of shares of other entities or funds or debt instruments		(8.327.998)	(2.220.798)
Cash outflows from the purchase of financial assets		(110.000.000)	--
Cash outflows arising from purchase of investment properties	10	(410.495.814)	(182.934.674)
Cash outflows arising from purchases of tangible and intangible assets	12, 13	(7.802.390)	(1.935.913)
- Cash outflows arising from purchases of tangible assets		(5.698.531)	(1.029.066)
- Cash outflows arising from purchases of intangible assets		(2.103.859)	(906.847)
Dividends received		500.000	500.000
Net cash used in investing activities		(536.126.202)	(186.591.385)
C. Cash flows from financing activities			
Cash inflows arising from derivatives		31.759.920	45.227.800
Cash outflows arising from derivatives		(4.668.850)	(3.374.085)
Borrowings received	7	3.270.574.950	2.291.187.851
Borrowings paid	7	(1.029.335.450)	(2.272.488.656)
Interest paid	7	(302.037.653)	(143.004.995)
Net cash provided by financing activities		1.966.292.917	(82.452.085)
Increase / (decrease) in cash and cash equivalents before effect of changes in foreign currency rates		1.052.611.983	59.784.467
Effect of changes in foreign currency rates over cash and cash equivalents		48.257.737	19.297.161
Net increase / (decrease) in cash and cash equivalents		1.100.869.720	79.081.628
Cash and cash equivalents at the beginning of the period	5	137.997.601	58.915.973
Cash and cash equivalents at the end of the period	5	1.238.867.321	137.997.601

The accompanying notes are an integral part of these summary financial statements.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended December 31, 2022

(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 (formerly known as the Istanbul Stock Exchange) ("BIST") since 1999.

As of December 31, 2022, the Company has 72 employees (December 31, 2021: 66).

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 of December 31, 2022 were approved by the Board of Directors on January 30, 2023 and signed on behalf of the Board of Directors. The General Assembly and the legal authorities have the authority to amend the statutory financial statements and these financial statements.

Additional paragraph for convenience translation into English

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

Preparation of financial statements

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended December 31, 2022

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

2. Basis of presentation of financial statements (continued)

2.1 Basis of presentation (continued)

Functional and presentation currency

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

Basis of measurement

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

Preparation of financial statements in Hyperinflationary Periods

According to TAS 29 Financial Reporting Standard in Hyperinflation Economies, businesses whose functional currency is the currency of a hyperinflationary economy report their financial statements according to the purchasing power of money at the end of the reporting period. TAS 29 defines the characteristics that may indicate that an economy is an economy with hyperinflation. At the same time, according to TAS 29, all enterprises reporting in the currency of hyperinflationary economy are required to apply this Standard from the same date. For this reason, it is expected that all enterprises will start applying TAS 29 at the same time with the announcement to be made by the Public Oversight Accounting and Auditing Standards Authority in order to ensure consistency in practice throughout the Country, as specified in TAS 29. However, POA has not made a statement regarding whether an adjustment will be made in accordance with TAS 29 in the financial statements for the accounting period ended on December 31, 2022. Therefore, TAS 29 has not been applied in the financial statements dated December 31, 2022 and no inflation adjustment has been made.

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 were prepared by using same accounting policies and periods to confirm with the Company’s financial statements.

2. Basis of presentation of financial statements (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.

2.3 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as of December 31, 2022 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of January 1, 2022 and thereafter. The effects of these standards and interpretations on the Company / the Group’s financial position and performance have been disclosed in the related paragraphs.

i) The new standard, amendments and interpretations which are effective as of 1 January 2022 are as follows:

Amendments to TFRS 3 – Reference to the Conceptual Framework

In July 2020, POA issued amendments to TFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of TFRS 3. At the same time, the amendments add a new paragraph to TFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments must be applied prospectively.

Such change did not have a material impact on the Company's financial position or performance.

Amendments to TAS 16 – Proceeds before intended use

In July 2020, POA issued amendments to TAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment.

Such change did not have a material impact on the Company's financial position or performance.

2. Basis of presentation of financial statements (continued)

2.3 The new standards, amendments and interpretations (continued)

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

In July 2020, POA issued amendments to TAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a “directly related cost approach”. Amendments must be applied prospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

Such change did not have a material impact on the Company's financial position or performance.

Annual Improvements - 2018-2020 Cycle

In July 2020, POA issued Annual Improvements to TFRS Standards 2018–2020 Cycle, amending the followings:

- TFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter: The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.

- TFRS 9 Financial Instruments – Fees in the “10 per cent test” for derecognition of financial liabilities: The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other’s behalf.

- TAS 41 Agriculture – Taxation in fair value measurements: The amendment removes the requirement in paragraph 22 of TAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of TAS 41.

Such change did not have a material impact on the Company's financial position or performance.

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

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

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

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

The Company will assess the effects of such changes after the aforementioned standards have been finalized.

2. Basis of presentation of financial statements (continued)

2.3 New and revised standards and interpretations (continued)

IFRS 17 – New Standard for Insurance Contracts

POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted. In accordance with amendments issued by POA in December 2021, entities have transition option for a “classification overlay” to avoid possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on initial application of TFRS 17.

The effects of this standard on the Company's financial position and performance of the Group are evaluated.

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

In January 2021 and January 2023, POA issued amendments to TAS 1 to specify the requirements for classifying liabilities as current or non-current. According to the amendments made in January 2023 if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants at a date subsequent to the reporting period (“future covenants”), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. In addition, January 2023 amendments require an entity to provide disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. This disclosure must include information about the covenants and the related liabilities. The amendments clarified that the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period. The amendments are effective for periods beginning on or after 1 January 2024. The amendments must be applied retrospectively in accordance with TAS 8. Early application is permitted. However, an entity that applies the 2020 amendments early is also required to apply the 2023 amendments, and vice versa.

Such change does not apply to the Company and has no effect on its financial position or performance.

Amendments to TAS 8 - Definition of Accounting Estimates

In August 2021, POA issued amendments to TAS 8, in which it introduces a new definition of ‘accounting estimates’. The amendments issued to TAS 8 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the POA. The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. Earlier application is permitted.

Such change does not apply to the Company and has no effect on its financial position or performance.

2. Basis of presentation of financial statements (continued)

2.3 New and revised standards and interpretations (continued)

Amendments to TAS 1 - Disclosure of Accounting Policies

In August 2021, POA issued amendments to TAS 1, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments issued to TAS 1 are effective for annual periods beginning on or after 1 January 2023. In the absence of a definition of the term ‘significant’ in TFRS, the POA decided to replace it with ‘material’ in the context of disclosing accounting policy information. ‘Material’ is a defined term in TFRS and is widely understood by the users of financial statements, according to the POA. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them. Examples of circumstances in which an entity is likely to consider accounting policy information to be material have been added.

Such change does not apply to the Company and has no effect on its financial position or performance.

Amendments to TAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In August 2021, POA issued amendments to TAS 12, which narrow the scope of the initial recognition exception under TAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments issued to TAS 12 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations should be recognized.

Such change does not apply to the Company and has no effect on its financial position or performance.

Amendments to TFRS 16 - Lease Liability in a Sale and Leaseback

In January 2023, POA issued amendments to TFRS 16. The amendments specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. In applying requirements of TFRS 16 under “Subsequent measurement of the lease liability” heading after the commencement date in a sale and leaseback transaction, the seller lessee determines ‘lease payments’ or ‘revised lease payments’ in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments do not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining ‘lease payments’ that are different from the general definition of lease payments in TFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with TAS 8. A seller-lessee applies the amendments to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. A seller-lessee applies the amendments retrospectively in accordance with TAS 8 to sale and leaseback transactions entered into after the date of initial application of TFRS 16.

Such change does not apply to the Company and has no effect on its financial position or performance.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended December 31, 2022
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

2. Basis of presentation of financial statements (continued)

2.4 Summary of significant accounting policies

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

2.4.1 Accounting for income and expenses

Revenue

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

Rent income from investment properties under operating leases

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

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

Revenue from sale of investment property

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

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

Interest income and expenses

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

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

Other income and expenses

Other income and expenses are recognized on an accrual basis.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended December 31, 2022
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

2. Basis of presentation of financial statements (continued)

2.4 Summary of key accounting policies (continued)

2.4.2 Investment property

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

Terrains and buildings which hired to use for production of goods and services or administrative use or to be sold or rented in the ordinary course of business or in the purpose of appreciation, or for both are classified as investment properties and are evaluated by fair value measurement. Profit or loss that inflicting by a change in the fair value of an investment property, is included to the comprehensive income statement in its consisting time. (Note 22)

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

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

2.4.3 Tangible assets

As of December, 31 2004 the Company were reflecting tangible assets purchased before January 1 2005 on cost restated for the effects of inflation. In the following period were reflecting purchase cost, after allocating accumulated depreciation and permanent impairment provisions to the financial statements. Due to the changes in accounting policies since September 30, 2015, valuation of real estate in use recorded under tangible fixed assets was amended from cost model to the revaluation model in accordance with “TAS 16- Tangible Assets”.

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

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

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

Depreciation

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

Buildings	50 years
Machinery and equipment	4-5 years
Vehicles	4-5 years
Assets	3-5 years

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended December 31, 2022
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

2. Basis of presentation of financial statements (continued)

2.4 Summary of key accounting policies (continued)

2.4.3 *Tangible assets (continued)*

Subsequent costs

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

2.4.4 *Intangible assets*

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

Amortization

Intangible assets are amortized principally on a straight-line basis considering the estimated useful lives. Related intangible assets are amortized when they are ready to use. The expected useful lives of intangible assets are 3-5 years.

2.4.5 *Impairment of non-financial assets*

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

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

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

2.4.6 *Inventories*

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended December 31, 2022
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

2. Basis of presentation of financial statements (continued)

2.4 Summary of key accounting policies (continued)

2.4.7 Financial instruments

i) Financial assets

Classification

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

Recognition and Measurement

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

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

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended December 31, 2022
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

2. Basis of presentation of financial statements (continued)

2.4 Summary of key accounting policies (continued)

2.4.7 Financial instruments (continued)

i) Financial assets (continued)

Derecognition

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

Impairment

- Impairment of the financial and contractual assets measured by using “Expected credit loss model” (ECL). The impairment model applies for amortized financial and contractual assets. Provision for loss measured as below;
 - 12- Month ECL: results from default events that are possible within 12 months after reporting date.
 - Lifetime ECL: results from all possible default events over the expected life of financial instrument. Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since 12 month ECL measurement if it has not.

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

Trade Receivables

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

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

If the amount of the impairment subsequently decreases due to an event occurring after the writedown, the release of the provision is credited to general administrative expenses.

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended December 31, 2022
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

2. Basis of presentation of financial statements (continued)

2.4 2.4 Summary of significant accounting policies (continued)

2.4.7 Financial instruments (continued)

i) Financial assets (continued)

Cash and cash equivalents

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

Reverse repurchase agreements

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

ii) Financial liabilities

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

iii) Non-derivative financial obligations

Trade and other payables

Trade and other payables are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. Short-term debts that do not have a set interest rate are shown at cost values, if the effect of the original effective interest rate is not too large.

iv) Derivative financial instruments

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

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

v) Paid-in capital

Ordinary shares

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended December 31, 2022
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

2. Basis of presentation of financial statements (continued)

2.4 Summary of significant accounting policies (continued)

2.4.8 *Offsetting*

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

2.4.9 *Effects of foreign currency transactions*

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

Monetary assets and liabilities based on foreign currency included in the statement of financial position have been converted to TL using spot exchange rates at the end of the reporting period. Foreign exchange income or expenses arising from the translation of transactions denominated in foreign currencies into TL or the expression of monetary items are reflected in the profit or loss statement for the relevant period.

2.4.10 *Borrowing costs*

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

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

2.4.11 *Earnings per share*

Earnings per share is calculated by dividing profit or loss by the weighted average number of ordinary shares outstanding during the period. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held (Note 24).

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended December 31, 2022
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

2. Basis of presentation of financial statements (continued)

2.4 Summary of key accounting policies (continued)

2.4.12 Events after the reporting period

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

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

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

2.4.13 Provisions, contingent assets and liabilities

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

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

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

The Company

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

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended December 31, 2022

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

2. Basis of presentation of financial statements (continued)

2.4 Summary of key accounting policies (continued)

2.4.14 Taxes calculated on the basis of the company’s earnings (continued)

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

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

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

2.4.15 Employee benefits / Retirement pay provisions

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

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

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

2.4.16 Share capital and dividends

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

2.4.17 Related parties

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended December 31, 2022
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

2. Basis of presentation of financial statements (continued)

2.4 Summary of key accounting policies (continued)

2.4.18 Leasing

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

The Company, as lessor in the operational lease transactions

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

The Company, as lessee in the operational lease transactions

Operating lease expenses are recorded in the profit or loss statement by linear method during the lease period. The direct initial costs incurred in the realization and negotiation of the lease are likewise included in the cost of the leased asset and are amortized for the duration of the lease by the linear method.

The Company, as lessee in the finance lease transactions

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

2.4.19 Statement of cash flows

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

2.4.20 Segment reporting

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended December 31, 2022
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

2. Basis of presentation of financial statements (continued)

2.5 Restrictions on the investment portfolio of real estate investment trusts

The information included in the footnote titled “Control of Compliance with Portfolio Limitations” is in the nature of summary information derived from financial statements in accordance with the CMB’s Communiqué Serial: II No: 14.1 “Principles of Financial Reporting in the Capital Markets”. This information was published in the Official Gazette numbered 28660 on May 28, 2013, Serial: III, No: 48.1 “Communiqué on Principles Regarding Real Estate Investment Trusts”; The Communiqué on the Amendment of the Communiqué, Serial: III, No: 48.1a, published in the Official Gazette No. 28891 on January 23, 2014, and published in the Official Gazette No. 31269 on October 9, 2020, Serial: III No: Amendments to the Communiqué No. 48.1.e on “Principles Regarding Real Estate Investment Trusts”. It has been prepared within the framework of the provisions of the Communiqué on the control of compliance with portfolio limitations.

2.6 Accounting estimates

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

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

Current account balance

As of 31 December 2022, current assets of the Company are amount to TL 1.837.079.701 and short term liabilities of the Company are amount to TL 3.488.283.156 short term liabilities exceeded current assets TL 1.651.203.455. In addition, there are advances received are amount to TL 15.327.577 arising from house sales are included to short term liabilities.

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

The Company anticipates that approximately 600 million TL of rental income will be collected from the investment properties in the following year.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended December 31, 2022

(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 rate (%)	December 31, 2022	Ownership rate (%)	December 31, 2021
Kanyon	50	10.342.436	50	5.768.402
		10.342.436		5.768.402

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

Kanyon	December 31, 2022	December 31, 2021
Current assets	66.623.853	31.921.418
Non-current assets	3.399.433	1.037.744
Short-term liabilities	(45.851.183)	(19.628.531)
Long-term liabilities	(3.487.232)	(1.793.827)
Net assets	20.684.871	11.536.804

Kanyon	2022	2021
Income for the period	152.149.149	71.421.479
Expense for the period (-)	(143.001.080)	(67.455.263)

The Company recognized profit amounting to TL 5.074.034 resulting from consolidation of Kanyon with equity method for the year ended December 31, 2022 (December 31, 2021: TL 1.983.108) in the accompanying statement of profit and loss.

4. Operating segments

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Year Ended December 31, 2022

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

4. Operating segments (continued)

	Ankara İş Kule Building	İstanbul İş Kuleleri Complex	Maslak Office Building	Muğla Marmaris Mallmarin Shopping Mall	İstanbul Kanyon Shopping Mall	İstanbul Marmara Park Shopping Mall	Taksim Office Lamartine	Tuzla Technology and Operation Center	İstanbul Tuzla Square Bazaar	İzmir Ege Perla Shopping Mall	İzmir Ege Perla Residence/Office	Kartal Manzara Adalar	Topkapi İstanbul	Kasaba Evleri	Other Real Estate	Total
December 31, 2022																
Sales revenue																
Income from sales of residential units	--	--	--	--	--	--	--	--	--	--	30.556.609	117.299.529	1.050.182	120.313.446	--	269.219.766
Rent income	7.600.858	54.656.096	534.594	1.840.469	76.973.213	--	3.371.490	136.774.754	2.321.520	8.169.431	652.601	16.245	--	--	--	292.911.271
Income from right of construction	--	--	--	--	--	81.414.894	--	--	--	--	--	--	--	--	--	81.414.894
Income fees and service	--	145.682	145.682	--	145.417	--	--	--	--	2.346.360	--	--	--	--	--	2.783.141
Other income	--	74.131	--	--	612.130	--	--	--	--	11.846	--	--	--	--	--	698.107
Real estate revenue	7.600.858	54.875.909	680.276	1.840.469	77.730.760	81.414.894	3.371.490	136.774.754	2.321.520	10.527.637	31.209.210	117.315.774	1.050.182	120.313.446	--	647.027.179
Cost of sales of residential units	--	--	--	--	--	--	--	--	--	--	14.548.099	35.770.000	740.071	93.743.560	--	144.801.730
Administrative expense	--	29.630.209	642.433	--	17.584.423	--	749.424	--	3.268.487	20.514.717	256.009	1.278.551	--	--	--	73.924.253
Tax and duty and other charges	521.998	4.167.521	341.788	60.962	2.784.335	1.665.815	236.280	1.972.546	123.112	73.737	1.285.219	174.396	193.409	--	27.958	13.629.076
Insurance expense	107.531	815.668	75.222	40.953	603.898	--	30.589	2.244.591	155.849	1.096.862	359.002	75.610	--	--	394.783	6.000.558
Other	1.000	76.167	5.000	--	86.790	--	--	--	--	268.414	--	75.745	1.539.784	--	34.125	2.087.025
Cost of Sales	630.529	34.689.565	1.064.443	101.915	21.059.446	1.665.815	1.016.293	4.217.137	3.547.448	21.953.730	16.448.329	37.374.302	2,473,264	93,743,560	456,866	240,442,642
Gross Profit	6.970.329	20.186.344	(384.167)	1.738.554	56.671.314	79.749.079	2.355.197	132.557.617	(1.225.928)	(11.426.093)	14.760.881	79.941.472	(1.423.082)	26.569.886	(456.866)	406.584.537
Capital investments	4.000	1.968.671	--	--	2.874.555	--	60.894	11.082	--	7.197.039	--	272.029	--	53.473.039	1.060.314.788	1.126.176.097

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Notes to the Condensed Financial Statements For the Year Ended December 31, 2022

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

4. Operating segments (continued)

	Ankara Business Tower Building	Istanbul Business Towers Complex	Maslak Office Building	Mugla Marmaris Mallmarin Shopping Mall	Istanbul Kanyon Shopping Center	Istanbul Marmara Park AVM	Taksim Office Lamartine	Tuzla Technology and Operation Center	Istanbul Tuzla Square Bazaar	Izmir Ege Perla Shopping Mall	Izmir Ege Perla Residence/Office	Kartal Manzara Adalar	Topkapi Inistanbul	Other Real Estate	Total
December 31, 2021															
<u>Sales revenue</u>															
Income from sales of residential units	--	--	--	--	--	--	--	--	--	--	32.602.388	180.709.422	22.736.938	--	236.048.748
Rent income	6.345.158	38.956.731	392.106	1.084.644	35.908.379	--	2.640.489	114.360.163	1.218.450	4.101.012	557.155	81.344	--	--	205.645.631
Income from right of construction	--	--	--	--	--	38.117.321	--	--	--	--	--	--	--	--	38.117.321
Income fees and service	--	--	64.061	--	86.331	--	--	--	--	859.874	--	--	--	--	1.010.266
Other income	--	--	--	--	84.814	--	--	--	--	--	--	2.951	--	--	87.765
Real Estate Revenues	6.345.158	38.956.731	456.167	1.084.644	36.079.524	38.117.321	2.640.489	114.360.163	1.218.450	4.960.886	33.159.543	180.793.717	22.736.938	--	480.909.731
Cost of sales of residential units	--	--	--	--	--	--	--	--	--	--	20.357.492	109.899.194	19.345.491	--	149.602.177
Administrative expense	--	11.436.252	303.182	--	10.247.530	--	390.021	--	1.081.595	10.818.858	586.777	2.215.152	--	171.538	37.250.905
Tax and duty and other charges	394.645	2.784.359	286.056	32.525	2.404.831	1.276.633	140.476	1.447.667	87.336	969.073	--	271.687	--	--	10.095.288
Insurance expense	104.985	687.719	81.098	39.029	415.493	--	33.029	979.019	161.811	394.830	21.051	67.835	--	44.450	3.030.349
Other	20.087	217.397	500	--	91.840	12.500	--	--	841	16.324	219.822	383.423	--	13.994	976.728
Cost of Sales	519.717	15.125.727	670.836	71.554	13.159.694	1.289.133	563.526	2.426.686	1.331.583	12.199.085	21.185.142	112.837.291	19.345.491	229.982	200.955.447
Gross Profit	5.825.441	23.831.004	(214.669)	1.013.090	22.919.830	36.828.188	2.076.963	111.933.477	(113.133)	(7.238.199)	11.974.401	67.956.426	3.391.447	(229.982)	279.954.284
Capital investments	73.735	483.382	9.000	--	3.776.990	--	--	223.715	--	7.373.354	--	273.840	3.908.173	228.227.461	244.349.650

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Year Ended December 31, 2022

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

4. Operating segments (continued)

Reconciliations on revenues, assets and liabilities

Sales Revenue	1 January- 31 December 2022	1 January - 31 December 2021
Segment revenue	647.027.179	480.909.731
Undistributed revenue	39.908.330	7.667.270
Total Revenue	686.935.509	488.577.001

Cost of sales	1 January- 31 December 2022	1 January - 31 December 2021
Segment Costs	(240.442.642)	(200.955.447)
Total cost of sales	(240.442.642)	(200.955.447)

Assets	December 31, 2022	December 31, 2021
Segment assets	14.915.137.457	5.975.220.577
Other assets	144.662.821	112.620.837
Non-segment related assets	2.357.418.978	588.479.884
Total assets	17.417.219.256	6.676.321.298

Liabilities	December 31, 2022	December 31, 2021
Segment liabilities	3.425.050.942	1.164.300.293
Other liabilities	71.932.252	36.358.126
Total liabilities	3.496.983.194	1.200.658.419

5. Cash and cash equivalents

	December 31, 2022	December 31, 2021
Time deposits	212.937.140	17.174.012
Demand deposits	1.026.570.866	118.732.252
Mutual funds	6.604.877	2.656.690
Other cash equivalents	7.000	--
	1.246.119.883	138.562.954
Interest accrued on cash and cash equivalents	(7.252.562)	(565.353)
Total cash and cash equivalents in the statement of cash flows	1.238.867.321	137.997.601

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Year Ended December 31, 2022

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

5. Cash and cash equivalents (continued)

Time Deposits:				
Currency	Interest rate	Maturity	December 31, 2022	
Euro	0,01%	January 2023	67.552.515	
US Dollar	0,40-0,60%	January 2023	227.888.384	
TL	17,00-22,00%	January-February 2023	731.129.967	
			1.026.570.866	
December 31, 2022			Cost	Fair value
Mutual funds			6.583.503	6.604.877
			6.583.503	6.604.877
Time Deposits:				
Currency	Interest rate	Maturity	December 31, 2021	
Euro	0,05%	January 2022	30.174.020	
US Dollar	0,06%	January 2022	19.993.796	
TL	16-16,25%	January 2022	68.564.436	
			118.732.252	
December 31, 2021			Cost	Fair value
Mutual funds			2.643.014	2.656.690
			2.643.014	2.656.690

6. Financial investments / Derivatives

Short-term financial investments

Short-term financial investments	December 31, 2022	December 31, 2021
Currency-protected deposits	128.943.342	--
Total	128.943.342	--

Long-term financial investments

Long-term financial investments	December 31, 2022	December 31, 2021
Financial assets at fair value through profit or loss		
İş Asset Management 2nd Real Estate Investment Fund	555.334.332	272.785.497
Total	555.334.332	272.785.497

As of 31 December 2022, the Company is kept the held of financial investments with 555.334.332 shares from İş Asset Management 2nd Real Estate Investment Fund

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Year Ended December 31, 2022

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

6. Financial investments / Derivative instruments (continued)

The movement of İş Asset Management 2nd Real Estate Investment Fund is follow;

	2022	2021
Opening balance, January 1	272.785.497	230.571.960
Additions	8.327.998	2.220.798
Fair value difference (Note 22)	274.220.837	39.992.739
December 31 balance	555.334.332	272.785.497

Derivatives

	December 31, 2022	December 31, 2021
Financial assets held for trading		
Derivative instruments	--	28.049.500
Total	--	28.049.500
	December 31, 2022	December 31, 2021
Financial liabilities held for trading		
Derivative instruments	14.210.699	--
Total	14.210.699	--

7. Loans and borrowings

As of December 31, 2022 and 2021, the details of financial borrowings are as follows:

	December 31, 2022	December 31, 2021
Short-term borrowings		
Short-term bank borrowings	1.872.120.780	765.999.596
Issued commercial papers	910.937.110	74.482.765
Total	2.783.057.890	840.482.361
	December 31, 2022	December 31, 2021
Short-term portions of long-term financial borrowings:		
Short-term portions of long-term loans	122.645.658	5.645.663
Issued bonds	492.783.931	--
Total	615.429.589	5.645.663
	December 31, 2022	December 31, 2021
Long-term financial borrowings:		
Long-term bank loans	--	117.000.002
Issued bonds	--	80.107.315
Total	--	197.107.317

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Year Ended December 31, 2022

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

7. Loans and borrowings (continued)

As of December 31, 2022 and 2021, the details of bank loans are as follows:

December 31, 2022				
Currency	Interest rate (%)	Original currency amount	Short term (TL)	Long term (TL)
TL	13,50-33,00	1.994.766.438	1.994.766.438	--
Total		1.994.766.438	1.994.766.438	--

December 31, 2021				
Currency	Interest rate (%)	Original currency amount	Short term (TL)	Long term (TL)
TL	17,00-20,15	888.645.261	771.645.259	117.000.002
Total			771.645.259	117.000.002

In the accounting period ending on 31 December 2022, the Company borrowed cash loans amounting to TL 1.829.493.000, some of which expire within the maturity period, with maturities ranging from 6 months to 1 year, with an interest rate of 13,50% to 33,00%.

The details of the securities issued as of December 31, 2022 and 2021 are as follows:

December 31, 2022					
ISIN CODE	Interest rate (%)	Nominal amount issued (TL)	Date of issuance	Amortization date	Registered value
TRSISGY32319	21,2	90.000.000	25 February 2022	2 March 2023	106.057.274
TRSISGY82314	34,5	101.000.000	15 August 2022	17 August 2023	112.824.119
TRSISGY82322	34,5	150.000.000	18 August 2022	21 August 2023	167.133.940
TRSISGYE2319	30	100.000.000	28 September 2022	3 October 2023	106.768.598
TRFISGY22317	30,5	200.000.000	22 June 2022	17 February 2023	211.849.044
TRFISGY52314	25	400.000.000	19 October 2022	17 April 2023	416.153.095
TRFISGY42315	27	270.000.000	3 November 2022	3 May 2023	282.934.971
		1.311.000.000			1.403.721.041

December 31, 2021					
ISIN CODE	Interest rate (%)	Nominal amount issued (TL)	Date of issuance	Amortization date	Registered value
TRSISGYA2214	17,5	78.650.000	11 November 2021	9 December 2022	80.107.315
TRFISGY12219	19,1	75.000.000	15 September 2021	14 January 2022	74.482.765
		153.650.000			154.590.080

The statement of movement of financial borrowings for the years ended December 31 is as follows:

	2022	2021
Opening balance, January 1	1.043.235.341	1.012.978.908
Borrowings received	3.270.574.950	2.291.187.851
Borrowings paid	(1.029.335.450)	(2.272.488.656)
Interest paid	(302.037.653)	(143.004.995)
Interest accrual	416.050.291	154.562.233
December 31 balance	3.398.487.479	1.043.235.341

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Year Ended December 31, 2022

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

8. Trade receivables and liabilities

Short-term trade receivables and liabilities

	December 31, 2022	December 31, 2021
<u>Trade receivables</u>		
Receivables from customers	34.348.725	28.857.270
Income accruals	98.897.080	76.596.785
Notes receivable	1.119.013	1.298.762
Rediscount of notes receivables (-)	(12.450)	(30.000)
Doubtful receivables	8.653.165	8.586.780
Provision for doubtful receivables (-)	(8.653.165)	(8.586.780)
Due from related parties (Note 25)	10.193.000	2.369.667
	144.545.368	109.092.484
<u>Trade payables</u>		
Payables to suppliers	10.966.730	6.239.195
Due to related parties (Note 25)	7.466.348	4.310.834
	18.433.078	10.550.029

(*) It consists of tenant income accruals.

As of December 31, 2022, the provision for doubtful trade receivables is TL 8.653.165 TL (December 31, 2021: TL 8.586.780). Provision for doubtful receivables is determined based on the historical collection performance.

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

	December 31, 2022	December 31, 2021
Opening balance, 1 January	(8.586.780)	(6.490.134)
Charge for the period	(1.025.182)	(2.646.826)
Provisions released	958.797	550.180
December 31 balance	(8.653.165)	(8.586.780)

Long-term trade receivables

	December 31, 2022	December 31, 2021
<u>Trade receivables</u>		
Receivables from customers	47.630	1.964.886
Income accruals	69.823	1.563.467
	117.453	3.528.353

9. Other receivables and payables

	December 31, 2022	December 31, 2021
Other short-term receivables (*)	9.028.038	5.560.768
	9.028.038	5.560.768

(*) TL 3.500.000 of the amount consists of tax office receivables (31 December 2021: TL 3.456.536).

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Notes to the Condensed Financial Statements For the Year Ended December 31, 2022

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

9. Other receivables and liabilities (continued)

	December 31, 2022	December 31, 2021
Other debts – short-term		
Deposits and guarantees given	22.761.575	13.103.982
Other short-term payables (*)	1.452.179	3.033.747
	24.213.754	16.137.729

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

10. Investment properties

As of December 31, 2022 and 2021, the details of investment properties are as follows:

	December 31, 2022	December 31, 2021
Investment property that are active	12.077.814.730	4.979.646.022
Investment property under construction	1.735.642.000	474.465.000
Total	13.813.456.730	5.454.111.022

As of 31 December 2022, total insurance amount on investment properties is TL2.656.708.416 (31 December 2021: TL 2.383.229.698).

In 2022, finance expense is capitalized amounting to TL 110.055.447 (31 December 2021: TL 14.709.127) at investment properties and inventories of the Company.

	1 January 2022 opening balance	Purchases	Fair value difference	31 December 2022 closing Balance
Investment properties				
Tuzla Technology and Operation Centre	1.652.647.000	11.082	2.265.681.918	3.918.340.000
Istanbul İş Kuleleri Complex	1.494.254.000	1.968.671	2.378.967.329	3.875.190.000
Kanyon Shopping Mall	691.935.000	2.874.555	705.190.445	1.400.000.000
Istanbul Marmarapark Shopping Mall	349.757.000	--	565.243.000	915.000.000
Izmir Ege Perla Shopping Mall	282.430.000	7.197.039	81.697.961	371.325.000
Ankara İş Kule Building	178.185.000	4.000	202.811.000	381.000.000
Maslak Office Building	163.150.000	--	351.850.000	515.000.000
Taksim Office Lamartine	105.120.000	60.894	267.819.106	373.000.000
Tuzla Meydan Bazaar	31.675.000	--	51.925.000	83.600.000
Mugla Marmaris Mallmarine Shopping Mall	22.160.000	--	41.650.000	63.810.000
Levent Land	8.333.022	113.412	2.803.296	11.249.730
Dikilitaş Building	--	173.522.827	(3.222.827)	170.300.000
	4.979.646.022	185.752.480	6.912.416.228	12.077.814.730
Investment property under construction				
Istanbul Finance Center Project	474.465.000	224.743.334	1.036.433.666	1.735.642.000
	474.465.000	224.743.334	1.036.433.666	1.735.642.000
Total	5.454.111.022	410.495.814	7.948.849.894	13.813.456.730

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Notes to the Condensed Financial Statements For the Year Ended December 31, 2022

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

10. Investment properties (continued)

As of December 31, 2022, the Company has 1st and 2nd-degree mortgages on the investment properties amounting to USD 136.000.000 and TL 5.250.000.000 which are established in favor of İş Bank. In the current period, the Company obtained rent income amounting to TL 374.326.165 TL (31 December 2021: 243.762.952 TL) from its investment property. Total direct operating expenses related to these properties amount to TL 95.640.912 (December 31, 2021: TL 51.353.270).

The fair values of the Company’s investment properties on December 31, 2022, have been arrived at on the basis of valuations carried out in November and December 2022 by four independent appraiser firms which are not related parties 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.

	2022		2021		
Investment properties that are active					
Tuzla Technology and Operation Center	Sales comparison approach		Sales comparison approach		
Istanbul Business Towers Complex	Sales comparison approach		Sales comparison approach		
Kanyon Shopping Center	Discounted cash flow- Sales comparison approach		Discounted cash flow approach		
Izmir Ege Perla Shopping Mall	Discounted cash flow approach		Sales comparison approach		
İstanbul Marmara Park AVM	Sales comparison approach		Sales comparison approach		
Ankara Business Tower 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 Bazaar	Sales comparison approach		Sales comparison approach		
Mugla Marmaris Mallmarine Shopping Mall	Sales comparison approach		Sales comparison approach		
Levent Land	Fair value based on estate tax		Fair value based on estate tax		
Dikilitaş Building	Sales comparison approach		--		
Investment property under construction					
İstanbul Finance Centre Project	Sales comparison and cost approach		Sales comparison and cost approach		
	1 January 2021 opening balance	Purchases	Transfers	Fair value difference	31 December 2021 closing Balance
Investment property that are active					
Tuzla Technology and Operation Centre	1.339.000.000	223.715	--	313.423.285	1.652.647.000
Istanbul İş Kuleleri Complex	1.133.076.000	483.382	--	360.694.618	1.494.254.000
Kanyon Shopping Mall	580.258.447	3.776.990	--	107.899.563	691.935.000
Istanbul Marmarapark Shopping Mall	245.330.000	--	--	104.427.000	349.757.000
Izmir Ege Perla Shopping Mall	235.000.000	7.373.354	--	40.056.646	282.430.000
Ankara İş Kule Building	154.745.000	73.735	--	23.366.265	178.185.000
Maslak Office Building	130.385.000	9.000	--	32.756.000	163.150.000
Taksim Office Lamartine	73.830.000	--	--	31.290.000	105.120.000
Tuzla Meydan Bazaar	25.095.000	--	--	6.580.000	31.675.000
Mugla Marmaris Mallmarine Shopping Mall	17.935.000	--	--	4.225.000	22.160.000
Levent Land	7.969.989	96.780	--	266.253	8.333.022
	3.942.624.436	12.036.956	--	1.024.984.630	4.979.646.022
Investment property under construction					
Istanbul Finance Centre Project	248.795.000	110.823.117	--	114.846.883	474.465.000
Üsküdar Land	69.775.000	60.074.601	(129.849.601)	--	--
	318.570.000	170.897.718	(129.849.601)	114.846.883	474.465.000
Total	4.261.194.436	182.934.674	(129.849.601)	1.139.831.513	5.454.111.022

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

11. Inventories

<i>Short-term stocks</i>	December 31, 2022	December 31, 2021
Kartal Manzara Adalar (*)	52.516.926	84.225.118
Ömerli Town Project(**)	--	40.270.521
İzmir Ege Perla (***)	5.354.217	13.999.477
Topkapı İnistanbul (****)	637.820	1.377.891
Total	58.508.963	139.873.007

<i>Long-term inventories</i>	December 31, 2022	December 31, 2021
Land of Tuzla	270.227.373	219.879.578
Litus Istanbul Altunizade Project (*****)	606.117.555	161.356.970
Land of Omerli(**)	166.826.836	--
Total	1.043.171.764	381.236.548

(*) There are 975 residential units in Kartal Manzara Adalar Project, as of December 31, 2022, 937 residential units has been delivered to the customers. Balance of advances given related with the Project is amounting to TL 11.074.109 (December 31, 2021: TL 15.11.681) (Note 17).

(**) There is no balance of the order advance received for the Ömerli Kasaba project. (31 December 2021: 76.708.627 TL.) (Note 17). There are a total of 16 houses in the project and all of them have been delivered. In order to develop a project as a continuation of the Town Houses, the Ömerli Land in the same region was purchased during the year.

(***) There are 243 residential units in İzmir Ege Perla Project, as of December 31, 2022, 236 residential units has been delivered to the customers. Balance of advances given related with the Project is amounting to TL 25.335 (December 31, 2021: 82.590 TL) (Note 17).

(****) There are 2.741 residential units in Topkapı İnistanbul Project, as of December 31, 2022, 2.739 residential units has been delivered to the customers. Balance of advances given related with the Project is amounting to TL 4.220.785 (December 31, 2021: TL 6.412.205) (Note 17).

(*****) There are 6 residential units and 1 office units in Litus Istanbul Altunizade project.

The Company's transaction table for inventory impairment provision is as follows:

	2022	2021
Opening balance, January 1	--	(34.317.379)
Charge for the period (-)	--	--
Provisions released	--	34.317.379
December 31 balance	--	--

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Notes to the Condensed Financial Statements For the Year Ended December 31, 2022

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

12. Tangible assets

	Buildings (*)	Machinery and Equipment	Vehicles	Fixtures	Total
Costs					
1 January 2022 opening balance	60.630.461	85.950	1.025.391	4.196.490	65.938.292
Purchases	--	--	3.355.146	2.343.385	5.698.531
Disposals	--	--	(374.647)	--	(374.647)
Fair value difference	85.236.213	--	--	--	85.236.213
Closing balance as of December 31, 2022	145.866.674	85.950	4.005.890	6.539.875	156.498.389
Accumulated depreciation					
Opening balance as of January 1, 2022	6.553.461	85.950	386.156	3.420.206	10.445.773
Current year charge	1.933.213	--	353.652	486.696	2.773.561
Outputs	--	--	(318.450)	--	(318.450)
31 December 2022 closing balance	8.486.674	85.950	421.358	3.906.902	12.900.884
Net book value as of January 1, 2022	54.077.000	--	639.235	776.284	55.492.519
Net book value as of December 31, 2022	137.380.000	--	3.584.532	2.632.973	143.597.505
Cost value					
1 January 2021 opening balance	45.681.656	85.950	374.647	3.818.167	49.960.420
Purchases	--	--	650.744	427.044	1.077.788
Outputs	--	--	--	(48.722)	(48.722)
Fair value difference	14.948.805	--	--	--	14.948.805
Closing balance as of December 31, 2021	60.630.461	85.950	1.025.391	4.196.489	65.938.291
Accumulated depreciation					
1 January 2021 opening balance	5.154.656	85.950	181.078	3.143.696	8.565.380
Period expense	1.398.805	--	205.077	276.510	1.880.392
Closing balance as of December 31, 2021	6.553.461	85.950	386.155	3.420.206	10.445.772
Net book value as of January 1, 2021	40.527.000	--	193.569	674.471	41.395.040
Net book value as of December 31, 2021	54.077.000	--	639.235	776.284	55.492.519

(*) As of December 31, 2022, 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 137.380.000. These areas get share from the mortgages amounting to USD 136 million and TL 2.5 billion established in İş Kuleleri and Kule Çarşısı (December 31, 2021: USD 136 million and TL 185 million).

As of December 31, 2022, the Company has tangible assets which is fully depreciated amounting to TL 3.162.770.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Year Ended December 31, 2022

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

13. Intangible assets

	Computer Programs	Total
Cost value		
Opening balance as of January 1, 2022	6.366.967	6.366.967
Addition	2.103.859	2.103.859
Closing balance as of December 31, 2022	8.470.826	8.470.826
Accumulated amortization shares		
Opening balance as of January 1, 2022	5.117.155	5.117.155
Current year charge	700.004	700.004
Closing balance as of December 31, 2022	5.817.159	5.817.159
Net book value as of January 1, 2022	1.249.812	1.249.812
Net book value as of December 31, 2022	2.653.667	2.653.667
	Computer Programs	Total
Cost value		
Opening balance as of January 1, 2021	5.460.120	5.460.120
Additions	906.847	906.847
Closing balance as of December 31, 2021	6.366.967	6.366.967
Accumulated amortization shares		
Opening balance as of January 1, 2021	4.520.421	4.520.421
Purchases	596.734	596.734
Opening balance as of January 1, 2022	5.117.155	5.117.155
Net book value as of January 1, 2021	939.699	939.699
Net book value as of December 31, 2021	1.249.812	1.249.812

As at December 31, 2022 and 2021, the Company has no intangible assets which is capitalized in the business area.

The Company has intangible assets with a cost value of TL 4,350,118 that have expired but have been used as of December 31, 2022.

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Notes to the Condensed Financial Statements For the Year Ended December 31, 2022 (Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

14. Provisions, contingent assets and liabilities

	December 31, 2022	December 31, 2021
Debt provisions (*)	3.872.133	4.812.972
Litigation provisions	1.543.721	1.207.997
Total	5.415.854	6.020.969

	December 31, 2022	December 31, 2021
Letters of guarantee received (**)	493.793.836	307.077.462
Mortgages received	4.759.659	7.598.347
Total	498.553.495	314.675.809

(*) As of December 31, 2022 , 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 December 31, 2022 and 2021 are as follows:

	December 31, 2022	December 31, 2021
A. CPM given for companies own legal personality (*)	7.835.974.661	2.727.010.684
B. CPM given in behalf of fully consolidated companies	--	--
C. CPM given for continuation of its economic activities on behalf of third parties (**)	14.557.721	20.539.348
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	7.850.532.382	2.747.550.032

(*) CPM given for the Company's own legal personality consists of letters of guarantee amounting to TL 43.005.861 and pledge amounting to USD 136.000.000 and TL 5.250.000.000. As of December 31, 2022, the investment properties are pledged in favour of İş Bankası amounting to 1st degree USD 136.000.000 and TL 2.500.000.000 and 2nd degree TL 2.500.000.000. (Mortgage was constituted in favour of İş Bankası from investment properties portfolio of the Company, Kule-2 and Kule Çarşısı amounting to USD 136.000.000 as 1st degree mortgage, Kule-3 amounting to TL 2.500.000.000 1st degree mortgage, Kule-2 and Kule Çarşısı amounting to TL 2.500.000.000 as 2nd degree mortgage.). 1st degree mortgage is constituted in favour of İş Bankası in order to finance Tuzla Land of the Company, amounting to TL 250.000.000.

(**) Represents the cost of guarantors given to the related banks in return for the loan amount in case the buyers of the Company's ongoing residential and office projects use mortgage/business loan from contracted banks. In this respect, as of December 31, 2022, the ratio of CPM given by the Company to the Company's shareholders' equity is 0,1% (December 31, 2021: 0,4%).

Within the scope of its ongoing projects, the Company has made a progress payment agreement of Eur 3.000.000 with subcontractors, and has made a Eur 3.000.000 forward transaction based on the payment terms and amounts of the relevant contract.

As of December 31, 2022, TL 1.543.721 legal case provision is accrued and there are 148 legal cases and 117 enforcement proceedings of the Company is a party. The lawsuit in question are ongoing, and as of 31 December 2021, there is provision for lawsuits amounting to TL 1.207.997 within the scope of the lawsuit filed regarding the ÇED process of the Ege Perla Project. Lawsuits are not of a nature to affect the financial situation and activities of the Company.

Notes to the Condensed Financial Statements For the Year Ended December 31, 2022

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

14. Provisions, contingent assets and liabilities (continued)

Operating leases

The Company, as the lessor in the operating lease transactions

The Company signed operating lease agreements as lessor for the investment properties in its portfolio with tenants which are shopping mall tenants, hotel operators and other third parties. The future minimum lease receivables as of December 31, 2022 and 2021 are as follows:

	December 31, 2022	December 31, 2021
Less than 1 year	453.861.622	257.595.531
Between 1-5 years	1.357.962.755	796.003.106
More than 5 years	8.568.180.804	5.801.676.809
Total	10.380.005.181	6.855.275.446

15. Provisions for employee benefits

	December 31, 2022	December 31, 2021
Unused vacation provisions	958.829	496.510
Total	958.829	496.510

	December 31, 2022	December 31, 2021
Severance pay indemnity	8.700.038	3.152.889
Total	8.700.038	3.152.889

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 Labour Law No. 4857 and Social Security Law No. 5510.

The amount payable consists of one month’s salary limited to a maximum of TL 19.982,83 for each period of service as of January 1, 2023 (December 31, 2021: TL 8.284,51).

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 December 31, 2022, 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 19,80% (estimated salary increase rate) and a discount rate of 22,45%, resulting in a real discount rate of approximately 2,21% (December 31, 2021: the provisions have been calculated assuming an annual inflation rate of 15,07% (estimated salary increase rate) and discount rate of 19,10%, resulting in a real discount rate of approximately 3,5% discount rate). The anticipated rate of for features is considered. As the maximum liability is revised semi-annually, the maximum amount of TL 19.982,83 effective from January 1 , 2023 has been taken into consideration in calculation of provision from employment termination benefits.

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Notes to the Condensed Financial Statements For the Year Ended December 31, 2022

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

15. Provisions for employee benefits (continued)

	2022	2021
Opening balance at January 1	3.152.889	2.360.625
Service cost	635.333	430.827
Interest cost	602.202	292.717
Retirement pay provisions (-)	(542.678)	(90.902)
Actuarial differences	4.852.292	159.622
As of December 31	8.700.038	3.152.889

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

<i>Prepaid expenses – short term</i>	December 31, 2022	December 31, 2021
Job advances (*)	192.788.899	67.567.779
Prepaid expenses	389.222	688.579
Related party prepaid expenses (Note 25)	397.621	229.092
Total	193.575.742	68.485.450

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

<i>Prepaid expenses – long term</i>	December 31, 2022	December 31, 2021
Job advances (*)	11.366.468	9.788.349
Prepaid expenses	99.200	99.207
Total	11.465.668	9.887.556

(*) An agreement has signed in order to bought 45% shares of the land registered in Kadikoy, Istanbul, has 9.043 m2 of floor space which is ownership of the land is belong to Tecim Yapı Elemanları İnşaat Servis ve Yönetim Hizmetleri San. ve Tic. Limited Şirketi (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>	December 31, 2022	December 31, 2021
VAT transferred	54.437.680	2.183.490
Prepaid taxes and dues payable	1.712.030	262.871
Deposits and guarantees given	208.655	191.065
Total	56.358.365	2.637.426

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Notes to the Condensed Financial Statements For the Year Ended December 31, 2022

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

16. Prepaid expenses, other assets, deferred income (excluded from obligations arising from customer contracts) and other liabilities (continued)

<i>Other short-term liabilities</i>	December 31, 2022	December 31, 2021
Taxes and funds payable	7.975.652	3.837.305
Payable social security cuts	1.237.311	239.031
Total	9.212.963	4.076.336

Deferred revenues	December 31, 2022	December 31, 2021
Deferred revenue	1.918.303	18.616.740
Short-term deferred revenue from related parties (Note 25)	104.620	56.771
Total	2.022.923	18.673.511

17. Liabilities from contracts with customers

Obligations arising from customer contracts	December 31, 2022	December 31, 2021
Contractual liabilities from sales of goods and services (*)	15.327.577	98.315.105
Total	15.327.577	98.315.105

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

18. Shareholder’s equity

Share capital

The composition of the paid-in share capital as of December 31, 2022 and 2021 are as follows:

		December 31, 2022		December 31, 2021
İş Gayrimenkul Yat. Ort. A.Ş.	(%)		(%)	
Türkiye İş Bankası A.Ş.	52,06%	499.138.128	52,06	499.138.056
Anadolu Hayat Emeklilik A.Ş.	7,04%	67.476.714	7,11	68.151.714
Other	40,90%	392.135.158	40,83	391.460.230
Total	100	958.750.000	100	958.750.000

The total number of ordinary shares consists of TL 958.750.000 (December 31, 2021: TL 958.750.000) shares with a par value of TL 1 per share. All of the shares are issued to name and TL 1.369.642,817 (December 31, 2021: TL 1.369.642,817) of the total amount is Group A and TL 957.380.357,183 (December 31, 2021: 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.

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Notes to the Condensed Financial Statements For the Year Ended December 31, 2022

(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 December 31, 2022 and 2021. Adjustment to share capital represents the restatement effect of the cash contributions to share capital equivalent to purchasing power of TL.

Share premium

As of December 31, 2022 and 2021, share premiums amounting TL 423.981 represent excess amount of selling price and nominal value for each share during initial public offering of the Company’s shares.

Restricted reserves

	December 31, 2022	December 31, 2021
Legal reserves	77.792.818	71.190.580
Total	77.792.818	71.190.580

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

Prior Years Profits

	December 31, 2022	December 31, 2021
Prior years’ profits	4.142.968.926	2.819.651.274
Total	4.142.968.926	2.819.651.274

Dividend distribution

At the Ordinary General Assembly Meeting held on March 23, 2022; After the Board of Directors' Profit Share Distribution Proposal for the distribution of 2021 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 23, 2022, the distribution of 2021 net profit was determined as follows:

	Amount
1. Primary reserve 5%	6.602.238
Dividend	--
2. Secondary reserve	--
Capital increase through bonus shares	--
Transferred to prior years’ profits	1.323.317.652
Total	1.329.919.890

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Year Ended December 31, 2022 (Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

19. Revenue and cost of sales

	1 January- 31 December 2022	1 January - 31 December 2021
Income from sales of residential units	269.219.766	236.048.748
Rent income	292.911.271	205.645.631
Income from right of construction	81.414.894	38.117.321
Income fees and service	2.783.141	1.010.266
Other revenue	698.107	87.765
Total real estate revenues	647.027.179	480.909.731
Interest income on bank deposits	36.720.342	6.123.271
Gain on buy/sell of marketable securities	3.187.988	1.543.999
Total debt instruments revenue	39.908.330	7.667.270
Total revenue	686.935.509	488.577.001
	1 January- 31 December 2022	1 January - 31 December 2021
Cost of sales of residential units	(144.801.730)	(149.602.177)
Cost of administrative expenses	(73.924.253)	(37.250.905)
Taxes and dues	(13.629.076)	(10.095.288)
Insurance expenses	(6.000.558)	(3.030.349)
Other	(2.087.025)	(976.728)
Total	(240.442.642)	(200.955.447)

20. Administrative expenses / Marketing, selling and distribution expenses

General administrative expenses	1 January- 31 December 2022	1 January - 31 December 2021
Personnel expenses	(32.434.467)	(18.098.065)
Outsourced service expenses	(8.534.118)	(4.768.416)
Depreciation and amortization	(3.473.565)	(2.477.126)
Board of Directors fees and expenses	(2.230.200)	(1.505.250)
Provision for doubtful receivables (Note 8)	(66.385)	(2.096.646)
Taxes and dues	(1.375.904)	(132.091)
Other	(1.235.880)	(1.166.304)
Total	(49.350.519)	(30.243.898)
Marketing sales and distribution expenses	1 January- 31 December 2022	1 January - 31 December 2021
Sales commission expenses	(7.898.485)	(8.059.052)
Advertising expenses	(8.232.467)	(4.999.030)
Consultancy expenses	(1.617.133)	(1.251.914)
Other	(663.722)	(202.473)
Total	(18.411.807)	(14.512.469)

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Year Ended December 31, 2022

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

21. Expenses by nature

	1 January- 31 December 2022	1 January - 31 December 2021
Personnel expenses		
Administrative expenses (Note 20)	(32.434.467)	(18.098.065)
Total	(32.434.467)	(18.098.065)
	1 January- 31 December 2022	1 January - 31 December 2021
Depreciation and amortization		
Administrative expenses (Note 20)	(3.473.565)	(2.477.126)
Total	(3.473.565)	(2.477.126)

22. Other income/expenses

	1 January- 31 December 2022	1 January - 31 December 2021
Other income from core activities		
Revaluation income of investment property (Note 10)	7.952.072.721	1.139.831.513
Gain on real estate investment fund (Note 6)	274.220.837	39.992.739
Gain on inventories (Note 11)	--	34.317.379
Foreign exchange gains	50.180.638	20.280.284
Other	2.543.877	1.018.049
Total	8.279.018.073	1.235.439.964
	1 January- 31 December 2022	1 January - 31 December 2021
Other operating expense		
Revaluation difference of investment property (Note 10)	(3.222.827)	--
Other	(161.335)	(659.131)
Total	(3.384.162)	(659.131)
	1 January- 31 December 2022	1 January - 31 December 2021
Income from investment activities		
Currency-protected deposits fair value difference	11.924.438	--
Interest income	7.018.904	--
Total	18.943.342	--

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Year Ended December 31, 2022

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

23. Finance income / expenses

Finance income and expenses as of December 31, 2022 and 2021 are as follows:

	1 January- 31 December 2022	1 January - 31 December 2021
Financing revenues		
Derivative gains	--	46.193.755
	--	46.193.755
Finance expense		
Interest expense	(282.015.531)	(154.462.018)
Derivative transaction loss	(15.169.129)	--
Foreign exchange expenses	--	(35.432.367)
Commission expenses	(16.995.455)	(5.978.608)
Other	(12.451)	(30.000)
Total	(314.192.566)	(195.902.993)

24. Earnings per share

As of December 31, 2022 capital of the Company consists of 95.875.000.000 shares that are valued TL 0,01 for each one.

	1 January- 31 December 2022	1 January - 31 December 2021
Period opening of number of shares in circulation	95.875.000.000	95.875.000.000
Bonus shares due to capital increase	--	--
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 period profit	8.364.189.262	1.329.919.890
Earnings per share	0,0872	0,0139
Earnings per diluted share	0,0872	0,0139

25. 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 T. İş Bankası	December 31, 2022	December 31, 2021
Time deposits	295.440.900	118.732.252
Demand deposits	123.014	17.173.993
Other literal values	7.000	--
Total	295.570.914	135.906.245

The Company has letters of guarantee amounting TL 43.005.861 (December 31, 2021: TL 35.266.684) 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 5.250.000.000 TL on some investment properties.

As of December 31, 2022, and December 31, 2021, the Company has mutual funds, established by, İş Bankası and İş Portföy Yönetimi A.Ş. In the Company's report dated 31 December 2022, there are currency-protected deposit transactions amounting to TL 128.943.342 carried out at İş Bank, which makes financial investments.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Year Ended December 31, 2022

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

25. Related party disclosures (continued)

December 31, 2022				
	Short Term Trade Receivables	Short Term Prepaid Expenses	Short Term Trade Payables	Deferred Income
Balances with related parties				
Anadolu Anonim Türk Sigorta A.Ş.	--	397.621	1.192.736	--
İş Merkezleri Yönetim ve İşletim A.Ş.	97.301	--	2.020.999	--
İş Net Elektronik Hizmetler A.Ş.	--	--	235.722	--
Kanyon Yönetim İşl. Paz. A.Ş	--	--	2.930.898	76.441
Paşabahçe Mağazaları A.Ş	535.442	--	15.063	--
Tecim Yapı Elemanları Ltd. Şti.	9.537.555	--	--	--
Türkiye İş Bankası A.S.	--	--	--	28.178
Other	22.702	--	1.070.930	--
Total	10.193.000	397.621	7.466.348	104.619

December 31, 2022		
Financial borrowings		
Balances with related parties	Short-term	Long-term
T. İş Bankası A.Ş.	979.580.389	--
Transactions with related parties		
	Loan interest expense	Capitalized loan interest expense
T. İş Bankası A.Ş.	141.932.179	47.620.937

The Company has interest rate forward transactions realized during the period by T. İş Bankası A.Ş. as of December 31, 2022. Derivative losses amounting to TL 15.169.129 accounted in the financial statements of the Company.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Year Ended December 31, 2022

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

25. Related party disclosures (continued)

	December 31, 2021			
	Trade Receivables Short-term	Prepaid Expenses Short-term	Commercial Debts Short- term	Deferred Revenues
Balances with related parties				
Anadolu Anonim Türk Sigorta A.Ş.	--	228.244	368.400	--
İş Girişim Sermayesi A.Ş.	5.275	--	--	--
İş Merkezi Yönetim ve İşletim A.Ş.	4.721	--	1.516.925	--
İş Net Elektronik Hizmetler A.Ş.	1.944	--	27.185	--
Kanyon Yönetim İşl. Paz. A.Ş.	38.282	--	1.381.313	38.400
Maxis Girişim Sermayesi Portföy Yön. A.Ş.	11.821	--	--	--
Paşabahçe Mağazaları A.Ş.	311.465	--	15.063	--
Tecim Yapı Elemanları Ltd. Şti.	1.968.593	--	--	--
Türkiye İş Bankası A.Ş.	27.566	--	--	18.371
Due to shareholders (dividend)	--	--	705	--
Other	--	848	1.001.243	--
Total	2.369.667	229.092	4.310.834	56.771

	December 31, 2021	
	Loans and borrowings	
Balances with related parties	Short-term	Long-term
T. İş Bankası A.Ş.	415.110.903	117.000.002
Transactions with related parties		
	Interest expense on loans	Capitalized interest expense
T. İş Bankası A.Ş.	74.360.831	10.244.109

The Company has interest rate swap transactions realized during the period by T. İş Bankası A.Ş. as of December 31, 2021. Derivative profit amounting to TL 38.967.182 accounted in the financial statements of the Company.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Year Ended December 31, 2022

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

25. Related party disclosures (continued)

Transactions with related parties	1 January - 31 December 2022				
	Purchases	Interest received	Rental income	Other income	Other expenses
Anadolu Anonim Türk Sigorta A.S. (*)	8.524.719	--	--	824.053	--
Anadolu Hayat Emeklilik A.Ş.	521.537	--	8.966.842	--	--
BAYEK Ağız Ve Diş Sağlığı Hizmetleri ve İşletmeciliği A.Ş.	--	--	201.708	--	--
BAYEK Tedavi Sağlık Hizmetleri ve İşletmeleri A.Ş.	10.185	--	--	--	--
İş Faktoring A.Ş.	--	--	--	--	--
İş Finansal Kiralama A.Ş.	--	--	55.633	--	--
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	--	--	432.155	--	--
İş Merkezleri Yönetim ve İşletim A.Ş.(**)	36.189.319	--	1.939.552	97.301	--
İş Net Elektronik Hizmetler A.Ş.	632.536	--	728.373	--	4.350
İş Portföy Yönetimi A.Ş.	--	--	39.468	--	--
İş Yatırım Menkul Değerler A.Ş.	2.915.015	--	7.401.460	--	--
Kasaba Gayrimenkul İnşaat Taahhüt Ve Ticaret A.Ş.	33.010	--	--	--	15.058
Maxis Girişim Sermayesi Portföy Yön. A.Ş.	--	--	993.203	--	--
Moka Ödeme Kuruluşu A.Ş.	--	--	355.775	--	--
Paşabahçe Mağazacılık A.Ş.	30.931	--	2.353.512	17.117	51.938
Sofitech Yazılım Teknolojileri A.Ş.	--	--	10.806.064	--	--
Tecim Yapı Elemanları A.S.	--	--	--	14.001.206	--
Topkapı Danışmanlık Elektrik Hizmetleri Pazarlama ve Ticaret A.Ş..	--	--	1.276.497	--	--
Türkiye İş Bankası A.S.	--	23.892.176	136.504.810	145.682	941.013
Other	9.358	--	126.884	--	--
Total	48.866.611	23.892.176	172.181.936	15.085.359	1.012.359

(*) 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 İstanbul Tuzla Meydan Bazaar.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Year Ended December 31, 2022

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

25. Related party disclosures (continued)

	1 January - 31 December 2021				
<i>Transactions with related parties</i>	Purchases	Interest received	Rental income	Other income	Other expenses
Anadolu Anonim Türk Sigorta A.Ş. (*)	3.965.084	--	611.344	717.600	--
Anadolu Hayat Emeklilik A.Ş.	220.587	--	7.839.105	--	21.889
BAYEK Ağız Ve Diş Sağlığı Hizmetleri ve İşletmeciliği A.Ş.	--	--	150.424	--	--
BAYEK Tedavi Sağlık Hizmetleri ve İşletmeleri A.Ş.	7.873.133	--	--	--	7.475
İş Faktoring A.Ş.	--	--	69.511	--	--
İş Finansal Kiralama A.Ş.	--	--	46.516	--	--
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	--	--	405.882	--	--
İş Merkezleri Yönetim ve İşletim A.Ş. (**)	13.678.678	--	1.481.316	--	--
İş Net Elektronik Hizmetler A.Ş.	340.318	--	544.999	535	4.506
İş Portföy Yönetimi A.Ş.	--	--	33.000	--	--
İş Yatırım Menkul Değerler A.Ş.	--	--	5.075.075	--	--
Kasaba Gayrimenkul İnşaat Taahhüt Ve Ticaret A.Ş.	--	--	--	--	297.604
Maxis Girişim Sermayesi Portföy Yön. A.Ş.	--	--	315.581	--	--
Moka Ödeme Kuruluşu A.Ş.	--	--	163.282	--	--
Paşabahçe Mağazacılık A.Ş.	296	--	1.128.542	--	--
Softtech Yazılım Teknolojileri A.Ş.	--	--	9.003.811	--	--
T.Şişe ve Cam Fabrikaları A.Ş.	--	--	350.042	--	--
Topkapı Danışmanlık Elektrik Hizmetleri Pazarlama ve Ticaret A.Ş..	--	--	274.064	--	--
Türkiye İş Bankası A.Ş.	--	6.082.559	113.349.603	64.061	722.037
Total	26.078.096	6.082.559	140.842.097	782.196	1.053.511

(*) 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 İstanbul Tuzla Meydan Bazaar.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Year Ended December 31, 2022

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

25. Related party disclosures (continued)

As of December 31, 2022 and 2021, related party balances of issued bonds and commercial papers are as follows:

Related-party balances	December 31, 2022	December 31, 2021
Anadolu Hayat Emeklilik A.Ş.	52.962.261	--
Milli Reasurans A.S.	--	31.551.706
İş Girişim Sermayesi A.S.	--	1.577.585
Total	52.962.261	33.129.291

As of December 31, 2022 and 2021, coupon payments of issued bonds and commercial papers are as follows:

Transactions with related parties	December 31, 2022	December 31, 2021
Anadolu Hayat Emeklilik A.Ş.	5.013.700	--
Milli Reasurans A.Ş.	753.844	8.023.804
İş Yatırım Menkul Değerler A.Ş.	--	2.029.198
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	52.239	207.203
Anadolu Anonim Türk Sigorta A.Ş.	--	171.735
İş Yatırım Ortaklığı A.Ş.	105.283	15.832
T. İş Bankası A.Ş.	--	1.947
	5.925.066	10.449.719

Benefits provided to key management personnel:

Benefits provided to board of directors, general manager and assistant general managers are as follows:

	1 January- 31 December 2022	1 January - 31 December 2021
Salaries and other short term benefits	11.539.658	7.526.167
Employee termination benefits	1.289.514	728.720
Total	12.829.172	8.254.887

26. Nature and level of risks arising from financial instruments

a) Capital risk management

The **Financial** Company's purpose in capital management is; to ensure the continuity of the group as an income-generating enterprise, to observe the benefit of shareholders and corporate partners, and at the same time to ensure the continuity of the most efficient capital structure in order to reduce the cost of capital.

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

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

b) Financial risk factors

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

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Year Ended December 31, 2022

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

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

b.1) Credit risk management

Exposure to maximum credit risk as of reporting date	Receivables						
	Trade Receivables		Other Receivables		Deposits in Banks	Derivative instruments	Other (***)
	Related Party	Other Parties	Related Party	Other Parties			
December 31, 2022							
Maximum net credit risk as of the reporting date (A+B+C+D+E) (*)	10.193.000	134.469.821	--	9.028.038	1.239.508.006	--	135.555.219
- The part of maximum risk under guarantee with collateral etc. (**)	--	93.637.261	--	--	--	--	--
A. Net book value of financial assets that are neither past due not impaired	10.193.000	111.305.344	--	9.028.038	1.239.508.006	--	135.555.219
B. Net book value of financial assets which are overdue but not impaired	--	23.164.477	--	--	--	--	--
C. Net book value of impaired assets	--	--	--	--	--	--	--
- Past due (gross carrying amount)	--	8.653.165	--	--	--	--	--
- Impairment (-)	--	(8.653.165)	--	--	--	--	--
- The part of net value under guarantee with collateral etc.	--	--	--	--	--	--	--
- Not past due (gross carrying amount)	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--
- The part of net value under guarantee with collateral etc.	--	--	--	--	--	--	--
D. Off-balance sheet items with credit risk	--	--	--	--	--	--	--

(*) In determining the amount, factors that provide an increase in credit reliability, such as the guarantees taken, were not taken into account.

(**) The guarantees consist of collateral bonds received from customers, collateral checks and mortgages.

(***) Mutual funds shown in cash and cash equivalents, receivables from government bond reverse repo transactions with a maturity of less than 3 months, other ready values and currency-protected deposits in financial investments are included.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Year Ended December 31, 2022

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

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

b.1) Credit risk management (continued)

Exposure to maximum credit risk as of reporting date	Receivables						Derivative instruments	Other (***)
	Trade Receivables		Other Receivables		Deposits in Banks			
December 31, 2021	Related Party	Other Side	Related Party	Other Side				
Maximum credit risk incurred as of the reporting date (A+B+C+D+E) (*)	2.369.667	110.251.170	--	5.560.768	135.906.264	28.049.500	2.656.690	
- Guarantee of maximum risk. The part secured by vs (**)	--	76.499.441	--	--	--	--	--	
A. Net book value of financial assets that are neither past due nor impaired	2.369.667	103.879.471	--	5.560.768	135.906.264	28.049.500	2.656.690	
B. Net book value of financial assets which are overdue but not impaired	--	6.371.699	--	--	--	--	--	
C. Net book value of impaired assets	--	--	--	--	--	--	--	
- Past due (gross carrying amount)	--	8.586.780	--	--	--	--	--	
- Impairment (-)	--	(8.586.780)	--	--	--	--	--	
- The part of net value under guarantee with collateral etc.	--	--	--	--	--	--	--	
- Not past due (gross carrying amount)	--	--	--	--	--	--	--	
- Impairment (-)	--	--	--	--	--	--	--	
- The part of net value under guarantee with collateral etc.	--	--	--	--	--	--	--	
D. Off-balance sheet items with credit risk	--	--	--	--	--	--	--	

(*) In determining the amount, factors that provide an increase in credit reliability, such as the guarantees taken, were not taken into account.

(**) The guarantees consist of collateral bonds received from customers, collateral checks and mortgages.

(***) Mutual funds shown in cash and cash equivalents, receivables from government bond reverse repo transactions with a maturity of less than 3 months, and other ready values are included.

Notes to the Condensed Financial Statements For the Year Ended December 31, 2022
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

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

b.1) Credit risk management (continued)

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

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

Receivables			
December 31, 2022	Trade Receivables	Other Receivables	Total
Past due 1-30 days	8.913.987	--	8.913.987
Past due 1-3 months	7.547.262	--	7.547.262
Past due 3-12 months	6.539.593	--	6.539.593
Past due 1-5 years	163.635	--	163.635
Total overdue receivables	23.164.477	--	23.164.477
Total collateralized portion	23.092.976	--	23.092.976
Receivables			
December 31, 2021	Trade Receivables	Other Receivables	Total
Past due 1-30 days	3.197.872	--	3.197.872
Past due 1-3 months	1.334.035	--	1.334.035
Past due 3-12 months	1.571.228	--	1.571.228
Past due 1-5 years	268.564	--	268.564
Total overdue receivables	6.371.699	--	6.371.699
Total collateralized portion	4.966.491	--	4.966.491

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

	December 31, 2022		December 31, 2021	
	Nominal Value	Fair Value	Nominal Value	Fair Value
Letter of guarantee	22.598.432	22.598.432	4.590.062	4.590.062
Cash deposit	430.412	430.412	220.093	220.093
Notes payable	64.132	64.132	156.336	156.336
Total	23.092.976	23.092.976	4.966.491	4.966.491

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Notes to the Condensed Financial Statements For the Year Ended December 31, 2022 (Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

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

b.1) Credit risk management (continued)

b.2) Liquidity risk management

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

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

December 31, 2022					
<u>Contractual maturities</u>	Book Value	Total cash outflows under the contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)
Non derivative financial liabilities					
Loans and borrowings	3.398.487.479	3.692.741.574	851.548.584	2.841.192.990	--
Trade payables	18.433.078	18.433.078	18.433.078	--	--
Other payables	24.213.754	24.213.754	24.213.754	--	--
Total liabilities	3.441.134.311	3.735.388.406	894.195.416	2.841.192.990	--

December 31, 2021					
<u>Contractual maturities</u>	Book Value	Total cash outflows under the contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)
Non-derivative financial obligations					
Loans and borrowings	1.043.235.341	1.200.194.427	118.068.595	941.958.369	140.167.463
Trade payables	10.550.029	10.550.029	10.550.029	--	--
Other payables	16.137.729	16.137.729	16.137.729	--	--
Total liabilities	1.069.923.099	1.226.882.185	144.756.353	941.958.369	140.167.463

b.3) Market risk management

b.3.1) Foreign currency risk management

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

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

Foreign currency transactions lead to currency risks

The exchange rates applied as of December 31, 2022 and 2021 are as follows:

Currency	December 31, 2022		December 31, 2021	
	Buying	Sale	Buying	Sale
US Dollar	18,6983	18,7320	13,3290	13,353
Euro	19,9349	19,9708	15,0867	15,1139

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

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

b.3) Market risk management (continued)

b.3.1) 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:

December 31, 2022			
	TL Equivalent (Functional currency)	US Dollar	Avro
1. Trade Receivables	--	--	--
2a. Monetary Financial Assets	304.790.050	12.687.653	3.388.656
2b. Non-Monetary Financial Assets	7.688.340	--	385.672
3. Other	--	--	--
4. CURRENT ASSETS	312.478.390	12.687.653	3.774.328
5. Trade Receivables	--	--	--
6a. Monetary Financial Assets	--	--	--
6b. Non-Monetary Financial Assets	--	--	--
7. Other	--	--	--
8. NON CURRENT ASSETS	--	--	--
9. TOTAL ASSETS	312.478.390	12.687.653	3.774.328
10. Commercial Liabilities	13.306	--	666
11. Financial Obligations	--	--	--
12a. Other Monetary Liabilities	--	--	--
12b. Other Non-Monetary Liabilities	20.455.844	760.531	310.933
13. SHORT TERM LIABILITIES	20.469.150	760.531	311.599
14. Commercial Liabilities	--	--	--
15. Financial Obligations	--	--	--
16a. Other Monetary Obligations	--	--	--
16b. Other Non-Monetary Obligations	--	--	--
17. LONG TERM LIABILITIES	-	-	--
18. TOTAL LIABILITIES	20.469.150	760.531	311.599
19. Net asset/liability position of off balance sheet derivatives (19a-19b)	--	--	--
19.a Off-balance sheet foreign currency derivative assets	--	--	--
19b. Off-balance sheet foreign currency derivative liabilities	--	--	--
20. Net foreign currency asset / liability position	292.009.240	11.927.122	3.462.729
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a+10-11-12a-14-15-16a)	304.776.744	12.687.652	3.387.990
22. Fair Value of foreign currency hedged Financial asset	--	--	--
23. Hedged foreign currency assets	--	--	--
24. Hedged foreign currency liabilities	--	--	--

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Year Ended December 31, 2022 (Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

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

b.3) Market risk management (continued)

b.3.1) Foreign currency risk management (continued)

December 31, 2021			
	TL Equivalent (Functional currency)	US Dollar	Avro
1. Trade Receivables	--	--	--
2a. Monetary Financial Assets	63.127.476	1.828.058	2.569.236
2b. Non-Monetary Financial Assets	--	--	--
3. Other	--	--	--
4. CURRENT ASSETS	63.127.476	1.828.058	2.569.236
5. Trade Receivables	--	--	--
6a. Monetary Financial Assets	--	--	--
6b. Non-Monetary Financial Assets	--	--	--
7. Other	--	--	--
8. NON CURRENT ASSETS	--	--	--
9. TOTAL ASSET	63.127.476	1.828.058	2.569.236
10. Trade Payables	--	--	--
11. Financial Liabilities	--	--	--
12a. Other Monetary Liabilities	--	--	--
12b. Other Non-Monetary Liabilities	6.155.050	228.196	205.635
13. SHORT TERM LIABILITIES	6.155.050	228.196	205.635
14. Trade Payables	--	--	--
15. Financial Liabilities	--	--	--
16a. Other Monetary Liabilities	--	--	--
16b. Other Non-Monetary Liabilities	--	--	--
17. LONG TERM LIABILITIES	--	--	--
18. TOTAL LIABILITIES	6.155.050	228.196	205.635
19. Net asset/Liability position of off-balance sheet derivative instruments (19a-19b)	--	--	--
19.a Amount of derivatives denominated in off-balance sheet currencies of an active character	--	--	--
19b. Amount of derivatives denominated in off-balance sheet currencies with passive character	--	--	--
20. Net foreign currency asset liability position	56.972.426	1.599.862	2.363.601
21. Monetary items net foreign currency asset/liability position (1+2a+5+6a-10-11-12a-14-15-16a)	63.127.476	1.828.058	2.569.236
22. Total fair value of financial instruments used for currency hedge	--	--	--
23. Amount of the hedged portion of foreign exchange assets	--	--	--
24. Amount of the hedged part of foreign exchange liabilities	--	--	--

Notes to the Condensed Financial Statements For the Year Ended December 31, 2022
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

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

b.3) Market risk management (continued)

b.3.1) Foreign currency risk management (continued)

Foreign currency sensitivity

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

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

December 31, 2022		
	Appreciation of Foreign Currency	Depreciation of Foreign Currency
<u>If US Dollar changes against TL by 10%</u>		
US Dollar net asset / liability	23.723.752	(23.723.752)
Portion hedged against US Dollar risk (-)	--	--
US Dollar net effect	23.723.752	(23.723.752)
<u>If the Euro Changes 10% Against the TL:</u>		
Euro net asset / liability	6.753.922	(6.753.922)
Portion hedged against Euro risk (-)	--	--
Euro net effect	6.753.922	(6.753.922)
December 31, 2021		
	Appreciation of Foreign Currency	Depreciation of Foreign Currency
<u>If US Dollar changes against TL by 10%</u>		
US Dollar net asset / liability	2.436.618	(2.436.618)
Portion hedged against US Dollar risk (-)	--	--
US Dollar net effect	2.436.618	(2.436.618)
<u>If Euro changes against TL by 10%</u>		
Euro net asset/liability	3.876.129	(3.876.129)
Portion hedged against Euro risk (-)	--	--
Euro net effect	3.876.129	(3.876.129)

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Notes to the Condensed Financial Statements For the Year Ended December 31, 2022

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

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

b.3) Market risk management (continued)

b.3.2) Interest rate risk management

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

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

There are no debt securities of the Company classified as financial asset at fair value through profit or loss in accompanying financial statements as of December 31, 2022 and 2021.

As of 31 December 2022 and 2021, the Company has no financial liabilities with variable interest rates.

Interest Rate Table		
	December 31, 2022	December 31, 2021
Fixed Rate Financial Instruments		
Financial Assets		
<i>Financial assets classified at fair value through profit or loss</i>	128.943.342	--
<i>Time deposits at banks</i>	1.026.570.866	118.732.252
Financial Liabilities	3.398.487.479	1.043.235.341
Floating Interest Rate Financial Instruments		
Investment Funds	6.604.877	2.656.690

b.3.3) Equity price risk

As of December 31, 2022, company has no equity in their portfolio. Therefore, there is no equity price risk. (December 31, 2021: None)

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Condensed Financial Statements For the Year Ended December 31, 2022

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

27. Fair value of financial assets and liabilities

Financial assets

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

Financial liabilities

The Company assumes that the carrying values of the floating interest rate banks loans are close to their fair value, since floating interest rate banks loans are re-priced recently. The Company assumes that the carrying values of the fixed interest rate banks loans are close to their fair value, since the opening date of the bank loan is close to the reporting period and there is no significant change in the market interest rates. The estimated fair value of fixed rate financial liabilities is calculated by using discounted cash flows using current market interest rates. As of December 31, 2022, the net book value is TL 3.398.487.479 and its fair value is close to its net book value.

	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Carrying value	Not
December 31, 2022						
<i>Financial assets</i>						
Cash and cash equivalents	1.239.515.006	6.604.877	--	--	1.246.119.883	5
Financial investments	--	684.277.674	--	--	684.277.674	6
Trade receivables	134.469.821	--	--	--	134.469.821	8
Due from related parties	10.193.000	--	--	--	10.193.000	25
Other financial assets	9.028.038	--	--	--	9.028.038	9
<i>Financial Liabilities</i>						
Loans and borrowings	--	--	3.398.487.479	--	3.398.487.479	7
Trade payables	--	--	10.966.730	--	10.966.730	8
Trade payables to related parties	--	--	7.466.348	--	7.466.348	25
Other payables	--	--	24.213.754	--	24.213.754	9
Derivative instruments	--	--	--	14.210.699	14.210.699	6
December 31, 2021						
<i>Financial assets</i>						
Cash and cash equivalents	135.906.264	2.656.690	--	--	138.562.954	5
Financial investments	--	272.785.497	--	--	272.785.497	6
Trade receivables	110.251.170	--	--	--	110.251.170	8
Due from related parties	2.369.667	--	--	--	2.369.667	25
Other financial assets	5.560.768	--	--	--	5.560.768	9
Derivative instruments	--	28.049.500	--	--	28.049.500	6
<i>Financial Liabilities</i>						
Loans and borrowings	--	--	1.043.235.341	--	1.043.235.341	7
Trade payables	--	--	6.239.195	--	6.239.195	8
Loans and borrowings from related parties	--	--	4.310.834	--	4.310.834	25
Other payables	--	--	16.137.729	--	16.137.729	9

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Notes to the Condensed Financial Statements For the Year Ended December 31, 2022

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

27. Fair value of financial instruments (continued)

Fair Value of Financial Instruments

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

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

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

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

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

Assets at fair value	December 31, 2022	Level 1	Level 2	Level 3
Investment properties	13.813.456.730	--	13.813.456.730	--
Tangible assets	143.597.505	--	143.597.505	--
Financial assets held for trading	561.939.209	--	561.939.209	--
	14.518.993.444	--	14.518.993.444	--

Assets at fair value	December 31, 2021	Level 1	Level 2	Level 3
Investment properties	5.454.111.022	--	5.454.111.022	--
Tangible assets	55.492.519	--	55.492.519	--
Financial assets held for trading	275.442.187	--	275.442.187	--
Derivatives held for trading	28.049.500	--	28.049.500	--
	5.813.095.228	--	5.813.095.228	--

Liabilities at fair value	December 31, 2022	Level 1	Level 2	Level 3
Derivative instruments	14.210.699	--	14.210.699	--
	14.210.699	--	14.210.699	--

28. Fees for services received from independent auditor/independent audit firm

As of December 31, 2022, the services and related fees received by the Company from the independent audit company are as follows:

	December 31, 2022	December 31, 2021
Independent audit fee for the reporting period	210.000	94.950
Fees for tax attestation consultancy services	138.700	60.500
Fee for other non-audit services	84.000	12.660
	432.700	168.110

29. Events after the reporting period

On January 5, 2023, the title deed transactions for the purchase of Profilo Shopping Center together with the immovable property next to it were completed and the ownership of the immovables passed to the Company. The Company has signed a Revenue Sharing and Flat Payment Construction Agreement with Artaş İnşaat Sanayi ve Ticaret A.Ş. for Land Share in order to develop a project related to Profilo Shopping Center.

On January 6, 2023, the Board of Directors of the Company decided to purchase the 7,871.05 m2 land shares belonging to Kasaba Gayrimenkul İnşaat Taahhüt ve Ticaret A.Ş. and Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş. in Ömerli, Istanbul for approximately TL 38 million.

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Notes to the Condensed Financial Statements For the Year Ended December 31, 2022

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

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

Unconsolidated (individual) financial statement main account items	Related regulation	December 31, 2022	December 31, 2021
A Capital and money market instruments	III-48.1. Md. 24 / (b)	1.375.063.225	138.562.954
B Real estates, rights supported by real estates and real estate projects. Real estate investment fund of the first paragraph of article 28, in which they have 100% participation in their participation shares and capital	III-48.1. Md. 24 / (a)	15.470.471.789	6.248.006.075
C Affiliates (*)	III-48.1. Md. 24 / (b)	10.342.436	5.768.402
Due from related parties (other receivables)	III-48.1. Md. 23 / (f)	--	--
Other assets		561.341.806	283.983.867
D Total assets (Total assets)	III-48.1. Md. 3 / (p)	17.417.219.256	6.676.321.298
E Loans and borrowings	III-48.1. Md. 31	3.398.487.479	1.043.235.341
F Other financial liabilities	III-48.1. Md. 31	5.415.854	6.020.969
G Leasing 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	13.920.236.062	5.475.662.879
Other resources		93.079.861	151.402.109
D Total liabilities and equity	III-48.1. Md. 3 / (k)	17.417.219.256	6.676.321.298
Other separate financial information	Related regulation	December 31, 2022	December 31, 2021
A1 Capital and money market instruments amount held for 3-year real estate payments	III-48.1. Md. 24 / (b)	--	--
Foreign Currency Time Deposit / Special Current-Participation Account and TL Time Deposit /		1.227.583.568	135.906.264
A2 Participation Account	III-48.1. Md. 24 / (b)	--	--
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)	11.249.730	8.333.022
C1 Foreign affiliates	III-48.1. Md. 24 / (d)	--	--
C2 Participating to operating company	III-48.1. Md. 28	10.342.436	5.768.402
J Non-cash loans	III-48.1. Md. 31	43.005.861	35.266.684
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)	431.119.133	138.562.935

(*)From the associates disclosed in Note 3, Kanyon is in the scope of the Company under the scope of Article 28 paragraph 1 of the "Communiqué on Principles Regarding Real Estate Investment Trusts" No: 48.1 of the CMB, III. The Company accounts for this associate according to the equity method in the accompanying financial statements. As of December 31, 2021, the Company's participation in Kanyon is TL 500.000 and does not exceed 10% of the total assets.

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Notes to the Condensed Financial Statements For the Year Ended December 31, 2022

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

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

			December 31, 2022	December 31, 2021	Minimum / Maximum rate
1	Mortgage amounts of the mortgaged lands that the project will be developed on without ownership	III-48.1. Md. 22 / (e)	0%	0%	Maximum 10%
2	Real estates, rights supported by real estates and real estate projects. Real estate investment fund of the first paragraph of article 28, in which they have 100% participation in their participation shares and capital.	III-48.1. Md. 24 / (a). (b)	89%	94%	Minimum 51%
3	Capital and money market instruments and subsidiaries	III-48.1. Md. 24 / (b)	8%	2%	Maximum 49%
4	Foreign real estates, rights supported by real estates and real estate projects, affiliates and capital market instruments	III-48.1. Md. 24 / (d)	0%	0%	Maximum 49%
5	Inactive land	III-48.1. Md. 24 / (c)	0%	0%	Maximum 20%
6	Participating to operating company	III-48.1. Md. 28/1 (a)	0%	0%	Maximum 10%
7	Borrowings limits	III-48.1. Md. 31	25%	20%	Maximum 500%
8	Foreign Currency Time Deposit / Special Current-Participation Account and TL Time Deposit / Participation Account	III-48.1. Md. 24 / (b)	8%	2%	Maximum 10%
9	The sum of investments in money and capital market instruments in a single company	III-48.1 Md. 22 / (1)	2%	2%	Maximum 10%