

İŞ GYO



ANNUAL REPORT 2017



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Sustainable growth and increasing added value for all stakeholders enabled by a well-balanced portfolio mix

Boasting a solid market prestige and experience in the sector, İş REIC develops select projects in line with its mission spelled out as creating desirable spaces for contemporary people and contemporary cities, and preserves its healthy growth trend ever since its incorporation.

Diversifying its portfolio by investing in office spaces, tourism and retail sectors and real estate projects, İş REIC's strategy is set as capitalizing on investment opportunities arising in areas that will further increase its ongoing revenues and profitability while also generating maximum benefit for its shareholders.



Using its solid shareholders' equity, funding facilities and sustainable sources generated on regular rental income derived on its high quality portfolio to finance its new investments, İş REIC takes sure-footed steps based on its determination to strengthen its position in the sector.

İŞ REIC
DATE OF
INCORPORATION
6 AUGUST 1999
HEAD OFFICE
İSTANBUL



İş REIC in Brief

İş Gayrimenkul Yatırım Ortaklığı A.Ş. (İş REIC) was founded through the takeover of Merkez Gayrimenkul Yatırım ve Proje Değerlendirme A.Ş. by İş Gayrimenkul Yatırım ve Proje Değerlendirme A.Ş. on 6 August 1999, which was then transformed into a real estate investment trust.

Blending its market prestige backed by the deep-rooted corporate principles and financial strength of its parent İşbank Group with its sectoral experience and

vision, İş REIC develops distinguished projects and maintains a healthy growth process since the day it was founded.

One of the sector's prominent companies with its diversified and well-balanced portfolio and robust financial structure, İş REIC focuses on providing its investors with an optimal possible risk-return trade-off.

Using its solid shareholders' equity, funding facilities and sustainable sources generated on regular rental income

derived on its high quality portfolio to finance its new investments, İş REIC takes sure-footed steps based on its determination to strengthen its position in the sector.

İş REIC, which invests in real estate properties and real estate projects, carry out its activities in compliance with the requirements of the Capital Markets Board of Turkey (CMB) laws and regulations.

Vision

To set a global corporate example not only by the projects it undertakes, but also with the way it conducts business, by its organizational structure, corporate values and management approach.

Mission

To create desirable spaces for contemporary people and contemporary cities.

To maximize the collective value of the portfolio for the shareholders through sustainable growth and high profitability by utilizing our investments and resources effectively.

Objectives

To closely monitor opportunities for generating the highest possible returns for the shareholders.

To maintain and strengthen the leading position in the market.

Registered Capital:
TL 2 billion

Date / Price of IPO:
1-3 December 1999 -
TL 1.4

**BIST
Trading Symbol:**
ISGYO

**Date of Trading
(BIST):**
9 December 1999

BIST Indices:
BIST 100 / BIST Dividend 25 /
BIST All / BIST Dividend / BIST REIC
/ BIST Financial / BIST Corporate
Governance / BIST 100-30

Issued Capital:
TL 913,750,000

Tax Office / No:
İstanbul -
Large-Size Taxpayers
4810137715

Trade Registry Office / No:
İstanbul / 402908

Registered e-Mail:
isgyo@hs02.kep.tr

**MERSİS
(Central Registry System):**
0481013771500018

Capital and Shareholder Structure

Capital Structure

İş REIC's issued capital amounts to TL 913,750,000, 44.11% of which is held by T. İş Bankası A.Ş. (İşbank). İşbank, the Company's shareholder, has management control over the Company; there are no non-corporate shareholders holding more than 5% in the capital of the shareholder that has management control over the Company.

The Company's issued capital is divided into 913,750,000 shares, each with a nominal value of TL 1; out of these shares, the portion corresponding to TL 1,305,357.11 make up Group A shares and the portion corresponding to TL 912,444,642.89 make up Group B shares. Group A shares are entitled to specific preferential rights with respect to their representation on the Company's Board of Directors: only one seat on the board is filled from among candidates designated by Group B shareholders while all the remaining seats are filled from among candidates designated by Group A shareholders.

The shares issued for raising the Company's issued capital by TL 63,750,000 to TL 913,750,000 so as to remain within the registered capital of TL 2 billion, which incremental amount will be covered from 2016 profit share as per the Board of Directors' decision dated 31 March 2017, have been registered with the CMB, and the process for the exercise of rights in relation to the issued shares have been completed on 2 May 2017. Following the capital increase, the CMB approved the new version of "Article 7 - Capital and Share Certificates" of the Company's articles of association that shows the issued capital after the capital increase. The new capital that has been registered by İstanbul Trade Registry on 10 May 2017 has been promulgated in the Turkish Trade Registry Gazette issue 9327 dated 16 May 2017.

By its letter dated 27 December 2016, the CMB approved the extension of the permission for the Company's authorized capital in the amount of TL 2 billion for a period of five years from 2017 through 2021 and the amendment of "Article 7 – Capital and Share Certificates" of the Articles of Association to that end. Within the frame of the said approval, an application was filed with the T.R. Ministry of Customs and Trade, and necessary permissions were received on 24 January 2017. The extension of the authorized capital permission term to cover the years from 2017 through 2021 was ratified at the 2016 Annual General Meeting.

During the reporting period, the Company did not carry out a capital increase through rights issues.

Under the current Turkish Commercial Code (TCC) and Capital Markets Board (CMB) rules and regulations, companies are allowed to acquire shareholding interests in themselves. During the 2017 reporting period, İş REIC did not buy back any of its own shares.

Article 14 of the CMB Communiqué (III-48.1) on the Principles Regarding Real Estate Investment Companies sets out that real estate investment trusts may issue shares that incorporate the privilege to nominate candidates for election of board of directors members. REICs are not allowed to issue any instrument that incorporates any preferential right other than shares that allow their holders to designate candidates for seats on their boards of directors. In such cases, the majority shareholder makes suggestions regarding Board Member nominees and the Members of the Board of Directors are elected by the General Assembly of Shareholders. The Company's articles of association contain no provisions pertaining to special voting rights.

STRONG CAPITAL

In 2017, İş REIC's issued capital was raised from TL 850 million to TL 913.75 million.

Shareholder Structure

There were no significant changes in the Company's shareholder structure during the reporting period.

According to MKK's 30 December 2017 report, the nominal value of the Company's publicly-traded shares was TL 432.5 million, which corresponds to 47% of the Company's capital. According to year-end settlement data, foreign investors represent about 14% of the Company's capital.

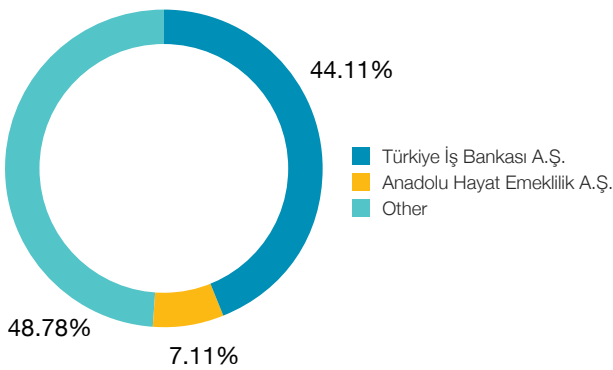
Shareholder Structure	TL	Share (%)
Türkiye İş Bankası A.Ş.	403,081,752.3	44.11
Anadolu Hayat Emeklilik A.Ş.	64,952,937.61	7.11
Other	445,715,310.09	48.78
Total	913,750,000.00	100.00

*MKK data as of 30 December 2017

PUBLICLY-TRADED SHARES

As at 2017 year-end, the nominal value of the İş REIC's publicly-traded shares was TL 432.5 million, which corresponds to 47% of the Company's capital.

Shareholder Structure (%)



Subsidiaries

Currently, the Company has only one subsidiary: Kanyon Yönetim İşletim ve Pazarlama A.Ş.

Kanyon Yönetim İşletim ve Pazarlama A.Ş. (Kanyon)

Kanyon, set up on 6 October 2004 in which İş REIC and Eczacıbaşı Holding each controlled a 50% stake, was created primarily to engage in the management, operation and marketing activities of the residence, store, commercial or office buildings.

AN INVITATION TO START LIFE OVER

Co-developed by İŞ REIC and Nef, İstanbul İstanbul Project is differentiated from its competition with its comfortable living standards, access to the subway and alternative roads allowing easy reach to all the corners of the city, vast green areas for spending a pleasant time, and the Foldhome concept.



Key Financial Highlights

Balance Sheet (TL million)	31.12.2015	31.12.2016	31.12.2017
Current Assets	459.9	323.0	968.0
Non-current Assets	3,665.3	4,564.1	4,343.9
Total Assets	4,125.2	4,887.0	5,311.9

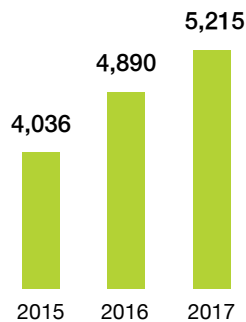
Short-term Liabilities	556.0	188.5	873.3
Long-term Liabilities	778.6	1,537.2	1,158.0
Shareholders' Equity	2,790.6	3,161.3	3,280.6
Net Profit	555.9	420.5	179.9

Financial Indicators (TL million)	31.12.2015	31.12.2016	31.12.2017
Sales Revenue	222.0	404.5	439.6
Cost of Sales	62.1	209.7	261.8
Gross Profit/Loss	159.9	194.8	177.8
Return on Assets	13.5%	8.6%	3.4%
Return on Equity	19.9%	13.3%	5.5%

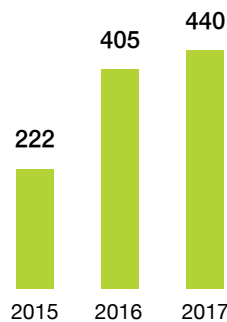
Financial Structure (TL million)	31.12.2015	31.12.2016	31.12.2017
Total Liabilities	1,334.6	1,725.7	2,031.3
Shareholders' Equity	2,790.6	3,161.3	3,280.6
Financial Liabilities	710.6	1,054.7	1,185.5
Equity Ratio (%)	68	65	62
Total Liabilities/Shareholders' Equity (%)	48	55	62
Financial Leverage Ratio (%)	32	35	38
Financial Liabilities/Total Assets (%)	17	22	22
Financial Liabilities/Shareholders' Equity (%)	25	33	36

In 2017, sales revenues, including the sales of Ankara Kızılay and Antalya Office Buildings and Esenyurt Hypermarket Building, reached TL 439.6 million.

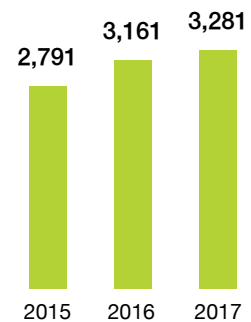
Total Portfolio Value (TL million)



Sales Revenue (TL million)



Shareholders' Equity (TL million)



Portfolio Breakdown (%)	TL million	% Share
Offices	2,349	45.04
Shopping Mall	1,037	19.89
Projects	1,420	27.23
Hotel	25	0.49
Inventory	85	1.62
Land (*)	216	4.14
Money & Capital Market Instruments	83	1.59
Total	5,215	100.00

(*) Includes the Tuzla land purchased in 2016. Excludes the Kadıköy land.

Development of the Portfolio (TL million)	2015	2016	2017
Real Estate Portfolio	3,912	4,763	5,132
Total Portfolio Value	4,036	4,890	5,215
Total Assets	4,125	4,887	5,312

REIC Sector

Market Capitalization of the REICs	TL million	% Share
İş REIC	1,243	4.6
Other REICs	25,681	95.4
Market Total	26,924	100.0

Summary of Reporting Period Results

- Total assets of İş REIC increased by 19% year-to-year and reached TL 5,312 million in the reporting period.
- In 2017, sales revenues showed a rise by approximately 9% as compared with 2016, with the effect of the sales of Ankara Kızılay and Antalya Office Buildings and Esenyurt Hypermarket Building.
- İş REIC has a current ratio of 1.11.
- Every possible financing option for the investments is explored and the most suitable debt instruments and structures are chosen at the time of borrowing. The Company's year-end financial leverage ratio is 38%.
- 22% of İş REIC's assets are financed by means of borrowing in the current period and there's no difficulty in financing the debts if there's any need of additional borrowing.

Credit Rating

SAHA KURUMSAL YÖNETİM VE
KREDİ DERECELENDİRME A.Ş.

(TR) A1+

**RATING
(NATIONAL):
SHORT TERM**

OUTLOOK: STABLE

(TR) AA

**RATING
(NATIONAL):
LONG TERM**

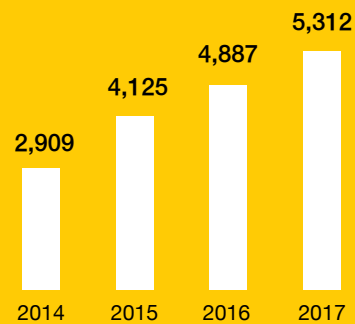
OUTLOOK: STABLE

Targets - Achievements

Utilization of investment and resources effectively

Achieving stable growth

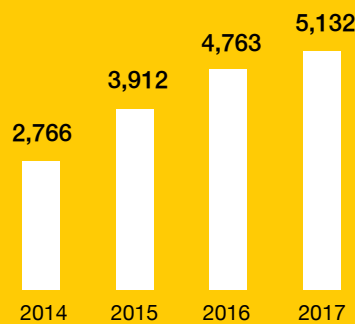
Total Assets (TL million)



Visionary and rational strategies

Leveraging the high performance

Real Estate Portfolio (TL million)



High-profitability principle

Rendering the shareholder value continuous





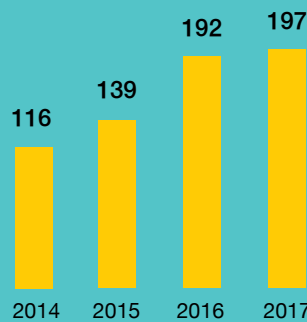
DISTINCTIVE PROJECTS

CREATING DESIRABLE SPACES FOR CONTEMPORARY PEOPLE AND CONTEMPORARY CITIES

A lucrative real estate portfolio

Increase sustainable rental income

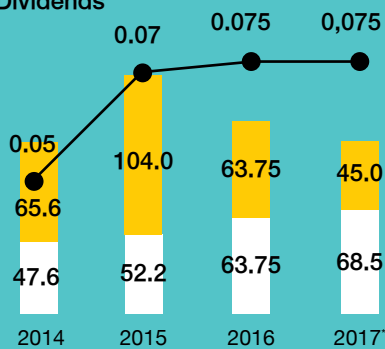
Rental Income (TL million)



Focus on larger residential and mixed-use projects

Cementing the strong position in the sector

Dividends



■ Cash (TL million) ■ Bonus Shares (TL million)
 ● EPS (TL)

* Subject to the approval of the shareholders in the 2017 Annual General Meeting that will be held on 21 March 2018.

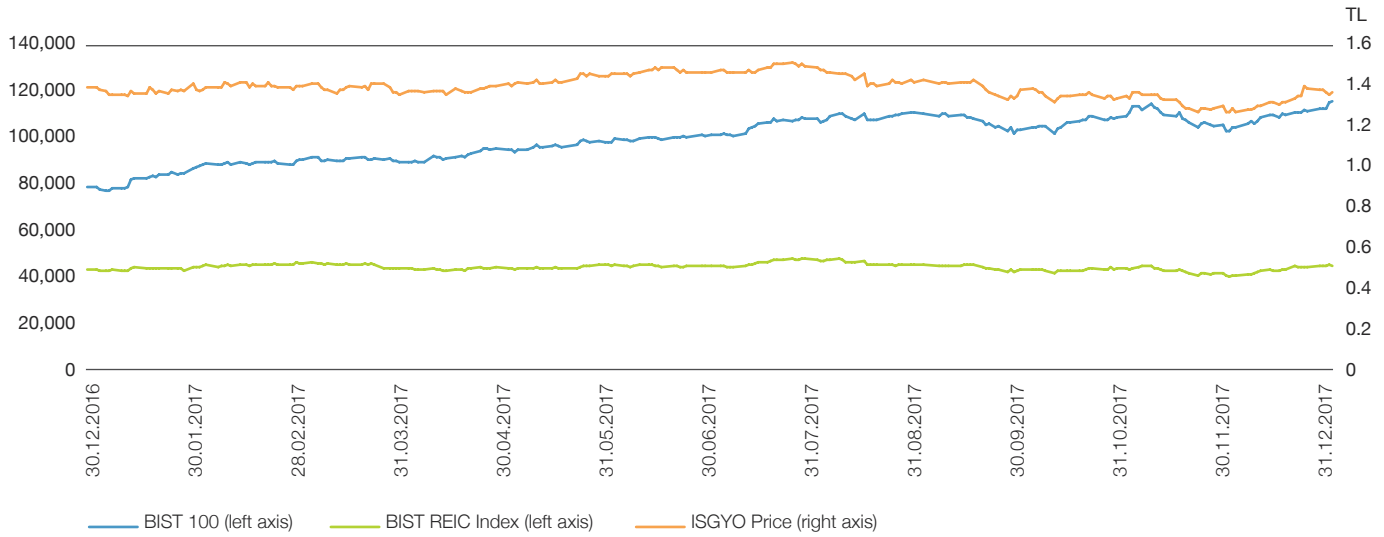
Stock Performance

With a market capitalization of TL 1,243 million as of 31 December 2017, the Company represents approximately 4.6% of the real estate investments sector.

During 2017, BIST 100 Index gained value by 48% and BIST REIC Index by 4% in terms of Turkish lira. During the same timeframe, İş REIC stock was down by 1.6%.

Stock Performance	31.12.2015	31.12.2016	31.12.2017
Market Capitalization (TL million)	1,313	1,326	1,243
Market Share (%)	6.1	5.4	4.6
Earnings per Share (TL)	0.75	0.49	0.20
P/E Ratio	2.35	3.18	6.9
P/BV	0.47	0.42	0.38

BIST 100 Index, BIST REIC Index and ISGYO Price Chart



On the basis of the BIST performance for the past three years as at 31 December 2017, İş REIC stock secured 47% value gain, while BIST REIC and BIST 100 Indices went up by 18% and 35% respectively.

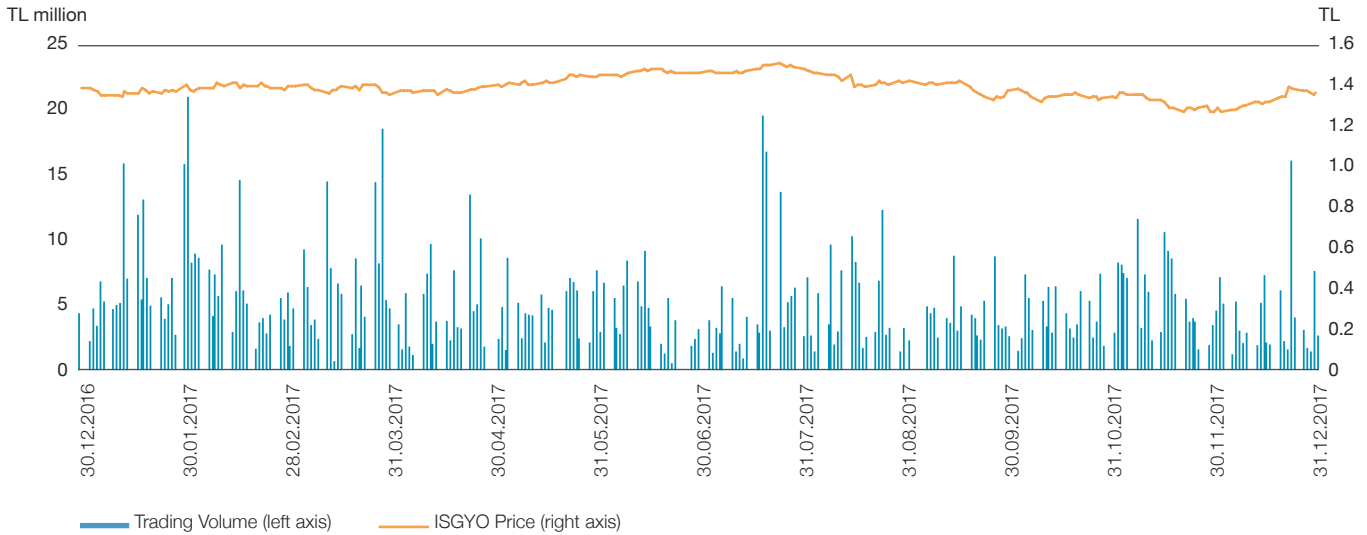
The daily trading volume of the Company stock traded on the Collective Investment Products and Structured Products Market was worth TL 5.2 million in 2017.

Based on BIST's monthly data on "transactions realized on behalf and account of foreign banks/brokerage houses or individuals", foreign investors' net purchases amounted to USD 1,889.7

million on the Star Market (National Market) in 2017, while that on Borsa İstanbul (including all markets) were worth USD 1,780.7 million.

Purchases of İş REIC stock, on the other hand, totaled USD 46.8 million and sales of the same amounted to USD 55.3 million during the year. Total net sales balance of the stock was USD 8.5 million. According to year-end settlement data, foreign investors represent about 14% of the Company's capital.

Trading Volume



Milestones in İş REIC's History

1999

The Company went public and its shares began to be traded on the Stock Exchange.

2004

The foundations for Kanyon Mixed-Use Project were laid in the most valuable location in İstanbul.



2005

The Company was named the "Best Developer in Turkey" by Euromoney magazine.

2006

Kanyon, Turkey's first semi-open air shopping mall, opened its doors.

Review Architectural Award was presented to Kanyon.

2007

Esenyurt Hypermarket project developed on a turnkey-delivery basis opened for service.

2009

Marmara Park investment, a regional shopping center, was initiated upon creation of the superficies right in the name of Ece Turkey for 72 years.

2010

Kapadokya Lodge Inn Hotel and Club Magic Life Kemer Imperial Hotel were added to the portfolio, thus giving momentum to tourism investments.

2011

Sign of the City-award-winner Tuzla Çınarlı Bahçe Residential Project construction and sales began.



2012

The Marmara Park Shopping Mall opened.

The foundation was laid for Ege Perla, the first mixed-use project in İzmir.

Construction work began for Tuzla Technology and Operation Center Project, which will be developed on turnkey-delivery model for İşbank, and for the Tuzla mixed-use project.



2013

Taksim Office Lamartine project was completed and opened.



2014

Property was purchased for the collective housing project to be developed in Topkapı, which marked the first step of İş REIC & Nef investment.

Manzara Adalar project launch took place, which will be built in Kartal, the up-and-coming district of İstanbul.

GOAL

Ever since its incorporation, İş REIC has been working with the goal of bringing the Company to a stronger position in keeping with the criteria of creating shareholder value and sustainability.

2015

İstanbul Project launch took place.

İstanbul International Financial Center Project construction began.

Kartal Manzara Adalar project claimed the bronze award at the Crystal Apple Turkey Advertising Awards with its advertising film.



Kartal Manzara Adalar Project was elected the "Premium Project" in the



"Best Marketing Campaign" category at the Sign of the City Awards.

The Company was assessed to be in "investment" category, and assigned a long-term rating of (TR) AA. İstanbul Project was awarded in the "Best Architectural Design Concept" category at the Sign of the City Awards. İşbank Technology and Operation Center Project and Tuzla Mixed-Use Project were awarded in the "Best Office" category at the Sign of the City Awards.

2016

Tuzla Technology and Operation Center Project and Tuzla Mixed-Use Project were completed and became operational.

Rental income increased significantly after Tuzla Technology and Operation Center Project and the mixed-use project became operational.

A plot was purchased for the planned residential investment development in Tuzla.

Manzara Adalar received the "Best High-Rise Residence" award at the Sign of the City Awards.



The Company acquired a 45% stake in the hotel investment project, which is planned to be developed in Kadıköy.

2017

İş REIC was assigned a corporate governance rating of 9.48.

Ege Perla Shopping Mall opened.



Ege Perla Project claimed the best office and the best local shopping mall awards at the Sign of the City Awards.



A DESIGN INSPIRED BY DREAMS

Manzara Adalar was named the premium project in the “Best Residence” and “Best Mixed-Use Project” categories at the Sign of the City Awards, and received the first prize in the “Best High-Rise Residence” category.



Message from the Chairman



Ömer Karakuş
Chairman

Despite the fluctuations caused by political and geopolitical tensions, an overall recuperation has been noted in global economy in 2017 for the first time since the inception of the financial crisis.

In 2017, recuperation in global economy has become evident.

Despite the fluctuations caused by political and geopolitical tensions, an overall recuperation has been noted in global economy in 2017 for the first time since the inception of the financial crisis.

While accelerated growth performances of developed countries caught the attention, emerging countries also attained higher growth rates and contributed to global economic activity. To such a backdrop, future projections were revised upwards.

While interest rates maintained their relatively lower level on the monetary front, investment outlays that increased on a global scale, the rise in the worldwide trade volume and higher industrial production have been the other major contributors to global economic growth. On the other hand, persistent improvement in consumer and real sector confidence is observed across the world.

US Federal Reserve (the Fed) increased interest rates three times in 2017 and announced that it will carry on with rate hikes also in 2018. The Fed also began scaling down its balance sheet by

USD 10 billion on a monthly basis starting from October 2017; this amount could be subject to a gradual rise in the following months of 2018 depending on the course of the US economy. It is estimated that the US economy grew around 2.5% in 2017, and is projected to register a similar growth performance also in 2018.

In Europe, which had a busy political calendar, the first phase of the Brexit negotiations were brought to completion, while the markets were somewhat relieved, as the worst-case scenarios did not materialize in the elections held in Germany, France and the Netherlands. Increased political tension in Spain following the outcome of the referendum in the autonomous Catalan region and the fact that the government could not be set up in Germany urge that political risks and crises must not be overlooked for Europe.

In spite of political events, increased exports in connection with the strengthened worldwide trade, continued monetary expansion program by the European Central Bank (ECB), and stronger consumption and investment demand drove the growth figure of the Eurozone to 2.5%, the highest level of the past decade.

Message from the Chairman

The Turkish economy broke record in terms of growth.

During 2017, the Turkish economy has been the scene to growth rates that achieved record levels. The key drivers behind this development included the government incentives, tax reductions and expanded credit facilities. Cumulative growth rate in the first three quarters of 2017 was registered as 7.4%. Looking at the performance for the first nine months of the year, the Turkish economy is estimated to have closed 2017 with a growth rate of above 6%.

Notwithstanding, fragilities including the serious rise in inflation, volatile exchange rates, the uptrend adopted by the foreign trade deficit and current deficit, high unemployment rate and partially deteriorated budget balance continue to be important. Fiscal and economic policies to be implemented in 2018 will be critical to break the cycle of high exchange rates, high inflation and high interest.

While the negative course of the current deficit draws the attention, the increase in foreign trade deficit has been telling upon the expansion in current deficit. As tourism revenues kept propping the current accounts balance, direct foreign investments continued to display a weak performance.

On the other hand, the fact that 11.1% growth in the third quarter was driven by machinery and equipment investments and exports along with public outlays represent an important indicator with respect to the coming period. It is considered that switching to a growth composition that more heavily relies on exports and private sector investments is important for the quality and sustainability of economic growth.

Our sector kept growing.

The construction sector that gained momentum in 2017 enlarged 9.9% in the first three quarters of the reporting period. The growth rate of the real estate sector, although having lost some pace as compared with the previous year, followed a stable course in 2017 and was registered as 1.5% in the January to September period.

During 2017, the government took steps that supported our sector:

- Application of 8% VAT instead of 18% on residential deliveries, provided that VAT payment is made, was extended from March to September.
- Foreigners investing at least USD 1 million and retaining their real estates for 3 years were given citizenship right.
- Low interest rate implementation continued starting from the last quarter of 2016.
- Maximum loan ratio, which was 75% of the value of the housing, was increased to 80% in housing loans.
- Incentives encouraging housing purchases were introduced, such as 15% government support.

9.9%

The construction sector that gained momentum in 2017 enlarged 9.9% in the first three quarters of the reporting period.

5.1%

During 2017, housing sales went up by 5.1% to top 1.4 million units.

During 2017, housing sales went up by 5.1% to top 1.4 million units. In the same period, there was 5.2% rise in mortgage sales and 5% in other sales, displaying a balanced outlook. While housing sales to foreigners during the reporting period augmented by 22.2%, record levels were reached in both sales figures. On another front, at 11.9%, the annual rise in housing prices in Turkey was near the lowest of the past six years in 2017.

According to Propin data, although the İstanbul office market, which exhibited sustained rise in stocks, had a more active year in 2017 in terms of rental and institutional purchasing transaction volumes as compared with the preceding two years, the vacancy rate in Class-A office buildings in CBD reached its highest level of the past decade with 31.4%. During 2017, it was also observed that average property rents declined for office buildings.

Based on JLL data, countrywide shopping mall supply has been 12 million m² in 393 centers as at the third quarter of 2017. İstanbul continued to represent a substantial portion of this supply with 36% of the total leasable area.

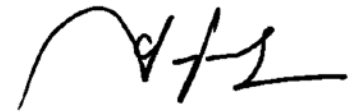
In view of the prime rent figures in the retail market, after the significant drop in 2016, rents remained flat since the onset of 2017.

To a better future together with our stakeholders...

Diversifying its portfolio by investing in real estate projects such as housing, office and retail spaces, İş REIC's strategy is to maximize shareholder value by increasing its ongoing revenues and profitability.

Along the line, we keep working with commitment with our entire team to bring our ongoing investments to completion within the projected timelines, capitalize on investment opportunities, and achieve our targeted lease and sales figures.

I would like to thank all our shareholders for their support and confidence, who share our goal to contribute to a livable future built upon contemporary spaces that observe the environment and blend seamlessly into the texture of the city.



Ömer Karakuş
Chairman

Message from the CEO



Turgay Tanes
CEO

7%

İş REIC's total portfolio value was up by 7% on an annual basis to TL 5,215 million in the reporting period.

We had a successful year in 2017.

In 2017 that was completed as a productive and profitable year, İş REIC carried on with its investments according to plans in line with its consistent growth target, carried out new project developments on the plots in its portfolio, secured continuity and rise in its rental income, captured the targeted sales figures, and increased its revenues.

While our rental income that kept growing in 2017 reached TL 197 million, we derived 69% of rental income on our assets in the office segment, and the remaining 31% on our assets in the retail segment.

After generating 97% of its total revenues that amounted to TL 440 million in 2017 on income from real estate, which went up by 9% year-to-year, our Company booked approximately TL 180 million in net profit for the period at the end of the year.

Total assets of İş REIC went up by 9% year-to-year to TL 5,312 million. With a market capitalization of TL 1,243 million as at 31 December 2017, our Company represents approximately 4.6% of the real estate investment trust sector. The Company's total portfolio value was up by 7% on an annual basis to TL 5,215 million in the reporting period.

Work on our existing investments continued throughout 2017.

While our ongoing investments progressed according to plans during 2017, new project development work was carried out on the plots in our portfolio on another hand. Total investments in our projects amounted to approximately TL 430 million in 2017.

Manzara Adalar that we developed in Kartal proved itself to be a project rising upon accurate prediction on the Asian side that shows rapid improvement in terms of transportation and inches closer to becoming the new center of İstanbul. In the Kartal Manzara Adalar mixed-use project that embodies offices, housing units and street stores, and comprises of five blocks, deliveries will begin in February 2018.

Co-developed with Nef, İnistanbul project consists of four different projects. Deliveries from the first project will start from January 2018.

Life commenced at Ege Perla, İzmir's first mixed-use project with an approximate investment value of TL 490 million. After delivering residential and office spaces in 2016, we launched our shopping mall at Ege Perla in September 2017. Having opened its doors with 93% occupancy, a powerful shop mix and a distinctive concept, Ege Perla is set to introduce a new shopping and entertainment experience to İzmir.

Message from the CEO

The rough construction of our project in the İstanbul Financial Center was completed in line with the schedule and the instructions of the Ministry, and the project proceeds simultaneously with other companies and according to our construction timeline.

We are planning to launch two new projects on the Asian side in addition to the existing ones. The first one covers nearly 1,000 housing units to be developed on a parcel that measures 62,655 m² in Tuzla, which we own. Feasibility, architectural and conceptual studies are underway for the project, for which the building permit was obtained during the reporting period.

The second project comprises of hotel and commercial spaces planned to be developed on a 9,043 m² plot owned by Tecim Yapı in Kadıköy, İstanbul, based on a promise to sell agreement executed in 2016 for the acquisition of 45% stake therein. İş REIC will have 45% stake in the project, whose legal permission processes are completed. With its building permit obtained during 2017, construction tender for the project is intended to be carried out in 2018.

Our main strategic goal is to be a profitable company.

Our Company's priorities with respect to sustainable growth and profitability are to complete all of the ongoing investments according to projected timelines while generating profit, capture targeted rental and sales figures, render high cash dividend payout sustainable, and work to develop projects that will secure the best use and benefits on the plots in the portfolio.

The Company capitalizes on investment opportunities in relation to projects and real estates that will secure increased growth and income, gives consideration to the mixed-use project concept that covers both residential units and commercial spaces in the projects developed, thus ensuring the continuity of the benefit to be secured by way of leasing activities, while intending to obtain high income and profitability through sales at the same time.

430

Total investments in our projects amounted to approximately TL 430 million in 2017.

2018

In 2018, İş REIC's primary target within the scope of its growth strategy will be to bring its investment expenditures, sales, and leasing processes in relation to its existing projects to completion.

We hold a positive outlook for 2018.

We anticipate that growth will continue in our sector also in 2018, housing sales will pick up and premium ratios will come to reasonable levels. We also envisage that the support lent to the sector will go on through various government incentives, among which incentives envisaged to be provided via the existing Housing Account system will come to the forefront.

In 2018, İş REIC's primary target within the scope of its growth strategy will be to bring its investment expenditures, sales, and leasing processes in relation to its existing projects to completion. The Company will concentrate on its projects in progress, namely Manzara Adalar in Kartal, İstanbul Financial Center in Ataşehir, and İstanbul co-developed with Nef in Topkapı.

İş REIC targets to generate added value by keeping an eye out for districts that invariably presented high growth potential as proven by their values in the past. The Company always beholds a broad perspective for the projects it will take part in and considers it a priority to refine the entire visage of the area. In this context, development work will continue for our residential project in Tuzla and our hotel project in Kadıköy, for which legal permission processes have been finalized.

I would like to extend my thanks to all our stakeholders for their support and trust who have been a part of the value and achievements created by İş REIC that perceives sustainability at economic, environmental and social levels and reflects the same notion in the projects it develops.



Turgay Tanes
CEO

Board of Directors



Ömer Karakuş
Chairman



Süleyman H. Özcan
Vice Chairman



Aysel Tacer
Board Member



Nihat Uzunoğlu
Independent Board Member



Mete Uluyurt
Board Member



D. Sevdil Yıldırım
Independent Board Member



Haluk Büyükbaş
Independent Board Member



Murat Doğan
Board Member



Sakine İlgen Dokuyucu
Board Member

Board of Directors

Ömer Karakuş Chairman

16.05.2017-21.03.2018

Ömer Karakuş received his degree in public administration from Gazi University, Faculty of Economics and Administrative Sciences. Having started his career at İşbank in 1989 as an Assistant Inspector on the Board of Inspectors, he was appointed Assistant Manager in the Accounting Department in 1998, where he later served as Unit Manager. He was appointed Head of Accounting Department in 2005, Manager of Yenışehir Branch in Ankara in 2007, Head of HR Department in 2008, and Head of the Board of Inspectors on 15 January 2016. Mr. Karakuş was promoted to Deputy Chief Executive Officer of İşbank on 27 April 2017. He held a seat as a member on the boards of directors of Nemtaş Nemrut Liman İşletmeleri A.Ş. (2005-2006), Anadolu Anonim Türk Sigorta A.Ş. (2006-2010), Anadolu Hayat Emeklilik A.Ş. (2010-2012), Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş. (2012-2013) and İşbank AG (2013-2016). Mr. Karakuş has been a member of İş REIC's Board of Directors since 16 May 2017.

Süleyman H. Özcan Vice Chairman

23.03.2017- 21.03.2018

Süleyman H. Özcan got his degree in economics at Boğaziçi University, and started his career as an assistant internal auditor on the Board of Internal Auditors of İşbank in 1993. He was appointed as Assistant Manager in Treasurers Department in 2001 and then as manager in the same department. He also worked as Unit Manager in Project and Change Management Department and Department of Strategy and Corporate Performance Management respectively and served in various positions at some İşbank subsidiary companies. Holding an in-group position in addition to his seat on the Board of Directors of İş REIC, he has been working as Department Manager in Investor Relations Department since 26 March 2009. He is also a Member of İşbank's Corporate Governance Committee. Mr. Özcan has been serving as a Member of İş REIC's Board of Directors since 8 December 2014 and is also a member of the Corporate Governance Committee.

Aysel Tacer Board Member

23.03.2017-21.03.2018

Aysel Tacer received her degree in business administration from Marmara University, Faculty of Economics and Administrative Sciences. She started her career at İşbank as an Officer at Taksim Branch in 1980. Ms. Tacer served as Assistant Section Head and Financial Analyst in the Credit Information and Financial Analysis Department from 1983 to 1989; became Assistant Credit Analyst in 1989 and Assistant Manager in 1993 at Şişli Branch. Between 1996 and 2011, she served as Manager of Akatlar, Çarşı-Bakırköy, Bakırköy, Güneşli and Güneşli Corporate Branches. Ms. Tacer was a member of the Board of Auditors at Tuba Sim İnş. Konsorsiyumu A.Ş. (1994-1996), a member of the Board of Auditors at İş Faktoring Finansman Hizmetleri A.Ş. (1999-2001), and a member of the Board of Directors at Camiş Madencilik A.Ş. (2001-2005), at Anadolu Anonim Türk Sigorta Şirketi (2005-2009) and at İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (2009-2011). Ms. Aysel Tacer was elected to İşbank's Board of Directors on 31 March 2011 and on 28 March 2014. She has served as member of the Board of Directors until 21 March 2016, and functioned, in tandem, as a Member of Corporate Social Responsibility Committee and as Alternate Member of the Credit Committee. She retired from İşbank effective 30 June 2015. Ms. Tacer has been serving as a Member of İş REIC's Board of Directors since 11 April 2016 and does not hold any in-group position apart from her seat on the Board of Directors of İş REIC.

D. Sevdil Yıldırım
Independent Board Member
23.03.2017-21.03.2018

D. Sevdil Yıldırım received her degree in business administration from the Middle East Technical University in 1988. She also has master's degrees in economics from the Middle East Technical University and in finance from the London Business School. She worked at Capital Markets Board of Turkey (CMB) in Research and Development, Auditing and Market Supervision departments in 1988-1999. After serving as an Assistant General Manager at Yapı Kredi Invest (1999-2006), Turkish Yatırım (2007) and BGC Partners (2008), she joined Yıldız Holding A.Ş. in 2009 as Finance Coordinator in charge of Corporate Finance and Capital Markets. She was the Assistant General Manager and Member of the Investment Committee of Gözde Private Equity Investment Company (2010-2012) that she co-founded. Besides offering mentoring at Startupbootcamp Turkey and Women in Management, she runs selective projects in renewable energy, healthcare and agriculture mainly with Chinese corporations. Shortlisted for a tender by the European Investment Fund venture capital scheme, Ms. Yıldırım was also awarded as the management company for venture capital fund by 1514 Tender of TÜBİTAK in 2014. Having held vice president positions for Gulf business councils at DEİK (Foreign Economic Relations Board) from 2007 to 2011, she currently serves as a board member at KOTEDER, the Association of Listed Companies' Executives whose members include publicly held companies. She is a member of the Association of Capital Market Professionals, of the Women Corporate Directors (WCD) Foundation and also a part of the 30 Percent Club in Turkey. In tandem with her roles mentioned above, she is an independent board member at TAV Havalimanları Holding A.Ş., a non-group position, and an independent board member at Denizli Cam San. A.Ş., an in-group position. Ms. Yıldırım has been serving as a member of İş REIC's Board of Directors since 28 March 2012 and she is also the head of Corporate Governance Committee, as well as the member of the Committee for Audit.

Haluk Büyükbaş
Independent Board Member
23.03.2017-21.03.2018

Mr. Haluk Büyükbaş received his BSc and MSc in electrical engineering from the Middle East Technical University, Faculty of Engineering in 1980 and 1983, respectively. He started to work as an Engineer at the Research and Planning Department of the Turkish Electricity Administration, where he functioned as an Engineer, Chief Engineer, and Project Manager in the Transmission Lines and Substations Project Department between 1981 and 1989. Mr. Büyükbaş worked as Department Head at the T.R. Prime Ministry Housing Development Administration from 1989 to 1995, and served as Deputy General Manager of the General Directorate of Public Finance of the T.R. Prime Ministry Undersecretariat of Treasury between 1995-1997. Mr. Büyükbaş served as Vice President of the T.R. Prime Ministry Privatization Administration between 1997 and 2003, during which time he handled the privatizations of oil and energy companies. He worked as President's Advisor at the Privatization Administration from 2003 until 2005 when he retired from civil service. During his civil service, Mr. Büyükbaş also served as a member on the boards of directors and boards of auditors of various companies including TÜPRAŞ, PETKİM, ERDEMİR and ÇEAŞ. He became Secretary General of the Turkish Contractors Association (TCA) in 2005, a position he still holds. In connection with this post, he has been a Governor at the World Water Council based in Marseille since 2006. Mr. Büyükbaş has been a Member of İş REIC's Board of Directors since 24 March 2016 and does not hold any other in-group position apart from his seat on the Board of Directors of İş REIC.

Nihat Uzunoğlu
Independent Board Member
23.03.2017-21.03.2018

Mr. Nihat Uzunoğlu received his degree in political sciences from Ankara University in 1981 and started to work as Junior Accountant at the Ministry of Finance the same year. He was appointed to the position of Accountant in 1984, ranking first in his term, and to the position of Chief Accountant in 1991. Mr. Uzunoğlu conducted studies and research on "Self-Regulation Organization in the British Tax System" for one year in the UK, between 1989-1990. On 13 March 1994, he was assigned as the first Director of the Foreign Trade Tax Administration that was just established, in which post he served for 3.5 years. He then served as the Assistant Head of Provincial Treasury of İstanbul from July 1997 to August 2004. Mr. Uzunoğlu was re-appointed to the Tax Inspectors Board as Chief Tax Inspector in August 2004, where he served in various functions including member of the Reading Commission and member of the Advisory Commission. Mr. Uzunoğlu served as the President of the Finance Tax Inspectors Association for four terms between 2005 and 2009, and retired from civil service in January 2014. He currently offers advisory in tax, insurance and other financial legislation at RSM TR Yeminli Mali Müşavirlik A.Ş. and also provides training activities on tax implementations at the "HUZ ACADEMY", which is a joint institution of the Tax Inspectors Association and Tax Inspectors Foundation. Mr. Uzunoğlu is the author of a two-volume book set titled Herkes İçin Katma Değer Vergisi Kanunu Yorum ve Açıklamaları (Value Added Tax Law Interpreted and Explained for the Layman) published by the Finance Tax Inspectors Association. Mr. Uzunoğlu has been a Member of İş REIC's Board of Directors since 24 March 2016 and does not hold any other in-group position apart from his seat on the Board of Directors of İş REIC.

Board of Directors

Mete Uluyurt **Board Member**

23.03.2017-21.03.2018

Mete Uluyurt graduated from Tarsus American High School in 1989 and from the Department of Economics at Bilkent University in 1994. He started his career on the Board of Internal Auditors of İşbank in 1996. Mr. Uluyurt was appointed as an Assistant Manager to the Budget and Planning Department in 2004. Having pursued his master's studies in business administration at Boğaziçi University in 2005, he worked as Vice Chairman of the Board of Internal Auditors, as Unit Manager in Change Management Department, as Unit Manager in the Department of Strategy and Corporate Performance Management and as Manager of Balmumcu Branch. Mr. Uluyurt has been a Member of İş REIC's Board of Directors since 26 March 2013, and serves as Strategy and Corporate Performance Management Unit Manager of İşbank, an in-group position.

Murat Doğan **Board Member**

23.03.2017-21.03.2018

Murat Doğan got his degree in industrial engineering from İstanbul Technical University in 2000, and joined İşbank as an assistant specialist in İşbank's Subsidiaries Division. He currently serves as Unit Manager for Real Estate Investments and Healthcare Companies in the division. Holding in-group positions in addition to his seat on the Board of Directors of İş REIC, Mr. Doğan is a Board member at Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş., İş Merkezleri Yönetim ve İşletim A.Ş., Erişim Müşteri Hizmetleri A.Ş. and İş-Altınhas İnşaat Taahhüt ve Tic. A.Ş. Having served as a member of the Company's Committee for Audit from 2010 to 2012, Mr. Doğan has been holding a seat on İş REIC's Board of Directors since 8 December 2014. He is also a member of the Corporate Governance Committee and the Committee for Early Detection of Risk.

Sakine İlgen Dokuyucu **Board Member**

23.03.2017-21.03.2018

Sakine Dokuyucu received her degree in business administration from Ankara University, Faculty of Political Sciences in 1991. She started her career at İşbank in 1994 in Akay Branch in Ankara. She worked in İşbank's Accounting Department from 1997 until 2008. Since 2008, she has been working in the Financial Management Department where she has been functioning as Unit Manager since January 2009. Ms. Dokuyucu has been a Member of İş REIC's Board of Directors since 23 March 2017.

Changes in Management During the Reporting Period

At the General Assembly Meeting held on 23 March 2017, eight Board members who had served previously were re-elected while one new member joined the Board of Directors.

Mr. Ömer Karakuş has been elected on 16 May 2017 to succeed Mr. Levent Korba, who had been elected as a member of the Board of Directors at the Ordinary General Assembly Meeting and who resigned from his post during the reporting period. Mr. Ömer Karakuş, who will be serving until the next Ordinary General Assembly Meeting, has been appointed as the Chairman of the Board within the frame of the distribution of tasks in the Board of Directors.

Duties and Responsibilities of the Board of Directors

The duties and responsibilities of members of the Board of Directors are spelled out in the Company's articles of association. The Board of Directors is ultimately responsible for the management of the Company and for representing the Company before outside parties. The Board of Directors fulfills the duties incumbent upon it in compliance with the requirements of the Turkish Commercial Law, the Capital Markets Law, and other applicable laws, regulations, and administrative provisions. The Board consists of nine members, three of whom are independent board members.

Operating Principles of the Board of Directors

The Board of Directors conducts its activities within the framework of publicly disclosed operating principles. The Board convenes on such occasions as deemed to be made necessary by the Company's business and affairs upon an invitation by its chairman or his deputy. Under article 13 of the Company's articles of association, it is possible for other members to summon the Board to convene as well.

Board Meetings

The agendas for Board meetings are prepared as recommended by the CEO and with the knowledge of the Board's chairman.

During the reporting period, the Board of Directors convened eight times and passed 59 decisions. Full attendance was achieved in the majority of the Board meetings held during the reporting period. No dissenting opinions were expressed in any of the decisions taken during Board meetings. Inasmuch as no votes were cast against any of the decisions that were taken, it was not necessary to make note of any opposition to them in meetings' minutes. No Board member enjoys any special voting rights or has the power to exercise a veto.

There is a Board of Directors Secretariat at the Company.

Board of Directors Committees

As required both by the Capital Markets Board's corporate governance principles and by the Company's Board of Directors operating principles, there are three committees within the Board: a Corporate Governance Committee, a Committee for Early Detection of Risk, and a Committee for Audit. Each of these committees is headed by an independent board member. As required by law, all of the members of the Committee for Audit are independent Board members. The names and positions of those who serve as heads and members of these committees are presented below.

Corporate Governance Committee			
Head	Member	Member	Member
D. Sevdil Yıldırım Independent Board Member (non-executive)	Süleyman H. Özcan (non-executive)	Murat Doğan (non-executive)	Ayşegül Şahin Kocameşe (executive)

Committee for Early Detection of Risk	
Head	Member
Haluk Büyükbaş Independent Board Member (non-executive)	Murat Doğan (non-executive)

Committee for Audit	
Head	Member
Nihat Uzunoğlu Independent Board Member (non-executive)	D. Sevdil Yıldırım Independent Board Member (non-executive)

Board of Directors

The Board of Directors consists of nine members, three of whom are independent. Owing to the present structure of the Board of Directors, a Board member may serve on more than one committee. All due consideration is given to the requirements of Corporate Governance Principles when selecting committee members.

Operating principles have been defined and publicly disclosed for each committee. Committees perform their functions within the frame of those principles. During the reporting period and after the conduct of the Company's annual meeting, the duties and responsibilities of Board members were assigned and elections to committee seats were held as required by CMB Corporate Governance Communiqué, which were then publicly announced.

Neither a Nominating Committee nor a Remuneration Committee has been set up under the Board of Directors. The functions of these committees are performed by the Corporate Governance Committee.

External Positions Held by the Members of the Board of Directors

The permission of the General Assembly of Shareholders must be granted in order for the members of the Board of Directors to carry out the transactions specified in Articles 395 and 396 of the TCC. The Board members were granted such permission to engage in the said transactions falling under the scope of the said articles at the General Assembly meeting held on 23 March 2017. Nonetheless, although there are no set rules on Board members' undertaking other duties outside the Company, if they take on an executive role or hold a seat on the board of directors on, or offer consultancy service to, another company, this must not cause a conflict of interest. Also, as a basic principle, independent Board members must act so as to maintain the independence criteria described in the Principles. The in-group/non-group positions held by Board members outside the Company, their years of service in the Company and distribution of positions are provided in the members' résumés.

Disclosure of Company Board Members' Dealings Related to Company's Principal Business Activities or Involving Either the Company or Capital Market Instruments Belonging to the Company

During the reporting period, no member of the Board of Directors was involved in any commercial or financial transaction related to the Company's principal business activities, or entered into any debt relationship with the Company, or was involved in any dealings that involved any capital market instruments belonging to the Company.

Remuneration of the Members of the Board of Directors

Pursuant to Corporate Governance Principles, the remuneration principles for the Board members and executives with administrative responsibility are put into writing and presented for the information of shareholders at the General Assembly.

The Corporate Governance Committee makes recommendations regarding remuneration of the members of the Board of Directors, which is then determined by the General Assembly of Shareholders. At the General Assembly Meeting convened on 23 March 2017, monthly gross remuneration to be paid to each Board member is set as TL 8,500. The gross value of all remuneration provided to members of the Board of Directors during the reporting period was TL 896.4 thousand.

Besides the remuneration decided upon by the General Assembly of Shareholders, members of the Board of Directors are not granted any rights that will yield financial benefits such as premiums or bonuses. None of the remuneration provided to independent Board members involves any company stock options or any forms of payment linked to the Company's performance.

During the reporting period, the Company did not lend any sums or extend any credit, or made available any loans under the name personal loan through a third party to its Board members or senior managers, nor did it stand guarantee for them such as providing suretyship in their favor.

Board of Directors' Assessment of the Efficiency of Board of Directors Committees and the Company's Internal Systems

As required by the capital market legislation and other applicable regulations and laws, there are three committees at İş Gayrimenkul Yatırım Ortaklığı A.Ş. (İş REIC): Corporate Governance Committee, Committee for Early Detection of Risk, and Committee for Audit. The Corporate Governance Committee fulfills the functions of the Nominating Committee and Remuneration Committee, which need to be set up under Corporate Governance Principles.

CMB's Corporate Governance Principles were adhered to during the election of the heads and members of the committees. Accordingly;

- Committees are headed by independent board members,
- All members of the Audit Committee consist of independent board members,
- The senior executive in charge of the Investor Relations Department serves as a member on the Corporate Governance Committee.

Within the frame of the Board of Directors decision dated 31 March 2017, the Committees formed under the Board of Directors and Committee memberships were publicly disclosed.

When the reports submitted by the Committees to the Board of Directors and advisory decisions passed are examined, it is observed that all of the Committees have efficiently carried out their activities in 2017 within the frame of the espoused operating principles; they have fulfilled their duties and responsibilities set out in the Corporate Governance Principles, and accordingly, the Company's internal systems function efficiently. Through their activities, the committees contributed to the activities of the Board of Directors, and the Company furthered its compliance with corporate governance practices.

Corporate Governance Committee:

Corporate Governance Committee, which regularly reviews the Company's corporate governance practices, paid attention to meet prior to each Board meeting in principle. The Committee met 9 times during the reporting period. While priority is given to discussing the topics on the agenda in the Committee meetings, the Investor Relations Department's activities during the year, its determinations and evaluations were also addressed, and as such, the Committee fulfilled its function as a bridge between shareholders and the Board of Directors. Decisions adopted in Committee meetings, and the presentations on the topics discussed in meetings were shared with the Board of Directors after the Committee meetings.

The Corporate Governance Committee closely monitors the regulations and requirements regarding corporate governance principles. Within the scope of the activities during the reporting period aimed at furthering the Company's compliance with the principles, the Committee:

- Took the necessary steps to make sure that the Company is in compliance with the applicable requirements, and especially with the Corporate Governance Principles Communiqué,
- Fulfilled the functions of the Nominating Committee and Remuneration Committee,
- Actively engaged in the corporate governance rating process of the Company together with the Investor Relations Department.

When carrying out these activities, the Corporate Governance Committee adopted advisory decisions to be presented to the Board of Directors regarding the matters for which the Board of Directors needed to take action.

Board of Directors

Committee for Early Detection of Risk:

The Committee for Early Detection of Risk, which has been set up to early detect the risks that may threaten the Company's existence, development and survival, to take necessary action for identified risks, and to manage risks in accordance with the CMB's rules and regulations concerning corporate governance, and the relevant provisions of the TCC, held six meetings during the reporting period.

Within the frame of the review of the Company's risk management systems, the Committee submitted the following to the Board of Directors;

- A quarterly Company Risk Report covering basic risk types in relation to the Company's activities with a particular focus on operational risk, liquidity risk, credit risk and market risk, which is prepared by the Risk Unit within the knowledge of the Committee for Early Detection of Risk,
- A bimonthly Committee for Early Detection of Risk Report, which is prepared by the Committee for Early Detection of Risk so as to cover risk management and early detection of risk pursuant to article 378 of the TCC.

Through the reports issued and activities carried out during the reporting period, the Committee played an active role in the identification and analysis of important risks inherent in the Company's operations, ensured that necessary information was provided to the Board of Directors with respect to monitoring the risk limits, and increased the efficiency of the Company's risk systems.

Committee for Audit:

The Committee for Audit reports to the Board of Directors and carries out its activities in accordance with the "Operating Principles of the Committee for Audit". The Committee ensures the auditing and supervision of proper execution of financial and operational activities, and carries on with its activities in relation to public disclosure of the Company's financial statements, execution of independent audits, ensuring effective operation of the Company's internal systems, and active supervision of all other aspects of the independent auditors' activities. The Committee held four meetings during the reporting period.

In parallel with its duties set forth in the operating principles, the Committee for Audit, during the reporting period;

- Oversaw the independent audit process including conformity of all aspects of the independent auditor's activities and of the interim and annual financial reports to be publicly disclosed to the accounting principles pursued by the Company, as well as their accuracy and fairness,
- Monitored the determination of the annual activity plan of the Company's Audit Group and execution of audit activities in accordance with the plan, and received information about audit activities in periodic meetings,
- Provided the necessary coordination for sharing the findings identified within the scope of audit activities with the Board of Directors and the Company's senior management, and for ensuring that necessary measures are adopted.

Within this scope, the Committee for Audit reviewed the operation of the Company's internal systems, contributed to the betterment of processes that presented room for improvement, and effectively carried out audit activities.

Declaration of Interest by Independent Board Members

To: Chairman of the Board of Directors of
İş Gayrimenkul Yatırım Ortaklığı A.Ş.

Owing to my candidacy for a seat as
an Independent Board Member at your
Company's ("the Company") General
Assembly Meeting, I hereby declare:

- a) Neither I, nor my spouse, nor any
relative of mine whether by blood or
by marriage unto the second degree,
have, within the most recent five years,
entered into any employment relationship
in an executive capacity involving major
duties and responsibilities, collectively
or individually held more than 5% of
the capital or voting rights or privileged
shares in, or established any commercial
interest of a significant nature, with the
Company, or with any companies in
which the Company has management
control or material influence, and with any
shareholders having management control
or material influence over the Company,
or with any corporate entity which are
controlled by these shareholders;
- b) Within the most recent five years, I have
neither been a shareholder controlling
5% or higher share, or an employee in
an executive position involving major
duties and responsibilities nor a board
member, in any company from/to which
the Company purchases/sells significant
amount of services or products under the
agreements made during such time when
services or products were purchased
or sold, and particularly in companies
involved in the Company's auditing, rating,
or consulting;
- c) I possess the professional education,
knowledge and experience for due
performance of the duties I will assume
in connection with being an independent
board member;
- d) If elected, I shall not work on full-
time basis at any public institution or
organization during my term of office,
apart from serving as a faculty member,
provided that the same does not
contradict with the legislation governing
such institution;
- e) I am a resident of Turkey for the
purposes of the Income Tax Law;
- f) I possess the ethical standards and
professional repute and experience
sufficient to enable me to make a positive
contribution to the Company's affairs, to
maintain my impartiality in any conflicts
of interest that may arise between the
Company and its shareholders, and
to come to decisions freely taking into
consideration all stakeholders' rights;
- g) I am capable of devoting sufficient
amount of time to follow-up the conduct
of the Company's activities and to fully
satisfy the requirements of the duties I will
be undertaking;
- h) I have not served as a member on the
Company's Board of Directors for more
than six years within the most recent ten
years;
- i) I am not serving as an independent
board member in more than three of the
companies in which the Company, or
shareholders having management control
over the Company, have management
control, or in more than five companies,
in the aggregate, traded on the stock
exchange;
- j) I have not been registered and
promulgated on behalf of the corporate
entity elected as a member of the Board
of Directors.



D. Sevdil Yıldırım
Independent Board Member

Declaration of Interest by Independent Board Members

To: Chairman of the Board of Directors of
İş Gayrimenkul Yatırım Ortaklığı A.Ş.

Owing to my candidacy for a seat as
an Independent Board Member at your
Company's ("the Company") General
Assembly Meeting, I hereby declare:

- a) Neither I, nor my spouse, nor any
relative of mine whether by blood or
by marriage unto the second degree,
have, within the most recent five years,
entered into any employment relationship
in an executive capacity involving major
duties and responsibilities, collectively
or individually held more than 5% of
the capital or voting rights or privileged
shares in, or established any commercial
interest of a significant nature, with the
Company, or with any companies in
which the Company has management
control or material influence, and with any
shareholders having management control
or material influence over the Company,
or with any corporate entity which are
controlled by these shareholders;
- b) Within the most recent five years, I have
neither been a shareholder controlling
5% or higher share, or an employee in
an executive position involving major
duties and responsibilities nor a board
member, in any company from/to which
the Company purchases/sells significant
amount of services or products under the
agreements made during such time when
services or products were purchased
or sold, and particularly in companies
involved in the Company's auditing, rating,
or consulting;
- c) I possess the professional education,
knowledge and experience for due
performance of the duties I will assume
in connection with being an independent
board member;
- d) If elected, I shall not work on full-
time basis at any public institution or
organization during my term of office,
apart from serving as a faculty member,
provided that the same does not
contradict with the legislation governing
such institution;
- e) I am a resident of Turkey for the
purposes of the Income Tax Law;
- f) I possess the ethical standards and
professional repute and experience
sufficient to enable me to make a positive
contribution to the Company's affairs, to
maintain my impartiality in any conflicts
of interest that may arise between the
Company and its shareholders, and
to come to decisions freely taking into
consideration all stakeholders' rights;
- g) I am capable of devoting sufficient
amount of time to follow-up the conduct
of the Company's activities and to fully
satisfy the requirements of the duties I will
be undertaking;
- h) I have not served as a member on the
Company's Board of Directors for more
than six years within the most recent ten
years;
- i) I am not serving as an independent
board member in more than three of the
companies in which the Company, or
shareholders having management control
over the Company, have management
control, or in more than five companies,
in the aggregate, traded on the stock
exchange;
- j) I have not been registered and
promulgated on behalf of the corporate
entity elected as a member of the Board
of Directors.



Haluk Büyükbaş
Independent Board Member

To: Chairman of the Board of Directors of
İş Gayrimenkul Yatırım Ortaklığı A.Ş.

Owing to my candidacy for a seat as
an Independent Board Member at your
Company's ("the Company") General
Assembly Meeting, I hereby declare:

- a) Neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the second degree, have, within the most recent five years, entered into any employment relationship in an executive capacity involving major duties and responsibilities, collectively or individually held more than 5% of the capital or voting rights or privileged shares in, or established any commercial interest of a significant nature, with the Company, or with any companies in which the Company has management control or material influence, and with any shareholders having management control or material influence over the Company, or with any corporate entity which are controlled by these shareholders;
- b) Within the most recent five years, I have neither been a shareholder controlling 5% or higher share, or an employee in an executive position involving major duties and responsibilities nor a board member, in any company from/to which the Company purchases/sells significant amount of services or products under the agreements made during such time when services or products were purchased or sold, and particularly in companies involved in the Company's auditing, rating, or consulting;
- c) I possess the professional education, knowledge and experience for due performance of the duties I will assume in connection with being an independent board member;
- d) If elected, I shall not work on full-time basis at any public institution or organization during my term of office, apart from serving as a faculty member, provided that the same does not contradict with the legislation governing such institution;
- e) I am a resident of Turkey for the purposes of the Income Tax Law;
- f) I possess the ethical standards and professional repute and experience sufficient to enable me to make a positive contribution to the Company's affairs, to maintain my impartiality in any conflicts of interest that may arise between the Company and its shareholders, and to come to decisions freely taking into consideration all stakeholders' rights;
- g) I am capable of devoting sufficient amount of time to follow-up the conduct of the Company's activities and to fully satisfy the requirements of the duties I will be undertaking;
- h) I have not served as a member on the Company's Board of Directors for more than six years within the most recent ten years;
- i) I am not serving as an independent board member in more than three of the companies in which the Company, or shareholders having management control over the Company, have management control, or in more than five companies, in the aggregate, traded on the stock exchange;
- j) I have not been registered and promulgated on behalf of the corporate entity elected as a member of the Board of Directors.



Nihat Uzunoğlu
Independent Board Member

Senior Management



Turgay Tanes
CEO



Hülya Demir
Senior Head of Project and
Construction Management
Coordination



T. Aydan Ormancı
Senior Head of Project Development
& Feasibilities and Real Estate
Investments Coordination



Ömer Barlas Ülkü
Head of Financial Management Group



K. Sertaç Seviner
Head of Audit Group



Atty. Pınar Ersin Kollu LL.M.
Head of Legal Counseling and Human
Resources & Education Group



Ayşegül Şahin Kocameşe
Head of Investor Relations & Corporate
Compliance and Risk Management
Group



Gülfem Sena Tandoğan
Head of Corporate Communications,
Sales, Leasing and Marketing Group



Bülent Otuz
Electrical and Mechanical Projects
Coordinator



Gökhan Temel
Constructional Projects Coordinator



Kaan Özsoy
Architectural Projects Coordinator

Senior Management

Turgay Tanes CEO

Turgay Tanes graduated from the Department of Public Administration of the Faculty of Economics and Administrative Sciences at Gazi University in 1987. He started his career at İşbank as an assistant inspector on the Board of Inspectors in 1988. He became an assistant manager in the Subsidiaries Division in 1996 and worked as a group manager of Real Estate and Glass Sector Companies from 1999 to 2004 in the same division. Serving as the CEO of İş Real Estate Investment Company from 2004, Mr. Tanes also functions as the chairman of one of the subsidiaries of İşbank, member of the Board of Directors of GYODER (Association of Real Estate and Real Estate Investment Companies), and Vice Chairman of KONUTDER (Association of Housing Developers and Investors).

Hülya Demir Senior Head of Project and Construction Management Coordination

Hülya Demir graduated from the Faculty of Architecture at İstanbul Technical University in 1982, and received her master's degree from the same faculty in 1984. She started her career in 1983 as a project architect at EPA Architecture and worked as an architect and chief architect for Architectural Project Design and Implementation at İşbank Construction and Real Estate Division from 1985 to 1994. She was in charge of the project and construction management and coordination for İş Towers first as an assistant manager and then as a group head from 1994 until 2001. Hülya Demir joined İş REIC in 2001 as Assistant General Manager and currently functions as the Senior Head of Project and Construction Management Coordination. Ms. Demir is also a Board member at Kanyon Yönetim, İşletim ve Pazarlama A.Ş.

T. Aydan Ormancı Senior Head of Project Development & Feasibilities and Real Estate Investments Coordination

T. Aydan Ormancı got her degree in civil engineering from the Middle East Technical University in 1990; she also holds a master's degree from the Graduate School of Science Engineering and Technology. Mrs. Ormancı started her career in 1991 as a project engineer at STFA Mühendislik A.Ş. In 1993, she joined 3M İnşaat A.Ş. as Technical Office Assistant Manager. From 1995 to 2000, she worked as an assistant manager and manager at Project and Sales Departments at Gök İnşaat A.Ş. She began functioning as an assistant manager at the Investment and Project Development Department at İş REIC in 2000, where she was promoted to manager in 2001 and to Assistant General Manager in 2007. Mrs. Ormancı currently serves as Senior Head of Project Development & Feasibilities and Real Estate Investments Coordination. Mrs. Ormancı is also a Board member at Kanyon Yönetim, İşletim ve Pazarlama A.Ş.

Atty. Pinar Ersin Kollu LL.M. Head of Legal Counseling and Human Resources & Education Group

Pinar Ersin Kollu graduated from the Faculty of Law at İstanbul University in 1994 and got her LL.M. degree in Business Law from İstanbul Bilgi University. Ms. Kollu completed her legal internship in 1995 and was enrolled with the İstanbul Bar Association. She began her career as a lawyer at BEDAŞ in 1996, and joined İş REIC in 2000, where she set up the Company's Legal Counseling, Human Resources and Education Departments. She serves as a member of the Board of Directors of Kanyon Yönetim, İşletim ve Pazarlama A.Ş. She speaks English and holds a Human Resources Manager Certificate and Adler Coaching

Certificate Accredited by the International Coaching Federation. Ms. Kollu works as a coach and mentor in various social responsibility projects. Lecturing on the Legal Aspects of Real Estate Investments at GYODER Academy and Bahçeşehir University's MBA in Real Estate Program, Ms. Kollu currently serves as the Head of Legal Counseling and Human Resources & Education Group.

Ayşegül Şahin Kocameşe Head of Investor Relations & Corporate Compliance and Risk Management Group

Ayşegül Şahin Kocameşe got her bachelor's degree in political science and public administration from the Middle East Technical University in 1998 and got her Executive MBA degree from İstanbul Technical University. She holds CMA Level 3 License from the Capital Markets Board, Credit Rating License, and Corporate Governance Rating License, as well as a Real Estate Appraisal License. She began her career as an investment specialist assistant at İşbank in 1998. She joined İş REIC in 1999 and personally worked in the incorporation and IPO of the Company. Upon establishment of the Risk Management and Investor Relations Department in 2005, she was brought to the position of manager in this unit. Ms. Kocameşe currently functions as the head of Investor Relations & Corporate Compliance and Risk Management Group.

Ms. Kocameşe also serves as a member on the Corporate Governance Committee.

Gülfem Sena Tandoğan
**Head of Corporate Communications,
Sales, Leasing and Marketing Group**

Gülfem Sena Tandoğan got her bachelor's degree in labor economics and industrial relations from the Faculty of Political Sciences at Ankara University in 2001 and Executive MBA from Boğaziçi University. She began her career as an assistant product manager in a pharmaceuticals company in 2001. She started working at the Marketing Department of İş REIC in 2003 and functioned as a specialist at the Risk Management and Investor Relations Department from 2005 until 2007. She was involved in the establishment of the Corporate Communications and Marketing Department in 2007. Ms. Tandoğan is currently the Head of Corporate Communications, Sales, Leasing and Marketing Group. Ms. Tandoğan is also a Board member at Kanyon Yönetim, İşletim ve Pazarlama A.Ş. and a member of the Executive Board at Ege Perla. She also offers the Consumer Behaviors course in the "MBA in Real Estate" program at Bahçeşehir University.

Ömer Barlas Ülkü
Head of Financial Management Group

Ömer Barlas Ülkü received his bachelor's degree in civil engineering from the Middle East Technical University in 1995 and his MBA from the Faculty of Economic and Administrative Sciences at the same university. Mr. Ülkü started his career as a research assistant in the Department of Civil Engineering at METU (1995-1997) in tandem with his graduate studies. He functioned as an inspector on İşbank's Board of Inspectors from 2000 to 2008, and as the Internal Audit and Control Manager of our Company from 2008 to 2012, while he was also part of the process to set up the said department. Mr. Ülkü was involved in the establishment of the Financial Management Department in July 2012, and currently serves as the Head of the Financial Management Group.

K. Sertaç Seviner
Head of Audit Group

K. Sertaç Seviner graduated from the Department of Economics, Faculty of Economic and Administrative Sciences at the Middle East Technical University in 2000. He joined İşbank in 2001 as an assistant inspector trainee on the Board of Inspectors, and was appointed as an assistant manager in the Retail Loans Monitoring and Recovery Division in 2010. Mr. Seviner was brought to the position of the Head of Audit Group of İş REIC in December 2012.

Bülent Otuz
**Electrical and Mechanical Projects
Coordinator**

Bülent Otuz received his bachelor's degree in 1983 and his master's degree in 1986 in electrical and electronics engineering from the Middle East Technical University. He functioned as a chief engineer at TEK (Turkish Electricity Authority) Power Plants Department from 1984 to 1988. Having worked in İşbank's Construction and Real Estate Management Division from 1988 to 2001, he was in charge of the design and implementation of electrical works in İş Towers from 1996 through 2001. Having joined İş REIC in 2001, Mr. Otuz, who is also a Real Estate Appraiser, currently serves as Electrical and Mechanical Projects Coordinator at İş REIC

Gökhan Temel
Constructional Projects Coordinator

Gökhan Temel graduated from the Department of Civil Engineering at İstanbul Technical University in 1988. He started his career in 1988 as a supervising engineer in the construction of the Kınalı-Sakarya Highway undertaken by ENET-ARUP-DCI Joint Venture. He worked as a civil engineer in İşbank's Construction and Real Estate Management Division from 1991 to 1993. He functioned first as a supervising engineer and then as a chief engineer in the construction of İş Bank's Head Office Building from 1993 through 2001. He joined İş REIC in 2001 as a chief engineer, and later assumed the positions of Project Implementation Assistant Manager and then Project Implementation Manager. Mr. Temel, who is also a Real Estate Appraiser, currently serves as the Constructional Projects Coordinator at İş REIC.

Kaan Özsoy
Architectural Projects Coordinator

Kaan Özsoy received his degree in architecture from the Faculty of Architecture at Yıldız Technical University in 1992. He started his career as an architect in the construction of İşbank Head Office Building in 1994 and functioned as a supervising architect until 2001. Having joined İş REIC as an architect in 2001, Kaan Özsoy was later promoted, in chronological order, to Chief Architect, Project Implementation Assistant Manager and Project Implementation Manager. Mr. Özsoy, who is also a Real Estate Appraiser, currently serves as the Architectural Projects Coordinator at İş REIC.

THE EPITOME OF EVERYTHING BEAUTIFUL ABOUT İZMİR

The first mixed-use project in the area, Ege Perla embodies a perfect blend of traditional and modern lifestyles. Inspired by old İzmir buildings, the project's conceptual design bears the signature of the worldwide renowned architect Emre Arolat.



Real Estate Sector in 2017

Growth gained momentum in the construction industry in 2017 with respective rates of 5.6% and 5.5% in the first and second quarters of the year, which shot up to 18.7% in the third quarter. Hence, the construction sector achieved 9.9% expansion in the first nine months of the year, up 3.9 points as compared on a year-to-year basis.

While the rate of growth in the real estate sector remained flat in the first three quarters of 2017, nine-month growth was registered as 1.5%.

Important contributors to the fast growth in the construction industry included significant support such as VAT reductions granted on the housing side, and decreased rates on housing loan interest and charges, along with the construction works of the public sector.

While the share of the construction industry within national income was 8.6% in 2016 following the revision on the basis of current prices, it was registered as 8.7% in the third quarter of 2017 (2016 Q3: 8.3%).

Having adopted a downturn in the last quarter of the year due to the seasonality effect, the level of existing construction projects dropped by 6.3 points in December as compared with November. The decline is in parallel to the seasonality effect in previous years, and it is observed that the level of existing projects was 7.1 points higher than what it was in December 2016. The same was true for the new undertakings, and the level of new orders was 6.1 higher than that in the previous year.

In the fourth quarter of 2017, the building construction cost index (BCCI) picked up by 6.5% over the previous quarter, by 22.8% year-to-year, and by 19.7 on the basis of the average of four quarters.

According to BCCI, while there was a quarterly increase of 1.8% in the labor costs index and 7.9% in the materials costs index in the fourth quarter of 2017, these figures were 13.7% and 25.6% higher year-to-year respectively.

Housing Market

Building permits issued by municipalities in the first nine months of 2017 went up by 32% on the basis of the number of buildings, 52.2% on the basis of the area of structures, and 57% on the basis of the number of flats, annually.

During the same period, use and occupancy permits issued went up by 7% in terms of the number of buildings, 10.5% in terms of the area of structures, and 11.6% in terms of the number of flats.

According to TurkStat data, housing sales across Turkey rose by 5.1% year-to-year in 2017 and reached 1,409,314 units. Housing sales to foreigners, on the other hand, increased by 22.2% to 22,234 units when compared with the previous year. This signifies an all-time record in housing sales to national and foreigners, alike.

Campaigns and new project promotions that gained intensity in the last quarter of 2017, along with the government incentives, proved to be strong drivers behind this picture.

The incentives introduced for housing purchases can be summarized as follows::

- Granting citizenship to non-nationals who purchase an immovable property worth at least USD 1 million, on condition that the property will not be sold for 3 years,
- Applying zero stamp tax on real estate promise to sell agreements and prepaid housing sale contracts,

- Decreasing the capital, which is equivalent to 25% of the value of the property, as the minimum figure in long-term housing loans to 20% for consumers who are challenged in providing this amount,
- Measures adopted for the purpose of encouraging housing purchases and savings (15% government support in housing purchase, etc.).

Covering 68 cities in their entirety in Turkey and prepared by REIDIN, Turkey Housing Prices Index (TR-68) was up by 0.80% on a monthly basis in December, and by 11.97% year-to-year.

According to the REIDIN-GYODER New Home Price Index, there was a rise by 0.39% in December on a monthly basis, and by 4.02% on an annual basis, while the rise was 78.50% since January 2010 when the index was launched.

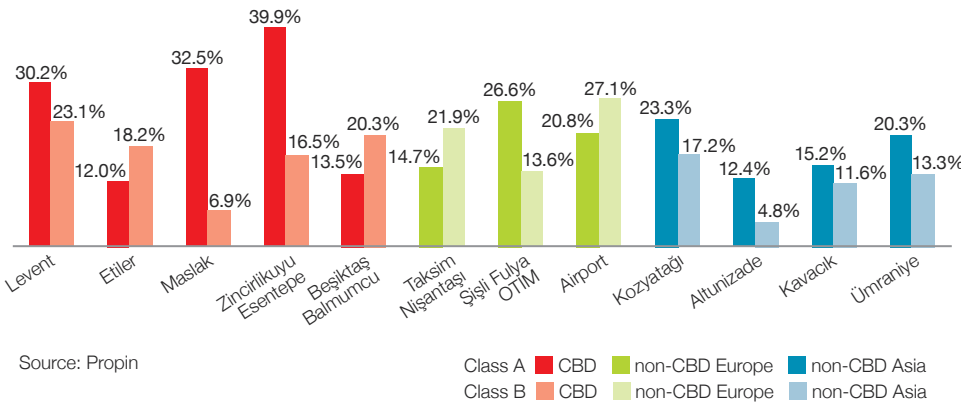
In December, the REIDIN-GYODER New Home Price Index increased by 0.16% in branded housing projects on the Asian side of İstanbul and by 0.46% in branded housing projects on the European side over the previous month. Projects on the Asian side of the city showed 11.1 points higher increase than the ones on the European side since the start of the index.

In December, housing units in 2+1 type gained the foreground in housing sales, with a preference rate of 43%.

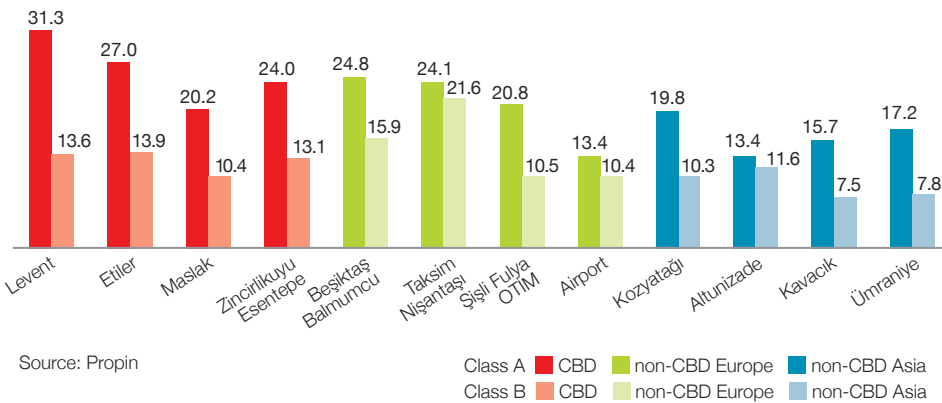
While 18% of the housing units sold in December consisted of finished housing stocks, 82% was made up of incomplete housing stocks.

Having taken a downturn from the second quarter of 2016, housing loan rates showed rise from the second quarter of 2017. Monthly interest rate on housing loans was 1.01% and the compound interest rate was 12.88% as at September 2017.

İstanbul Office Market Average Vacancy Rates (%)



Average Property Rents in İstanbul (USD/m²/month)



Office Market

A review of the developments in the İstanbul office market in the fourth quarter of 2017 revealed the following:

Based on the regional distribution of office stocks in İstanbul, the areas with the highest Class-A office stock are CBD (Levent, Etiler, Maslak, Zincirlikuyu-Esentepe-Gayrettepe, Beşiktaş-Balmumcu) with 35% share, Non-CBD Europe (Taksim-Nişantaşı, Şişli-Fulya-OTİM, Airport) with 19%, Non-CBD Asia (Kozyatağı, Kavacık, Altunizade, Ümraniye) with 25%, and Emerging Office Districts (Kâğıthane, Piyalepaşa-Bomonti, Maltepe-Kartal, Batı Ataşehir) with 21%.

Having pursued an uptrend throughout the year, the vacancy rate in Class-A office buildings in the Central Business District (CBD) reached its highest level of the past ten years with 31.8% in the fourth quarter of the year. The increase in office stocks particularly in Maslak and Levent caused the vacancy rate in CBD Class-A office buildings to rise by nearly 15% throughout 2017. In the same period, the vacancy rate in Class-B office buildings was 15.2%.

Average rental fees of Class-A office properties on the European side declined by 7.9% over the course of four quarters and remained below the 2016 average with 24.8 USD/m²/month. With average rental fees for Class-A office buildings up to 31.3 USD/m²/month in the fourth quarter of 2017, Levent was also the district where highest rents were quoted with 44 USD/m²/month.

Real Estate Sector in 2017

While the vacancy rate in Non-CBD Europe slid down to 21.4% in the last quarter of the year, average rents that had been declining for four quarters closed the year in the order of 15.2 USD/m²/month.

The vacancy rate in Non-CBD Asia also declined to 19.7% in the fourth quarter, and after following a bumpy course throughout the year, average rents went down to 17.5 USD/m²/month.

Although economic and political events in 2016 and 2017 caused postponements in the opening dates of some projects in the İstanbul office market, for which launches had already taken place, İstanbul office stock reached 5,700,000 m² as at year-end 2017. As the new office space investments are completed and opened for operation, Class-A office stock in the Airport District closed in on 850,000 m² at the end of 2017. Having shown a 22% expansion in its office stock in the past one year, this area represents the largest office district in İstanbul, as it was in 2016.

Total rental and institutional purchase transactions volume in office spaces in İstanbul was registered as 359,000 m² in 2017. Having sustained its decline also in 2016 following 2015, the transaction volume closed 2017 with 72% rise on an annual basis, driven mainly by the fact that commercial terms of offices became even more advantageous for office users due to the ongoing increase in office stocks, the adverse atmosphere created by economic conditions, and volatile exchange rates.

Retail Market

As at the third quarter of 2017, there were 393 shopping malls operating across Turkey. Total gross leasable area (GLA) of the existing shopping malls in Turkey reached 12 million m².

Home to 36% of the GLA, İstanbul commands a substantial portion of this supply.

The rise in supply continues, although at a slower pace. New supply to the market in the third quarter of the year was 262,767 m², half of what it was in the previous quarter. Upon completion of 45 malls that are under construction, more than 2 million m² of stock will be added to the total gross leasable area in the period ahead.

Following the significant decline in 2017, prime rent figures in the retail market remained stable since the start of 2017. Prime return rate, on the other hand, remained flat at 8% in the third quarter of 2017.

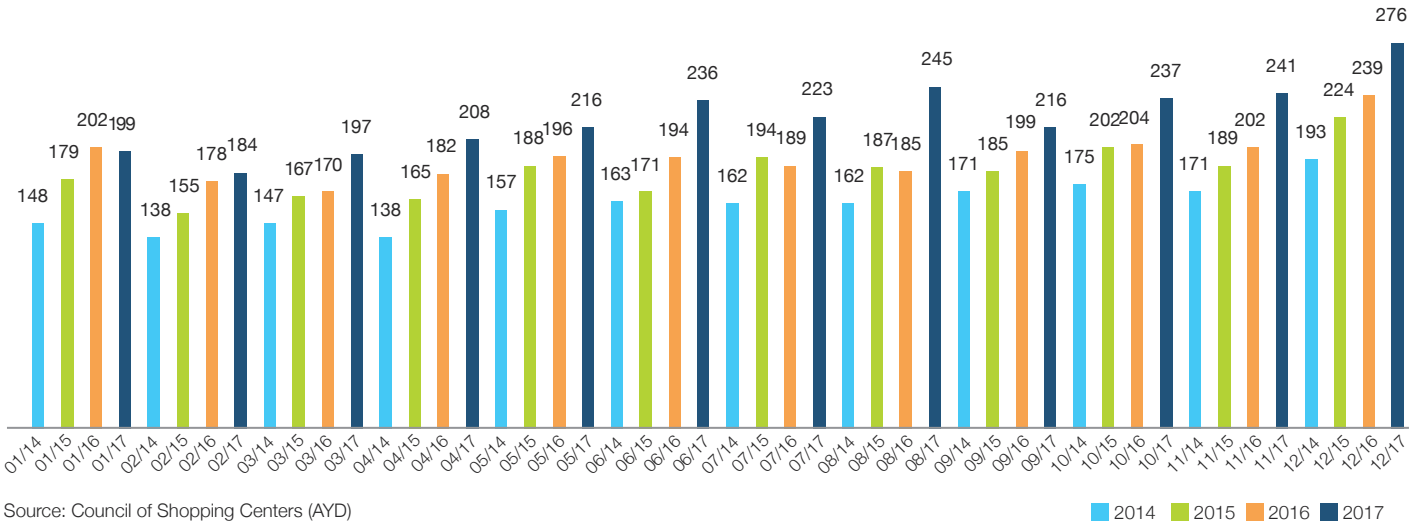
Although declined rental rates offer retailers with the opportunity to switch to growth strategy after the long-going store consolidations, user demand is relatively slow.

Although volatile exchange rates complicate the realization of retailers' growth plans, lower rents and particularly the tendency to issue the rental contracts in Turkish lira on main streets began creating opportunities. Rent incentives such as rent-free periods and investment contributions in the market display flexibilities. New shopping malls with low occupancy rates ask for merely turnover rents for a limited period of time (up to one year).

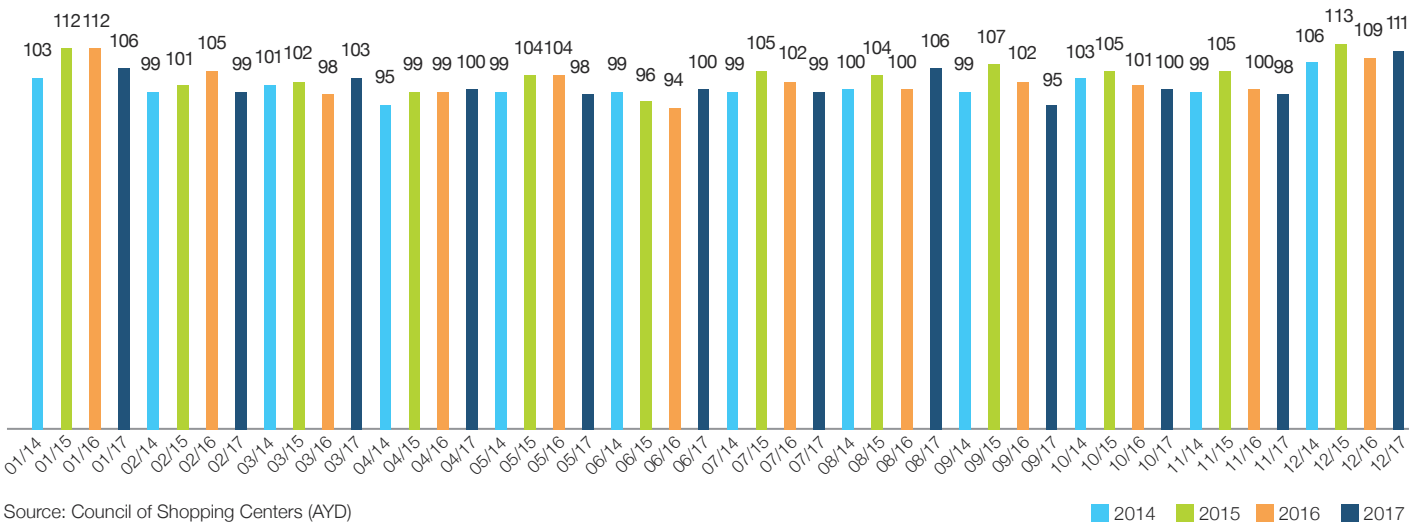
Based on December 2017 results of the SC Index co-developed by the Council of Shopping Centers - Turkey (AYD) and Akademetre Research Company, the SC Turnover Index went up by 15.5% nominally on an annual basis in 2017 and reached 276 points.

Productivity per leasable square meter (m²) in shopping centers was registered as TL 1,244 in İstanbul and as TL 925 in Anatolia in November 2017. In the same period, productivity per square meter across Turkey reached TL 919. Number of SC Visits Index was up by 1.8% to 111 points in December 2017 as compared with December 2016. The rise in the number of visits, turnover index and productivity per leasable square meter indicates at the recovery in the sector, while also giving hope for 2018

Turnover Index (General)



Visitor Numbers Index



Board of Directors Activities in 2017

Our Company preserved its consistent growth target in 2017, and gave priority to bring its ongoing investments to completion within the projected timelines, to capitalize on investment opportunities, and to capture the lease, sales and delivery targets in line with its strategic plans. During the reporting period, the Company kept a close eye on new project and real estate opportunities that will secure growth and revenue increase, and kept working on the planned projects throughout 2017. While the Company progressed according to plans in ongoing investments, also work was carried out for developing new projects on the plots included in our portfolio.

In 2017;

- İzmir Ege Perla Shopping Mall became operational;
- Sales and construction activities went on for our Manzara Adalar and İnistanbul projects;
- Work continued in accordance with our construction program simultaneously with other companies in our İstanbul Financial Center project and rough construction was completed;
- Building permit was obtained for the residential project planned to be developed in Tuzla as part of new investments;
- Building permit was obtained for the hotel investment project planned to be developed in Kadıköy, and development work began.

As İş REIC, we carefully watch the investments and developments in all regions presenting opportunities and potential, and decide about our investments along this line. Ege Perla is the first mixed-use project in the New City Center area, the foundations of which we laid in 2012 upon accurately predicting the high development potential of İzmir.

İş REIC preserved its consistent growth target in 2018, and gave priority to bring its ongoing investments to completion within the projected timelines, to capitalize on investment opportunities, and to capture the lease, sales and delivery targets in line with its strategic plans.

At Ege Perla, life started in residence and office sections in 2016, and the Shopping Mall opened its doors in September 2017. With a total investment value of TL 490 million including financing, Ege Perla is the first branded project that has redefined the area. The structure is situated at the junction of the four road corridors of the city and offers great ease of transport owing to its location. With its management and operation undertaken by our subsidiary Kanyon Yönetim İşletim ve Pazarlama A.Ş., Ege Perla Shopping Mall, which opened with an occupancy of 93% with an ostentatious shop mix and distinctive concept, promises to introduce a new shopping and entertainment concept to İzmir.

One of the nicest and most valuable locations on the Asian side, Kartal district enjoys a constantly growing attraction owing to new additions to the urban renewal projects and commercial districts, as well as the availability of transportation means. Enjoying greater integration with the European side upon completion of Marmaray, Kartal has recently gained prominence as a district with the subway project along with the 3rd bridge. It is designated among İstanbul's up-and-coming districts promising viable investment opportunities.

Having accurately predicted the district's development potential, our Company laid the groundwork for the Manzara Adalar project in 2014, which has a total investment value of TL 620 million excluding financing. The construction of the project was completed at a ratio of 93% at year-end 2017, and the delivery process is projected to begin by early 2018. Designed by the world-famous architecture firm Perkins Eastman, Manzara Adalar is a mixed-use project comprising three residential blocks, two

office blocks and commercial spaces that will complement this life center; as at year-end 2017, 62% of the residences were sold. We are forecasting the project that we are realizing on the basis of revenue sharing scheme to yield a sales revenue of TL 760 million in total on the sales of housing units and a rental income of approximately TL 25 million after office and commercial spaces are fully rented out, including the former landowner's share.

Within the scope of the cooperation between our Company and Timur Gayrimenkul (Nef), our project development activities continued throughout the year on the plot equally owned by the two companies, which is located in Zeytinburnu district, one of the longest-established residential areas in İstanbul. The world's leading creative architecture firm Perkins & Will has been engaged for the project developed on the 80,000 m² plot. With the construction work in progress, the project is just 100 meters from the subway station and has direct access to tram and metrobus lines. The project is differentiated with its proximity to the city's central districts such as Zincirlikuyu, Çağlayan, Yenikapı, Bakırköy, Ataköy and Atatürk Airport. Easily reached from all parts of the city, İstanbul stands out with 2,729 units ranging from studios to 4+1 flats, a rich mix of social facilities, green areas and advantageous payment options. Comprising residential units and a small number of commercial spaces, our project also incorporates Nef's proprietary Foldhome system. TL 1.6 billion in total is targeted to be generated on the sales of the residence and commercial spaces included in İstanbul built as four different projects, and the forecasted development cost for the entire project excluding financing is in the order of TL 1.1 billion.



Board of Directors Activities in 2017

82% of the commercial units covered in the project were sold in the auction carried out at Haliç Congress Center in December. With 89% of the residential units already sold, deliveries are projected to start on the basis of blocks from January 2018.

Being developed by our Company at the heart of the Istanbul International Financial Center (IFC) that was presented as one of the most remarkable projects of late, our project consists of office and commercial spaces. With the rough construction completed within the construction program conducted under the coordination of the Ministry, our project is targeted to be completed in the coming years concurrently with the projects taking place in the IFC and undertaken by other companies. Having a construction area of approximately 70,000 m² and a leasable area of approximately 33,000 m², our mixed-use project's total development cost, including the plot and excluding financing, is forecasted around TL 270-280 million.

Our Company started its investments in Tuzla with the Çınarlı Bahçe residential project the groundwork for which was laid in 2011, carried on with the Technology and Operation Center Project developed on a turnkey-delivery model for İşbank and completed at year-end 2015, and with the Tuzla Mixed-Use project covering both office spaces and commercial units and currently serves as the head office of Şişecam. As such, our Company has played a big part in the transformation of the Tuzla area into a center of attraction. Our Company has decided to continue with its investments in Tuzla, which it

believes to possess a high development potential, with the land it has purchased in 2016 for project development purposes. Planned to be developed with an investment cost of TL 690 million excluding financing, the project is intended to comprise of nearly 1,000 housing units and to contribute to fulfill the need for quality housing in the area. The building permit for the project was obtained during the reporting period, and feasibility, architectural and conceptual studies are in progress.

Another project that we worked on in 2017 is the hotel project that will consist of approximately 240 rooms and commercial spaces, which we are planning to realize in Kadıköy. A promise to sell agreement was executed in 2016 for purchasing 45% share in the 9,043 m² plot in Kadıköy, İstanbul, owned by Tecim Yapı. It was decided to acquire a 45% stake in the project comprising a hotel and commercial spaces, which is planned to be developed on the said land depending on the final zoning status. Our Company will be a co-owner with 45% stake in the project based on its share in the investment cost amounting to TL 140 million excluding financing. The building permit for the project was obtained, and work on the renovation project was carried on during the reporting period. The construction tender is intended to be carried out in 2018.

During 2017, our Company decided to merge with TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.; however, the said transaction was abandoned as a result of the developments during the process.



İş REIC Strategy in 2018

İş REIC diversifies its portfolio by investing in projects in the real estate sector such as offices, retail sector and residences, and adopts the strategy of generating maximum benefit for its shareholders by increasing its ongoing revenues and profitability. Accordingly, the Company aims to capture the ideal balance between real estate investments that will generate regular income and those on which development profit will be derived in parallel with the conjuncture.

To this end, mixed-use project concept covering both residential and commercial units is given emphasis in the projects developed, thus rendering the benefit to be derived continuous thanks to leasing activities, while sales are intended to serve to generate high returns and profitability.

Within the frame of the fundamental strategies described above, the top priority of İş REIC in 2018 is to bring all of its ongoing investments to completion within the projected timelines, to capture the targeted lease and sales figures, to sustain high cash dividend distribution,

and to carry on with project developments that will result in optimum use and benefits on properties included in its portfolio.

Besides all these activities, the Company closely monitors investment opportunities relating to projects and real estate properties that will secure the Company's organic and revenue growth, and assesses them in line with its investment strategy.

When planning for 2018 and following years, risks that may stem from the business environment are also taken into consideration, a close eye is kept on exchange rate and interest rate risks in investment and funding decisions, and the necessary measures are adopted for managing interest rate and exchange rate risks.

The Board of Directors regularly monitors the actualizations within the frame of strategic goals, revises the targets as and when called for by new circumstances, and shapes investment and financing decisions accordingly.

NEW LIFE IN İSTANBUL

Çınarlı Bahçe project was put into life based on an architectural concept firmly adhered to high standards and quality. Çınarlı Bahçe project earned the Best High-Rise Residence award at the Sign of the City Awards, one of the most prestigious awards in the real estate sector.

Sign of the City
Awards 2014
Kazanan Proje



Activities of the Investor Relations Department

The Company's "Investor Relations Department" has been operating since 28 January 2005 within the frame of the CMB's applicable regulations.

The Investor Relations Department regularly and efficiently manages the exercising of shareholder rights, public disclosure and information sharing activities in particular, as well as General Assembly and capital increase formalities.

Prior to each Board meeting, the Department prepares a report to be submitted to the Board of Directors about the Department's activities during the period. The Department manager physically participates in the Board of Directors meetings. Serving as a bridge between the Department and the Board of Directors, the Corporate Governance Committee, which actively oversees the Department's activities, meets regularly, and evaluates the activities carried out by the Department during the reporting period, and shares the topics that have been discussed in these meetings with the Board of Directors. Besides these reports, "Annual Investor Relations Activity Report" is drawn up following the end of the fiscal year. As indicated in the operating principles of the committee, the Investor Relations Department also handles the secretarial tasks of the Corporate Governance Committee.

The manager of the Investor Relations Department, being a member of the Corporate Governance Committee, participated in all of the Committee meetings held during the year, provided information to the Committee about the Department's activities and the material developments that took place during the reporting period, and took active part in the improvement and rating of corporate governance practices.

Public Disclosure and Provision of Information

During the reporting period, the Investor Relations Department held one-on-one meetings with analysts and fund managers from domestic and international investment companies at the Company's headquarters, took part in an investor conference, and had contacts with investors through teleconferences at the Company headquarters.

During the year, the Investor Relations Department responded to nearly 360 queries, most of which were received by e-mail. Information requests from local and foreign investors or investment companies were responded to with careful observation of all matters with respect to public disclosure, and particularly the legislation and the Company's Information Policy. About 57% of all requests for information consisted of individual queries, while the remaining 43% were of an institutional nature.

Shareholders request information by directly contacting the Investor Relations Department employees, or by sending an e-mail either to the Department's e-mail address or using the communication form available on the website. Shareholders usually contact the Department employees directly or via the Department's e-mail account, and rarely use the contact form on the website.

In addition to investors' queries, support is extended for information requests, surveys and academic studies within the scope of research conducted by universities and various public institutions.

iş REIC has acknowledged its compliance with corporate governance principles, keeps a close watch on changes in the regulatory framework governing such principles, exercises maximum care in its compliance with such issues, and makes necessary improvements to increase the extent of its compliance with corporate governance principles.

Necessary records in relation to written and oral information requests are regularly kept by the Investor Relations Department. Besides the information requests received by the Company, the Department also regularly monitors the reports and bulletins published by brokerages in which any mention of the Company is made, while providing the necessary support to brokerages for their reporting or model updating processes through the teleconferences or meetings organized.

The Company website is actively used to facilitate public disclosure and exercise of shareholder rights. Quarterly investor presentations in Turkish and English, as well as summary financial tables prepared within the scope of financial statements, along with material event disclosures made through the Public Disclosure Platform (KAP) are prepared in Turkish and English and posted on the corporate website. Moreover, those sections of the Company's corporate website that are subject to updates, particularly the information with a potential impact on the exercise of shareholder rights, are regularly updated. Thereby, accurate and up-to-date information is made available especially to investors and analysts in addition to various individuals or institutions that require information about the Company and its activities.

Corporate Governance

İş REIC has acknowledged its compliance with corporate governance principles, keeps a close watch on changes in the regulatory framework governing such principles, exercises maximum care in its compliance with such issues, and makes necessary improvements to increase the extent of its compliance with corporate governance principles.

The Company receives corporate governance rating service from Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA). Following the review conducted by SAHA in 2017, the Company's corporate governance rating was upgraded to 94.76. The Company was given the following ratings in the four main sections: Shareholders 91.49, Public Disclosure and Transparency 98.46, Stakeholders 96.70, Board of Directors 93.63.

With its revised corporate governance score, the Company continues to be traded on the BIST Corporate Governance Index, in which it was included in 2012.

Detailed information about the Company's corporate governance practices and performance is provided in the "Corporate Governance Principles Compliance Report" section of this annual report.

Corporate Governance Rating	94.76
Shareholders	91.49
Public Disclosure and Transparency	98.46
Stakeholders	96.70
Board of Directors	93.63

94.76

Corporate
Governance
Rating

Activities of the Audit Group

The Audit Group is responsible for monitoring and reviewing all of the business processes and activities of Company departments, for evaluating and reporting its findings, and for making such recommendations pertaining to those findings as the group may deem to be necessary. The group's monitoring and reviewing activities are carried out independently. Their underlying goals are to foster an internal auditing culture throughout the Company and to determine the effectiveness and efficiency of the Company's internal control, risk management, and corporate governance systems.

Audit and control systems at the Company have been organized in accordance with international practices, principles and organization framework. Established in November 2008, the Audit and Control Department was structured separately from and independent of other Company units. The department began

reporting directly to the Board of Directors in June 2012. Internal control activities are also handled by the Audit Group at the Company.

The Group, which is responsible for audit activities, carries out its activities under the "İş REIC Audit Guidelines" which sets out the incorporation, operation, and activities of the Company's Audit Group, the duties, powers and responsibilities of the Group employees, along with operating principles and procedures. The Audit Group's activities during the year are executed in accordance with the "Annual Audit Plan" approved by the Committee for Audit. In a bid to further and improve the organization's efficiency in all aspects and to add value to the organization, the audit system is run so as to develop systematic approaches for independent and impartial evaluation and improvement of the risk management, internal control and governance processes, and thus help the organization achieve its targets.

The group's monitoring and reviewing activities are carried out independently. Their underlying goals are to foster an internal auditing culture throughout the Company and to determine the effectiveness and efficiency of the Company's internal control, risk management, and corporate governance systems.

Risk Management

Risk management functions and activities at İş REIC were placed under the responsibility of a separate risk management unit in 2005. This unit's duties consist of managing all risks which are inherent in the Company's activities within the framework of the Company's published Risk Policy and of associated internal rules and regulations. The Risk Management Unit reports to Company senior management.

The Board of Directors and the Committee for Early Detection of Risk are kept informed about the Company's risk exposure by means of a comprehensive "Company Risk Report" that is prepared and submitted every three months. This report includes, among other things, information about the Company's business sector, key financial indicators, and the results of the unit's analysis and assessment of the risks which are inherent in the Company's activities. Detailed information is provided about

business environment risk, a category of operational risk that the Company is particularly exposed to.

Furthermore, within the scope of the duties and responsibilities charged to the Committee for Early Detection of Risk and the Board of Directors under article 378 of the Turkish Commercial Code no. 6102, a "Committee for Early Detection of Risk Report" is prepared on a bimonthly basis and submitted to the Board of Directors for its information.

Human Resources

İş REIC aims to create a shared corporate culture by recruiting the human resource that espouses the same values with the Company, and seeks to create competitive advantage by conducting the necessary training, development and cultivation activities.

İş REIC recognizes the participation of human resources who share common values in the Company and providing such human resources with training and progression opportunities that will support their personal and professional development as essential elements of its corporate culture.

İş REIC's Human Resources & Education Department that takes a proactive, innovative, systematic, and open-communication approach, is aware of its impact on the Company's strategic decisions, and cooperates with all related parties.

Human resources functions at İş REIC consist primarily of employee recruitment, performance management, career planning, compensation and benefits management, training, development, and communication. The Company's human resources practices are carried out with the aims of increasing employee performance and productivity and of improving the quality of the workplace environment. Its recruitment and placement activities are informed by the principle of choosing the best people from among candidates who are compatible with İş REIC's corporate culture and values, who are professionally competent, who are open to development, and who have strong potential. Having identified such individuals, the Company then places them in positions that best suit their abilities.

With the support of the Human Resources & Education Department and the cooperation of Company managers, employees who are interested in their own professional progression take part in discussions about how their own career paths are to be managed. This approach is embodied in İş REIC's belief that every employee should be a potential leader.

Human Resources Policy

The main objective of İş REIC is to recruit qualified personnel in order to carry out Company activities in the most effective manner and to ensure employee motivation so as to maintain constant success, as well as continuously improve financial and social rights of employees, create a fair and professional work environment and determine the training needs of personnel.

Employees are informed about decisions and developments that concern them. There is not a trade union set up under the Company organization. On the other hand, while the Company supports the effective recognition of the freedom of association and the right to collective bargaining, the Company has not received any such request from the employees to date.

In line with the objectives and strategies specified in the Company's Human Resources Policy, the Company aims to create a shared corporate culture by recruiting the human resource that espouses the same values with the Company, and seeks to create competitive advantage by conducting the necessary training, development and cultivation activities.

Matters such as employment conditions, career path and advancement requirements, monetary arrangements and fringe benefits are clearly detailed in the Company's Human Resources Regulation for the information of employees. The Human Resources and Education Department carries out all decisions made in relation to the employees within the scope of the said regulation.

Employees' job descriptions were developed based on business analyses. Number of employees, on the other

Human Resources



hand, was determined according to the units' workloads and on the basis of distribution of tasks in line with the demands of the Company's Groups. Employees are expected to embrace the performance-driven management concept and recognize that their individual involvement will contribute to customers and shareholders.

Therefore, Company Performance Evaluation criteria and their printed results are shared with the employees. Employees who target to add value to their respective jobs are backed by the Human Resources and Education Department, and gain access to self-development and manage their career objectives along with their managers.

The personal honor of each employee and all of their legally recognized rights are protected within the framework of the Company's Code of Ethics. All necessary measures have been taken to ensure a safe and healthy working environment.

During the reporting period, the Human Resources and Education Department received no complaints on account of discrimination.

Recruiting the Right Person in the Right Job

The Human Resources & Education Department fulfills the recruitment and hiring duties at İş REIC that sees every employee as a future leader.

"Journey to Development"

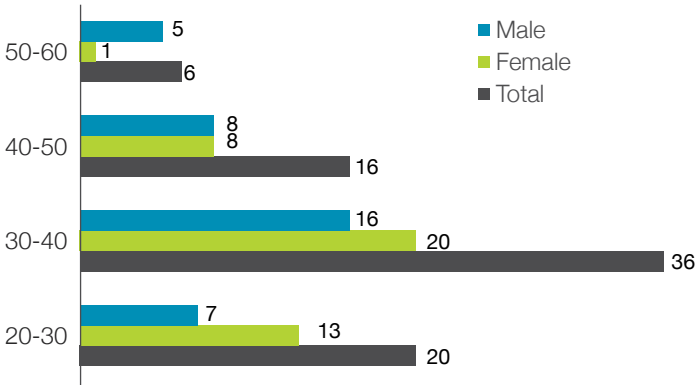
In 2017, İş REIC started implementing the "Performance and Competence Development System". The system is intended to boost job satisfaction and motivation while clarifying the attitudes and behaviors expected of employees as they work to achieve their goals within their responsibility areas and allowing them to see their contribution to the overall business. Based on this belief, İş REIC regards this system as a "Journey to Development", which will entail active involvement of all employees. To this end, the "Development Maps" clarifying development areas were created and a number of training programs were organized. Employees gave a score of 4.30 and above to reflection and use of the training programs in their private and business lives.



Training and Development at İş REIC

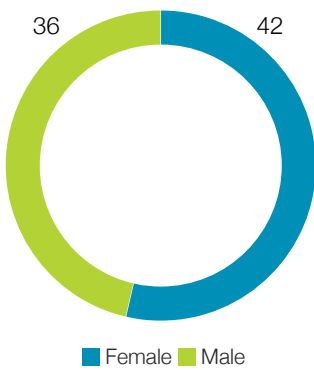
The training programs designed according to employees' needs are intended to bring about changes in their knowledge, skills and attitudes, to drive their advancement in their careers, to increase their motivation and job satisfaction, and to align corporate goals and personal targets. İş REIC's priority is to make training programs available for all Company employees within the frame of equality of opportunity. During 2017, Company employees participated in different refresher training programs to update professional knowledge such as

Age Breakdown (person)

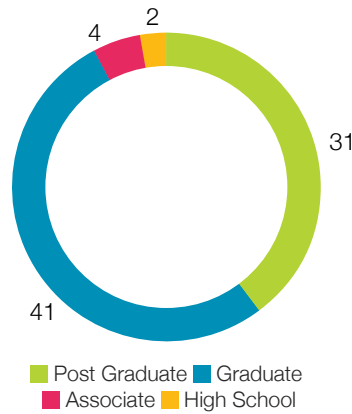


İş REIC sees every employee as a future leader.

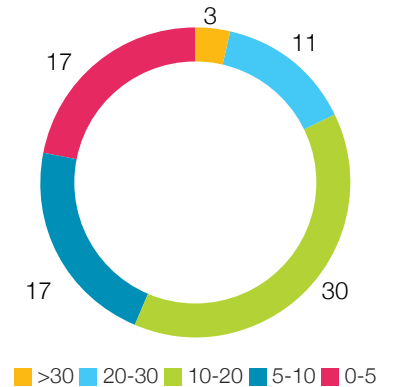
Number of Employees



Educational Status (%)



Work Experience at İş REIC (%)



Tax, Intermediation, Zoning Legislation and Protection of Personal Data, as well as programs focused on competence development such as Transactional Analysis, Teamwork, Effective Communication and Mood Management. In addition, internal conversation sessions, which tackle different topics with the participation of various guests, continued also in 2017.

Fringe Benefits Granted to Employees

Upon completion of the two-month trial period, the Company pays the employee contribution for those employees who are part of the Private Pension System, and all employees are covered under the corporate health insurance policy.

Moreover, subsidized meals and shuttle bus service are provided to all employees. In addition to those, İş REIC pays for the chamber membership dues of its employees who are architects, engineers, lawyers or independent accountant and financial advisors.

Organizational Structure

Groups and Coordinators within İş REIC's organizational structure are presented below:

- Project & Construction Management Coordination Group
- Project Development & Feasibilities and Real Estate Investments Coordination Group

- Legal Counseling & Human Resources and Education Group
- Investor Relations & Corporate Compliance and Risk Management Group
- Financial Management Group
- Corporate Communications, Sales, Leasing, and Marketing Group
- Audit Group

The average seniority of employees at the Company is eight years. Managers are promoted from within. During 2017, one employee was promoted to higher positions.

Corporate Social Responsibility

While headed towards generating high returns for its shareholders, which is a key objective, İş REIC also carries out various activities to contribute to the social life and the environment within the scope of its corporate social responsibility concept. Along the line, the Company extends support to numerous artistic and sports events, in addition to the activities carried out in the sector. The activities carried out with a view to allowing the young generation gain experience in the sector and to socially equip them coincide with our corporate mission that puts human at its core.

In line with our policy to carry out social investments with tangible benefits, which will serve as examples to all the segments of the society, the sector and the business world, we have formulated our Corporate Social Responsibility Policy at İş REIC on the center of our priority topics, which puts giving children equal access to educational, cultural, environmental and social means in the focal point.

2017 saw the progress of our social responsibility initiatives, which were introduced in 2016 to reveal our commitment to finding solutions in view of social issues, needs and expectations as İş REIC. Voluntary team efforts were initiated upon receiving consultancy support in line with our search for devising a real solution that would also serve as an example for the sector for a social issue or need aligned with the values embedded in our Company and brand, and related to our field of activity and our expertise; the project creation process continued throughout the year.

Under the initiative launched based on the core values and targets of the İş REIC brand along with the positive social influence sought to be created in the public, a process was planned whereby our corporate social responsibility strategy would be jointly determined with all the Company employees. The approaches and contributions of our employees have been crucial in this process whereby projects and implementations representing our social vision were developed.

In this process, all employees took part in a questionnaire, while the opinions of the Company's top management were sought in one-on-one contracts and a task force was formed on the basis of volunteering. The studies carried out revealed the presence of a high "social investment" expectation from our Company and the need for İş REIC to make social investments. The common sentiment harvested can be summed up as follows: "As İş REIC, we consider it our priority that everybody reaches better living conditions, and we are working to equip, influence, guide and motivate everyone we can reach in this direction". Our social investment principle is formulated as identifying the true need on the basis of comprehensive analysis in the area of the issue in our focus, and developing an inclusive model that will bring about real benefit for the target audience in need and that will create change. The tendencies that consistently gained the foreground were children and education as the focal point of all projects that arose in the process.

Focusing on giving children equal access to educational, cultural, environmental and social means, our Corporate Social Responsibility Policy has been formulated on the center of our priority topics during 2017.

After all these stages, İş REIC Partners in Dream Corporate Volunteering Platform was established. The issue the Platform focuses on was determined as the shortcoming of the existing education system to contribute to equipping the children with a vision and build on their competencies. The analyses performed established that the creativity potential of children was one of the most important values, and that efforts to further children's creativity would prove to be the most valuable gain. Accordingly, the solution suggestion that emerged has been to develop alternative educational and support programs for children without access to alternative educational, training and development means. It was agreed to create a pool of a broad range of means varying from culture and arts to nature, from technology to history awareness for children to be reached within the scope of the project.

On the other hand, it was resolved to work on creativity that is considered as the single skill that is necessary to be improved and perfected in children in the rapidly digitizing world; to develop and implement an educational program aimed at building on children's creative thinking and producing skills.

In keeping with the goal of identifying the priority fields we will be working in, and devising and introducing the social projects we will be conducting in these areas, an Academic Advisory Board was established with academics from Koç University, and the roadmap for the project and program content have been set jointly with them. TOÇEV Foundation for Educating Children was designated as the NGO partner in this initiative, and contacts were initiated regarding the program, cities to be covered, and the children to receive education.

The Company's corporate social responsibility project named "My Creative World" is projected to go live during 2018.

Acting upon the conviction that sustainable growth in all areas is crucial, and with its mission of creating desirable spaces for contemporary people and cities, İş REIC continued to support the sector's development and social solidarity in 2017.

During the reporting period, the Company maintained its support to sectoral development by sponsoring the Evolving Cities Summit organized by GYODER (Association of Real Estate and Real Estate Investment Companies), the Shopping Mall Investments Conference organized by AYD (Council of Shopping Centers – Turkey), Aegean Economic Forum inaugurated by T.R. Prime Minister Binali Yıldırım and heavily attended by the private sector and the public sector, İzmir leg of the Evolving Regions Summit organized by Hürriyet newspaper, and İzmir Occupational Health and Safety Summit organized by the İzmir Association of Industrialists and Businessmen.

İş REIC opens the doors of the shopping centers in its portfolio to associations and foundations working to benefit the public by offering them the opportunity to set up stands and carry out publicity activities free-of-charge. The Company extends all necessary cooperation in this area.

İş REIC provides gratuitous support to projects in areas that it regards within the scope of its social responsibility such as education, health, culture, law, art, scientific research, environmental protection, and sport. Committed to consistently shaping its approaches, values, and policies within the framework of its corporate social responsibility, the

Company will continue to engage in such activities and to provide them with support in the future as well.

In the conduct of all of its activities, İş REIC takes pains to be a socially responsible actor who abides by the law and is mindful of environmental values. No lawsuits were brought against the Company on account of environmental damage in 2017.

Donation Policy

The Company may make charitable donations that are in line with its sense of social responsibility and that comply with applicable principles and procedures laid down by the Capital Markets Board.

The Company may make charitable donations related to the matters listed below with the aim of contributing favorably towards public perception of its sensitivity about the fulfillment of its social responsibilities and on condition that it shall do so without seeking any financial or commercial benefit therefrom.

- Education, health, culture, law, art, scientific and scholarly research, environmental protection, sport, and similar social endeavors; or
- Natural disasters that have occurred in Turkey or elsewhere.

Additional Information Required by CMB Regulations

Related Party Transactions

İş REIC regularly engages in related-party transactions with its principal shareholder İşbank and with other members of the İşbank Group. These are ordinary transactions carried out as part of the Company's normal business activities. They consist primarily of:

Letting, purchasing and selling transactions of properties, and accounting for revenues, expenditures, and receivables associated therewith;

- Borrowings, mortgagings, and collateralizations related to the conduct of the Company's ordinary business activities;
- Insurance, banking, and non-banking services procured in the conduct of the Company's ordinary operations;
- Other goods and services procurements.

Rental income makes up a substantial part of İş REIC's business revenues. In 2017, the Company received a total of TL 103,881,101 as rental income from related parties. As of the end of the reporting period (31 December 2017), total cash and cash equivalents belonging to İş REIC and held in accounts with İşbank amounted to TL 69,324,002 in value. As of the same date, İş REIC had received, from İşbank, a letter of guarantee worth TL 18,455,073. İşbank also holds prior and second liens over some of İş REIC's real estate properties amounting in total to USD 136,000,000 and TL 685,000,000. At the end of the reporting period, İş REIC's accounts showed a financial liability of TL 639,254,019 to İşbank on account of the loan taken out from that bank. Furthermore, out of the bonds İş REIC issued during 2016, the portion corresponding to TL 33,181,499 was held

by group companies as at 31 December 2017. During 2017, the Company sold real property worth TL 69,000,000 to İş Asset Management First Real Estate Investment Fund.

More detailed information about related party transactions, which İş REIC was involved in during 2017, is provided in footnote 24 ("Related Party Disclosures") to the Company's financial statements provided elsewhere in this annual report.

In the "Conclusions" section of the "Affiliated Companies Report" published in compliance with the requirements of article 199 of the Turkish Commercial Code no. 6102, which went into effect on 1 July 2012, the following statement is made:

"All of the Company's dealings with its principal shareholder İşbank and with other members of the İşbank Group in 2017 are in the nature of ordinary transactions which are carried out on an arm's-length basis as part of the Company's normal business activities. The Company was adequately and appropriately compensated for each and every such transaction that it entered into at the time the transaction occurred. The conclusion reached is that there were no measures taken or refrained from which might have caused the Company to suffer a loss."

Lawsuits Initiated Against the Company during the Reporting Period

No suits capable of materially affecting either the Company's financial standing or its activities were initiated against the Company during the reporting period.

Administrative or Judicial Action Initiated Against the Company or the Members of Its Governing Bodies

No administrative.

Legal Transactions with the Group of Companies

İş REIC is a member of İşbank group of companies. Both İş REIC and İşbank are publicly-held and publicly-traded companies and are therefore subject to external as well as internal audit. İşbank is also subject to supervision by the Banking Regulation and Supervision Agency and by the Capital Markets Board while İş REIC is additionally subject to Capital Markets Board supervision. On these grounds therefore the actions and dealings of both companies may be deemed to be in compliance with the requirements of law. Currently applicable law prevents a controlling company from making decisions or engaging in acts which are detrimental to the interests of a controlled company. For this reason, no other measures or actions were deemed to be necessary in order to prevent the Company from suffering a loss.

Transactions Involving Individuals Who Have Privileged Access to Company Information

No shareholder having management control over the Company, nor any Member of the Company's Board or of its senior management with administrative responsibility, nor any other person with privileged access to Company information save for any of their spouses or their relatives by blood or by marriage unto the second degree informed the Board of Directors on any matter for incorporation in the agenda for provision of information at the General Assembly about transactions they were engaged in on their own behalf, which fall within the Company's object and scope.

Changes in Legislation during the Reporting Period

During the reporting period, the following communiqués and regulations were issued, which may potentially affect the Company's activities:

- Regulation amending the Regulation on Prepaid House Sales published in the Official Gazette issue 30004 dated 11 March 2017,
- Planned Areas Zoning Regulation published in the Official Gazette issue 30113 dated 3 July 2017,
- Regulation on Deletion, Destruction or Anonymization of Personal Data published in the Official Gazette issue 30224 dated 28 October 2017,
- Regulation on the Operating Principles and Procedures of the Personal Data Protection Board published in the Official Gazette issue 30242 dated 16 November 2017,
- Communiqué (no. VII-128.2c) Amending the Communiqué (no. VII-128.2) on Real Estate Certificates published in the Official Gazette issue 30255 dated 29 November 2017.

The legislation mentioned above is being evaluated with respect to İş REIC's activities, and necessary work is being carried out for achieving compliance with the legislation.

Main Service Providers

Tax Consultants

PwC Yeminli Mali Müşavirlik A.Ş.

Independent Auditors

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

Corporate Governance Principles Compliance Rating Agency

Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş.

Credit Rating Agency

Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş.

Real Estate Appraisal Firms from Which Services Were Procured in 2017

Reel Gayrimenkul Değerleme A.Ş.

Nova Taşınmaz Değerleme ve Danışmanlık A.Ş.

Terra Gayrimenkul Değerleme ve Danışmanlık A.Ş.

Management Companies from which Services were Procured in 2017

İş Merkezleri Yönetim ve İşletim A.Ş. (İŞMER)

Kanyon Yönetim İşletim ve Pazarlama A.Ş.

Disclosure of Any Conflicts of Interest Between the Company and Its Service Providers

In the selection of its service providers, the Company complies with applicable capital market regulations and takes all necessary measures to prevent potential conflicts of interest.

There were no conflicts of interest between the Company and the service providers identified above either during the course of service procurement or subsequently.

Portfolio Information

Commercial Properties*

- İstanbul İş Towers Complex (Tower 2 - Tower 3 - Kule Çarşı Shopping Mall)
- Ankara İş Tower
- İstanbul Maslak Office Building
- Ankara Ulus Office Building
- İstanbul Kanyon Shopping Mall
- İstanbul Marmara Park Shopping Mall
- Taksim Office Lamartine
- Nevşehir Kapadokya Lodge Hotel
- Muğla Marmaris Mallmarine Shopping Mall
- İstanbul İşbank Technology & Operation Center
- İstanbul Tuzla Mixed-Use
- İzmir Ege Perla Shopping Mall, Residential Units and Office Units
- İstanbul Tuzla Çınarlı Bahçe Commercial Space

Real Estate Projects

Ongoing Projects

- İstanbul Kartal Manzara Adalar Project
- İstanbul Financial Center Project
- İstanbul İnistanbul Project

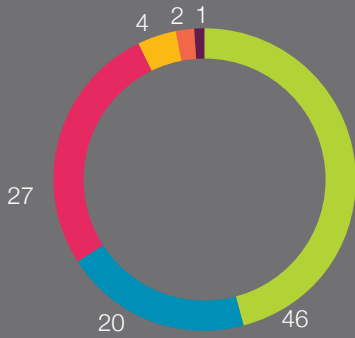
Lands

- İstanbul Üsküdar land (32,081 m²)
- İstanbul Levent İş Towers vacant land (7,613 m²)
- İstanbul Kadıköy land (9,043 m²)**
- İstanbul Tuzla land (62,655 m²)

*Ankara-Kızılay Office Building, Antalya Office Building and Esenyurt Hypermarket Building have been sold in 2017.

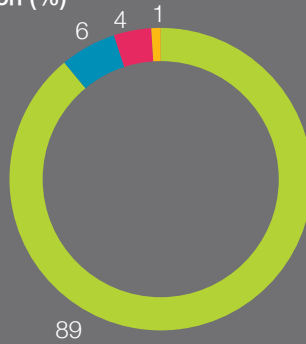
** A promise to sell agreement has been signed for the Kadıköy plot.

Value of the Portfolio - Breakdown by Type (%)



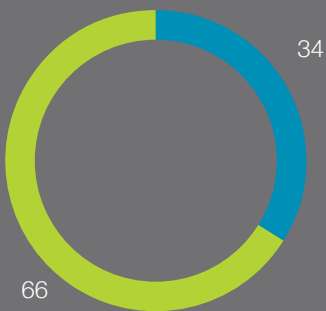
■ Offices ■ Shopping Malls ■ Projects
■ Lands ■ Inventory ■ Hotel & Others

Value of the Portfolio - Breakdown by Region (%)



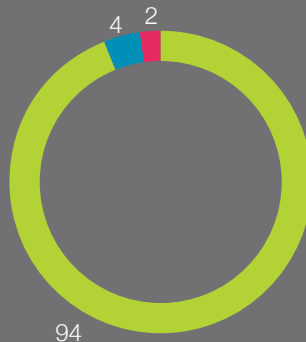
■ İstanbul ■ İzmir ■ Ankara ■ Others

Rental Income - Breakdown by Type (%)



■ Offices ■ Shopping Malls and Hypermarket

Rental Income - Breakdown by Region (%)



■ İstanbul ■ Ankara ■ Others





Solid infrastructure and technological hardware

İş Towers Complex is a sustainable heritage for the future by virtue of its robust infrastructure, state-of-the-art technology, outstanding architectural concept and eco-friendly building properties.

Set right in the middle of the Mecidiyeköy-Maslak axis in İstanbul and comprising two 34-storey office towers with 27 leasable floors in each, and Kule Çarşı, a mall with 48 independent sections, the complex has established itself as one of the city's landmarks.

İş Towers Complex is a sustainable heritage for the future by virtue of its robust infrastructure, state-of-the-art technology, outstanding architectural concept and eco-friendly building properties.

İş Towers, preferred also for availability of convenient transportation means, have become the choice of prestigious and financially sound domestic and foreign companies. The independent sections in the complex are rented out on leases averaging five years.

In addition to Tower 2, Tower 3 and Kule Çarşı Shopping Mall included in İş REIC's portfolio, the Complex is also home to the 52-storey İşbank Head Office building, the 800-seat auditorium of İş Sanat Art and Cultural Center, and a 479-vehicle car park.

The process for renting out Tower 3 is underway, which comprises 26 storeys and a half-storey covering a gross area of 1,033 m² and which was vacated after T. Şişe ve Cam Fabrikaları A.Ş. moved out during 2016. Within this frame, approximately eight floors have been rented out.

The 7,613 m² land in front of the İş Towers Complex is also in İş REIC's portfolio. Included in the portfolio in 1999, the land has an appraised value of TL 4,267,916.

İSTANBUL İŞ TOWERS COMPLEX

LOCATION: İSTANBUL-BEŞİKTAŞ, LEVENT

ACQUISITION DATE: 1999

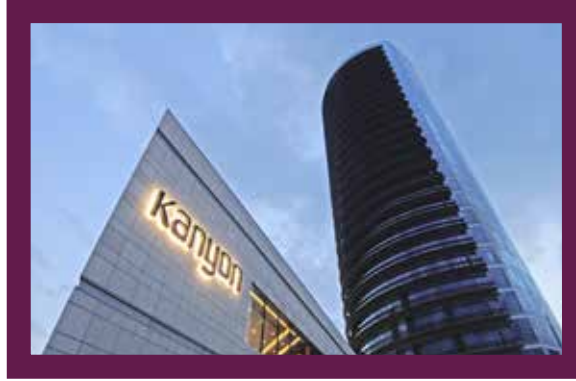
GROSS AREA (M²): 109,438

APPRAISED VALUE (TL):
900,305,000

2017 RENTAL INCOME (EXCLUDING VAT) (TL):

30,348,612





Original approach, modern architecture

Istanbul Kanyon Shopping Mall is set apart with the original approach it has brought to shopping, entertainment and retailing, and its modern architecture.

Brought to life by İş REIC and the Eczacıbaşı Group, Kanyon is designed as a whole with its residential flats, shopping center and offices, and offers a festive and lively atmosphere at any moment with the social and cultural activities hosted and blends in seamlessly with the society and its surroundings.

Set apart with its comfortable setting giving a taste of open air shopping, the original approach it has brought to shopping, entertainment and retailing, combined with its modern architecture, Kanyon Mall houses nine cinemas, a health and gym center, bars, cafés, restaurants, and an indoor/outdoor swimming pool. Sitting on an area of 82 thousand m², the shopping center consists of four storeys and 160 stores.

For more than a decade, Kanyon has been promising “unique experiences” to its guests, boasting a brand mix ranging from clothing to technology, cosmetics to eating & drinking, entertainment to sports and culture and the arts. Kanyon has garnered 50 awards at prominent recognition programs including Stevie Business Awards and Solal Awards since the day it first opened.

As an attestation to its environment-friendly and innovative architectural design, Kanyon received the ISO 14001 certification, a major international standard in relation to environmental management system in the activity fields of “Building,

Residences, Offices, Shopping Centers and Entertainment Places”. In addition, after being certified as “Excellent” in 2012 according to BREEAM criteria that is another international certification in this field, Kanyon upgraded its certification to “Extraordinary” in 2015. Being the first commercial structure in Turkey to earn certification at this level in building management, Kanyon surpassed the other nominees and claimed the award in the “BREEAM Retail In-Use” category at the BEST OF BREEAM 2016 award ceremony recognizing multi-purpose buildings.

During 2017, its various initiatives brought Kanyon a total of 14 awards including PR News Social Media Awards and Hermes Creative Awards, in addition to the gold prize it has clinched at the ICSC Solal Marketing Awards organized by ICSC (International Council of Shopping Centers). Kanyon added two major awards claimed in Human Resources to its collection of prizes earned since its establishment. At The Stevie Awards organized in the U.S., “Kanyonca”, a project devoted to improvement in corporate culture and communication covering approximately 500 people including the employees of our solution partners as well, was awarded “gold” in the Employer of the Year category and “bronze” in the Achievement in Employee Engagement category in the real estate sector.

İSTANBUL KANYON SHOPPING MALL

LOCATION: İSTANBUL-BEŞİKTAŞ, LEVENT

OPENING DATE: 2006

GROSS AREA (M²)* : 81,761

APPRAISED VALUE (TL):
510,090,000

2017 RENTAL INCOME (EXCLUDING VAT) (TL)**:
36,581,502

*Total gross area of the shopping mall

** İş REIC holds 50% title in the shopping mall, and both the appraised value and rental income represent the share of İş REIC.





One of Europe's biggest shopping centers

İstanbul, Marmara Park is one of the biggest shopping centers in Europe.

The first shopping mall in Turkey that has implemented a galaxy design theme, Marmara Park Shopping Mall opened its doors in October 2012 with a gross area of approximately 204,160 m² and parking space for about 4,000 vehicles.

With more than 250 stores, a vast hypermarket, a DIY center, a huge consumer electronics outlet, cinemas, and an amusement park, İstanbul Marmara Park Shopping Mall offers its visitors a wide variety of options and products to choose from, along with unlimited fun.

İSTANBUL MARMARA PARK SHOPPING MALL

LOCATION: İSTANBUL-ESENYURT

OPENING DATE: 2012

GROSS AREA (M²): 204,160

APPRAISED VALUE (TL):
162,020,000

2017 RENTAL INCOME (EXCLUDING VAT) (TL):
18,274,776





The first representative of novelties

İzmir Ege Perla presents an original concept that combines traditional İzmir lifestyle and modern architecture.

Ege Perla is located on a plot of 18,382 m² in a region that is designated as the "New City Center" of İzmir. Having a total leasable area of 23,500 m², the project comprises residential units in different sizes and plans ranging from 1+1 to 5+1 executive unit overlooking the Gulf of İzmir and office units offering well-lit and spacious working spaces, in addition to the semi-open shopping mall that will host prestigious brands.

With an investment value of approximately TL 490 million and the first mixed-use project in the area, Ege Perla has been realized to blend seamlessly into the traditional lifestyle. Inspired by the old İzmir buildings, the project is designed by world-renowned architect Emre Arolat.

Deliveries in residential and office blocks took place in 2016 and the shopping mall became operational in September 2017. Welcoming the people of İzmir with a 93% occupancy and its distinctive concept, Ege Perla is managed by Kanyon Yönetim, İşletim ve Pazarlama A.Ş., which has successfully distinguished Kanyon Shopping Mall from its peers from day 1 thanks to its experience in marketing and communication that makes a difference.

Designed with an innovative architectural concept and poised to become the new meeting point of the locals, Ege Perla

aims to give its guests delectable tastes in its restaurants, prestigious fashion brands in its stores, gym, movie theaters and a car park for 956 vehicles. Gathering major performance arts such as acting, drama and writing under a single roof, TOY İstanbul will carry performance arts to İzmir on its new stage at İzmir Ege Perla.

Set to welcome 6.5 million guests annually, Ege Perla features an urban garden that combines nature and technology, climbing walls specifically designed for children along connecting corridors at different spots, specially-designed resting spaces, colored passageways with square ceiling application, and activity and digital game spaces in common areas created for children and families.

Waterfront and city park measuring 16,000 m² have been created next to the project in a bid to contribute to sustainable living spaces. An additional space of 1,000 m² gives the children and youngsters the opportunity to engage in physical activities such as playing games, skating and walking amid nature, as well as the chance to take part in artistic and cultural activities, while green areas, promenades, resting and observation areas have been designed to also present adults with an enjoyable pastime.

İZMİR EGE PERLA

LOCATION: İZMİR-KONAK

PROJECT COMPLETION DATE: 2017

GROSS AREA (M²): 80,463

APPRAISED VALUE (TL):
329,697,000

2017 RENTAL INCOME* (EXCLUDING VAT) (TL):
2,778,090

ARCHITECTURAL DESIGN: EMRE AROLAT

*The shopping mall became operational in September 2017. Therefore, the rental income reflects a partial rental income.

Sign of the City
Awards 2015
Kazanan Proje





Solid infrastructure and superior architectural features

Set in Tuzla, İstanbul, İşbank Technology and Operation Center encompasses an information technology and data-storage unit, training facilities and accommodations for employees attending training programs.

Located on a 44,393.35 m² land in İstanbul's Tuzla district, which is gradually turning into a field of commercial attraction with the relocation of company head offices and operation departments to this district, the Technology and Operation Center houses an information technology and data-storage unit, training facilities and accommodations for employees attending the training programs.

Operations started by early 2016 at the Technology and Operation Center, which is designed and constructed to cater to the needs of İşbank. The Center is let to İşbank on a 25-year lease.

The project's architectural design is the result of a collaboration between the world-famous SOM (Skidmore, Owings & Merrill LLP) and Design Group.

In 2017, Tuzla Technology and Operation Center project was awarded the LEED (Leadership in Energy and Environmental Design) certification, the world's most prestigious green building endorsement developed by the U.S. Green Building Council (USGBC). Evaluated on the basis of a number of criteria including "Sustainable Sites", "Water Efficiency", "Energy & Atmosphere", "Materials & Resources", "Indoor Environmental Quality", "Innovation" and "Regional Priority", the project earned a gold LEED certification.



İSTANBUL İŞBANK TECHNOLOGY AND OPERATION CENTER

LOCATION: İSTANBUL-TUZLA

PROJECT COMPLETION DATE: 2015

GROSS AREA (M²): 184,600

**APPRAISED VALUE (TL):
941,345,000**

**2017 RENTAL INCOME (EXCLUDING VAT) (TL):
67,179,525**

ARCHITECTURAL DESIGN: SOM AND DESIGN GROUP

Sign of the City
Awards 2015
Kazanan Proje





A valuable location for investing

Istanbul Tuzla Mixed-Use is set in a location that is valuable in terms of investing and central in terms of access.

Tuzla Mixed-Use is located right next to the Technology and Operation Center in Tuzla, an İstanbul district with high development potential.

Within the frame of the project developed on a 21,305.22 m² land and consisting of office and commercial spaces, all of the office spaces and part of the commercial spaces are leased to Türkiye Şişe ve Cam Fabrikaları A.Ş.

Its location has transformed Tuzla and environs into a very valuable district both with respect to living and investing. These qualities acted as a magnet resulting in the relocation of the head offices and operation departments of many companies to this district, and in turn, in a rapid increase in the investments being made, which played a big part in the development of the area, turning it into a field of attraction.

The project's architectural design is the result of a collaboration between the world-famous SOM (Skidmore, Owings & Merrill LLP) and Design Group.

In 2017, Tuzla Mixed-Use project was awarded the LEED (Leadership in Energy and Environmental Design) certification, the world's most prestigious green building endorsement developed by the U.S. Green Building Council (USGBC). Evaluated on the basis of a number of criteria including "Sustainable Sites", "Water Efficiency", "Energy & Atmosphere", "Materials & Resources", "Indoor Environmental Quality", "Innovation" and "Regional Priority", the project earned a gold LEED certification.



İSTANBUL TUZLA MIXED-USE

LOCATION: İSTANBUL-TUZLA

OPENING DATE: 2015

GROSS AREA (M²): 93,100

APPRAISED VALUE (TL):
270,382,000

2017 RENTAL INCOME (EXCLUDING VAT) (TL):
16,561,286

ARCHITECTURAL DESIGN: SOM AND DESIGN GROUP



*Ofis
Lamartine*

İSTANBUL TAKSİM OFFICE LAMARTINE

LOCATION: İSTANBUL-BEYOĞLU

ACQUISITION DATE: 2013

GROSS AREA (M²): 4,624

APPRAISED VALUE (TL):
50,543,000

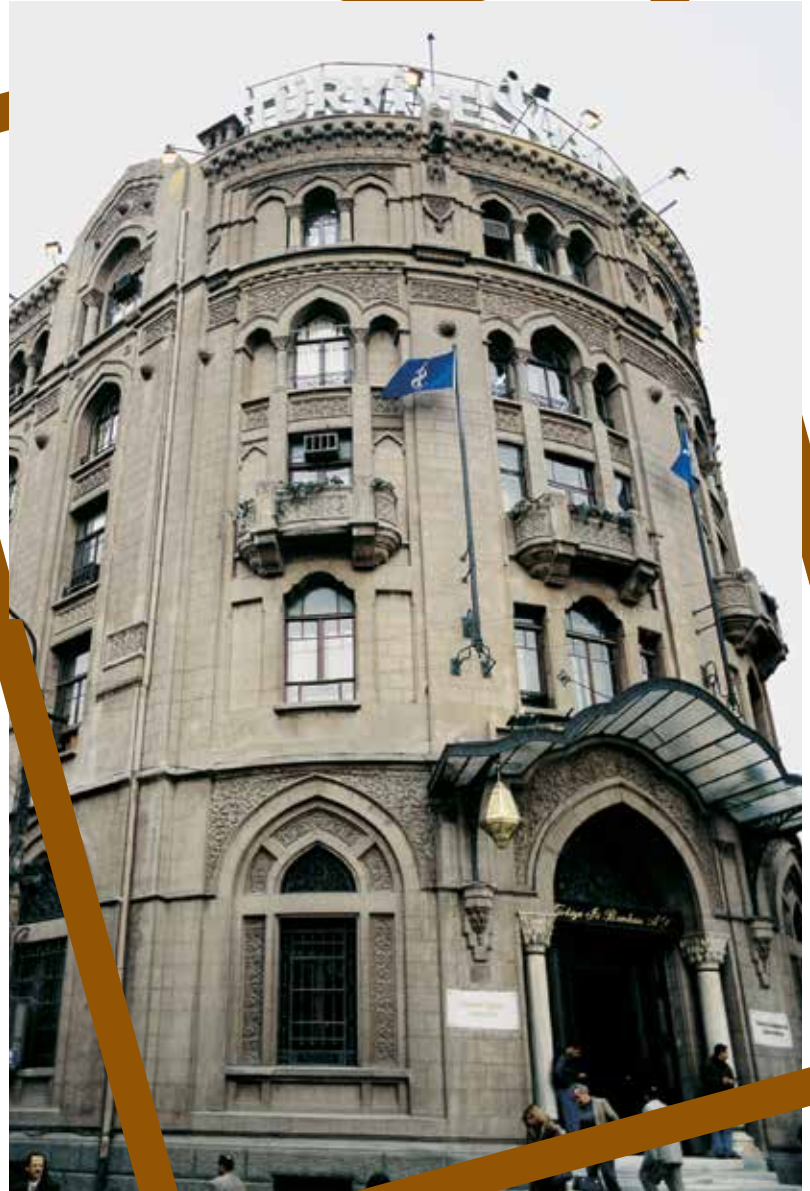
2017 RENTAL INCOME (EXCLUDING VAT) (TL):

1,764,737

In İstanbul's busiest area

Office Lamartine project reflects the altered visage of Taksim.

Having a leasable area of 3,856 m² and intended to meet the need for office spaces in and around Taksim, the busiest, high-potential spot in İstanbul, Office Lamartine is located at the intersection of Cumhuriyet and Lamartine avenues. The construction of the project was brought to completion in March 2013.



ANKARA ULUS OFFICE BUILDING

LOCATION: ANKARA-ULUS

ACQUISITION DATE: 2004

GROSS AREA (M²): 6,194

APPRAISED VALUE (TL):
47,755,000

2017 RENTAL INCOME (EXCLUDING VAT) (TL):

4,267,850

A structure set apart with its architecture and history

Reflecting the architectural aesthetics of the early Republic era, Ankara Ulus Office Building has a remarkable commercial value owing also to its architectural and historical associations and its location.

Having served as İşbank's second head office building, Ankara Ulus Office Building reflects the architectural aesthetics of the early Republic era. Having a remarkable commercial value owing also to its architectural and historical associations and its location, Ulus Office Building is let to İşbank on a 15-year lease.



Unparalleled location, easy access

Maslak Office Building boasts an easy access advantage and high commercial potential bestowed upon it by its location.

Located along the Levent-Maslak thoroughfare, which is one of İstanbul's most important trade and finance hubs, Maslak Office Building has 12 storeys. The building boasts an easy access advantage and high commercial potential bestowed upon it by its location. The tenants of the building are OMV Petrol Ofisi and İşbank.

İSTANBUL MASLAK OFFICE BUILDING

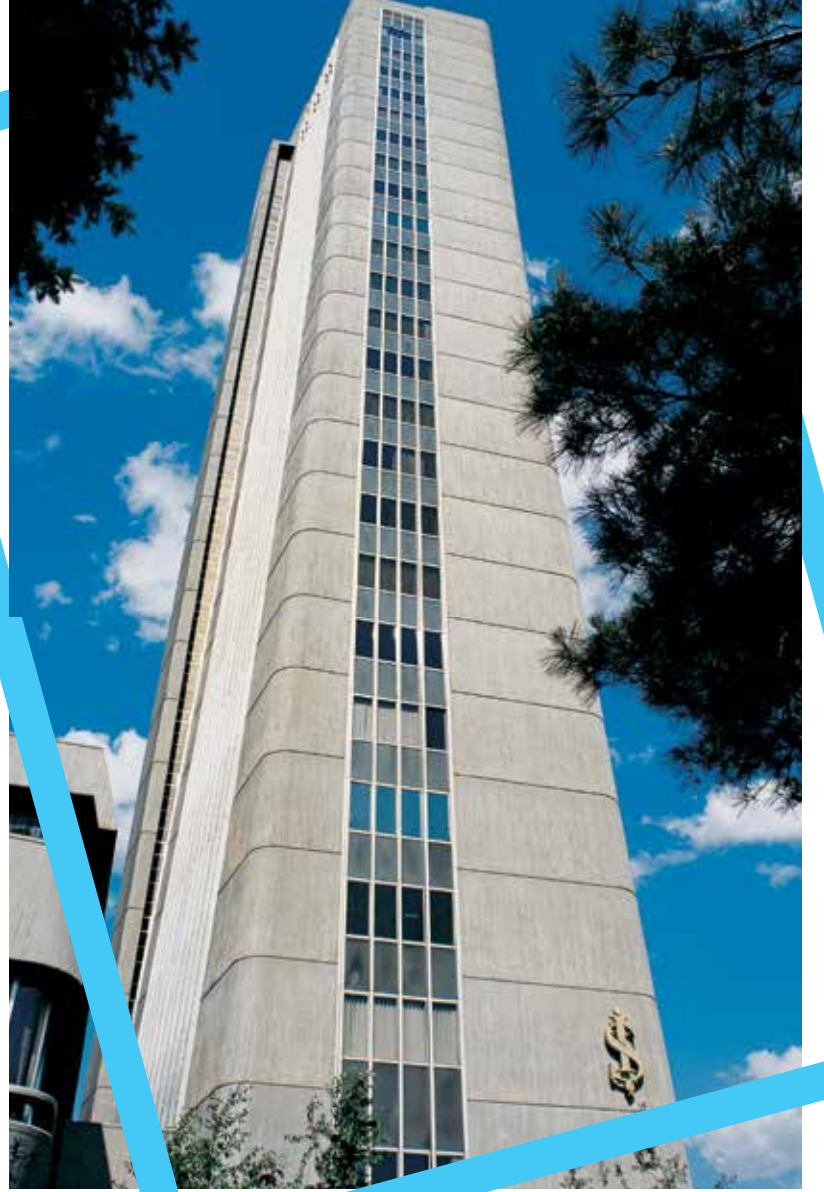
LOCATION: İSTANBUL-ŞİŞLİ-AYAZAĞA

ACQUISITION DATE: 2001

GROSS AREA (M²): 12,904

APPRAISED VALUE (TL):
107,635,000

2017 RENTAL INCOME (EXCLUDING VAT) (TL):
5,133,387



ANKARA İŞ TOWER

LOCATION: ANKARA-ÇANKAYA

ACQUISITION DATE: 1999

GROSS AREA (M²): 28,998

APPRAISED VALUE (TL):
135,420,000

2017 RENTAL INCOME (EXCLUDING VAT) (TL):
732,821

An important landmark in Ankara

Ankara İş Tower represents a benchmark in the transition to modern structures, a characteristic that made it a landmark.

The tallest skyscraper in our country at the time it was built, Ankara İş Tower represents a benchmark in the transition to modern structures, a characteristic that made it a landmark.

An office building comprising 3 blocks and 29 storeys, Ankara İş Tower stands out with its architectural aesthetics, as well as functionality. The building served as İşbank's head office for 24 years from 1975 until 1999. İşbank remains a tenant keeping a branch in a small section of the building, for which leasing efforts are ongoing.





Offices and commercial units at the heart of IFC

The financial center project being developed by İş REIC is located right at the heart of IFC that has set its sights on being one of the world's top 5 financial centers.

Presented as one of the most remarkable projects of late, İstanbul International Financial Center (IFC) will not only reposition Turkey in the international market, but will also likely alter the living standards in the area.

İş REIC has purchased a property within IFC to develop a project consisting of office and commercial units, where it develops a project with an approximate leasable/sellable area of 33,000 m². It is targeted to be completed in the

years ahead, concurrently with other companies' projects taking place in the IFC. The project's forecasted investment cost (excluding financing costs) is TL 270-280 million.

Targeting to become one of the five biggest financial centers in the world, the project property will have an advantageous position also in terms of transportation accessibility with its proximity to the city's main arterial roads.

İSTANBUL FINANCIAL CENTER PROJECT

LOCATION: İSTANBUL-ÜMRANIYE

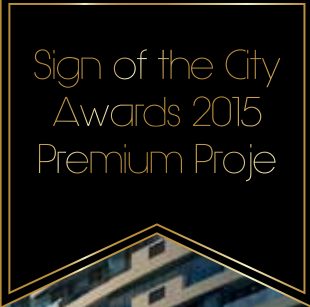
INVESTMENT COST* (TL MILLION): 270-280

LAND AREA (M²): 70,000

TOTAL LEASABLE AREA (M²):
33,000

ONGOING
PROJECT

* Excluding financing costs





A calm and pleasant life

Positioned in one of the nicest and most valuable locations on the Asian side of İstanbul, Manzara Adalar promises a calm and pleasant life.

Situated in Kartal, İstanbul, and bearing the signature of the globally renowned architecture firm Perkins Eastman, Manzara Adalar is a mixed-use project consisting of a total of five blocks, three residential and two office blocks, and also comprising commercial units that will contribute to the impeccability of this life center. Designated as an investment region by İş REIC, Kartal is a developing district which still presents further growth potential and is one of the nicest and most valuable locations on the Asian side.

Rising to a dazzling view of the islands and situated within 1.5 km walking distance to the seaside, Manzara Adalar project enjoys a central location that is right in the middle of the road, rail, air and sea transportation network. Comprising 975 units covering different apartment types ranging from 1+1 to 5+1 flats and offices and commercial units, the project has an investment cost (excluding financing costs) of TL 620 million.

As well as the high investment value presented by virtue of its location, Manzara Adalar opens the doors to a peaceful life in the heart of İstanbul.

4 minutes from D-100 motorway, 22 minutes from the Bosphorus Bridge and 25 minutes from the FSM Bridge, the project is also close to critical spots in the district, such as hospital, courthouse, universities, train station and subway station in the district, while it is only 19 kilometers from Sabiha Gökçen Airport. The project promises a relaxed and enjoyable life with its indoor/outdoor swimming pool, outdoor children's pool, reflecting pools and walking paths, fitness center, SPA, hobby rooms, kids club and multipurpose sports complex.

Named the "Premium Project" in the "Best Marketing Campaign" category at the Sign of the City Awards 2015, Manzara Adalar claimed the premium project title in "Best Residence" and "Best Mixed-Use Project" categories in 2016 and was also awarded in the "Best High-Rise Residence" category.

The groundwork for Manzara Adalar project was laid in 2014, and its construction has been completed by 93% as at year-end 2017. The deliveries in the project are projected to begin by early 2018.

İSTANBUL KARTAL MANZARA ADALAR PROJECT

LOCATION: İSTANBUL-KARTAL

INVESTMENT COST* (TL MILLION): 620

LAND AREA (M²): 317,350

ARCHITECTURAL DESIGN: PERKINS EASTMAN

ONGOING
PROJECT

* Excluding financing costs





inistanbul

Successful sales performance

TL 1.6 billion in total is targeted to be generated on the sales of the units included in İstanbul built as four different projects.

Within the scope of the cooperation between İş REIC and Timur Gayrimenkul (Nef), project development continues on the plot located in Zeytinburnu district, one of the longest-established residential areas in İstanbul, and equally owned by the two companies. The world's leading creative architecture firm Perkins & Will has been engaged for the project developed on the 80,000 m² plot. With the construction work in progress, the project is just 100 meters from the subway station and has direct access to tram and metrobus lines. The project is differentiated with its proximity to the city's central areas such as Zincirlikuyu, Çağlayan, Yenikapı, Bakırköy, Ataköy and Atatürk Airport.

Easily reached from all parts of the city, İstanbul İnistanbul Project stands out with 2,729 units ranging from studios to 4+1 flats, rich mix of social facilities, green areas and advantageous payment options. Comprising of residential units

and a small number of commercial spaces, the project also incorporates Nef's proprietary Foldhome system. TL 1.6 billion in total is targeted to be generated on the sales of the residence and commercial spaces included in İstanbul built as four different projects, and the forecasted project development cost excluding financing is TL 1.1 billion. 82% of the commercial units covered in the project were sold in the auction carried out at Haliç Congress Center in December. With 89% of the residential units already sold, deliveries are projected to start on the basis of blocks from January 2018.

İstanbul İnistanbul project was a finalist in the "Best High-Rise Residence", "Best Marketing Campaign" and "Best Architectural Design Concept" categories and was awarded in the "Best Architectural Design Concept" category at the Sign of the City Awards organized by Hürriyet Newspaper.

İSTANBUL İNİSTANBUL PROJECT

LOCATION: İSTANBUL-TOPKAPI

INVESTMENT COST* (TL MILLION): 1,120

LAND AREA (M²): 400,000

ARCHITECTURAL DESIGN: PERKINS&WILL

ONGOING
PROJECT

* The investment cost (excluding financing costs) is the full investment cost jointly undertaken with Nef.

MUĞLA MARMARİS MALLMARİNE SHOPPING MALL

LOCATION: MUĞLA-MARMARİS
ACQUISITION DATE: 2001
GROSS AREA (M²): 6,399
APPRAISED VALUE (TL):
13,030,000



NEVŞEHİR KAPADOKYA LODGE HOTEL

LOCATION: NEVŞEHİR-UÇHISAR
ACQUISITION DATE: 2010
GROSS AREA (M²): 11,115
APPRAISED VALUE (TL):
25,388,000

Independent Auditor's Report on the Annual Report of the Board of Directors

(Convenience translation of a report originally issued in Turkish)

To the Shareholders of İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

1) Opinion

We have audited the annual report of İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi ("the Company") for the period of January 1 - December 31, 2017.

In our opinion, the financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Company are presented fairly and consistent, in all material respects, with the audited full set financial statements and the information we obtained during the audit.

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 Annual Report 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) Our Auditor's Opinion on the Full Set Financial Statements

We have expressed an unqualified opinion in our auditor's report dated January 29, 2018 on the full set financial statements of the Company for the period of January 1 - December 31, 2017.

4) The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC") and the provisions of the Communiqué II-14.1 on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") of the Capital Market Board ("CMB"), the management of the Company is responsible for the following items:

a) Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.

b) Preparation and fair presentation of the annual report; reflecting the operations of the Company for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the financial statements. The development of the Company and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.

c) The annual report also includes the matters below:

- Subsequent events occurred after the end of the fiscal year which have significance,
- The research and development activities of the Company,
- Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Customs and Trade and related institutions.

5) Auditor's Responsibilities for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code and the Communiqué, on whether the financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Company's audited financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAS and the standards on auditing as issued by the Capital Markets Board of Turkey. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the financial statements.

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

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



February 23, 2018
İstanbul, Türkiye

Ordinary General Assembly Meeting of Shareholders

Agenda

İş Gayrimenkul Yatırım Ortaklığı A.Ş.

Agenda for the Ordinary General Assembly Meeting of Shareholders of İş Gayrimenkul Yatırım Ortaklığı A.Ş. to be held on 21 March 2018

1. Opening, establishment of the Chairmanship Council,
2. Reading and discussion of the Board of Directors' Annual Report on 2017 activities and reading the Auditor's Report on activities in 2017,
3. Reading, discussion and approval of the financial statements of the year 2017,
4. Laying down the appointment made to the member seat on the Board of Directors during the reporting period for the approval of the General Assembly of Shareholders,
5. Discharge of the Board Members for their activities in 2017,
6. Discussion and decision of the Board of Directors' proposal on the distribution of the operating profit in 2017,
7. Election of the Board Members and determining the terms of their service,
8. Determining the remuneration of the Board Members,
9. Election of the Auditor,
10. Authorization of the Board Members to conduct the transactions provided under the Articles 395 and 396 of the Turkish Commercial Law,
11. Informing the shareholders on the Company's donations made in 2017, and setting the limit for the donations to be made in 2018,
12. Informing the General Assembly of Shareholders under principle no. 1.3.6 of the Corporate Governance Principles,
13. Informing the shareholders pursuant to Article 37 of the CMB Communiqué No. III-48.1,

Summary Activity Report of the Board of Directors'

Dear Shareholders,

During 2017, the Turkish economy has been the scene to growth rates that achieved record levels. The key drivers behind this development included the government incentives, tax reductions and expanded credit facilities. Cumulative growth rate in the first three quarters of 2017 was registered as 7.4%. Looking at the performance for the first nine months of the year, the Turkish economy is estimated to have closed 2017 with a growth rate of above 6%.

Notwithstanding, fragilities including the serious rise in inflation, volatile exchange rates, the uptrend adopted by the foreign trade deficit and current deficit, and high unemployment rate continue to be important. High inflation, interests and in turn, rising exchange rates are the links of a self-feeding chain. Fiscal and economic policies to be implemented will be critical for 2018 to be able to break this chain.

While the negative course of the current deficit draws the attention, the increase in foreign trade deficit has been telling upon the expansion in current deficit. As tourism revenues kept propping the current accounts balance, portfolio investments lost some pace in connection with the slowdown in the borrowing tendency of the public sector. Direct investments, on the other hand, continued to display a weak performance.

On the other hand, the fact that 11.1% growth in the third quarter was driven by machinery and equipment investments and exports along with public outlays represent an important indicator with respect to the coming period. To the extent that switching to a growth composition that more heavily relies on exports and private sector investments can be achieved, the most important threshold will be passed with respect to the quality and sustainability of economic growth.

Our Company preserved its consistent growth target in 2017, and gave priority to bring its ongoing investments to completion within the projected timelines, to capitalize on investment opportunities, and to capture the lease, sales and delivery targets in line with its strategic plans. During the reporting period, the Company kept a close eye on new project and real estate opportunities that will secure growth and revenue increase, and kept working on the planned projects throughout 2017. While the Company progressed according to plans in ongoing investments, also work was carried out for developing new projects on the plots included in our portfolio.

In 2017;

- İzmir Ege Perla Shopping Mall became operational;
- Sales and construction activities went on for our Manzara Adalar and İstanbul projects;
- Work continued in accordance with our construction program simultaneously with other companies in our İstanbul Financial Center project and rough construction was completed;
- Building permit was obtained for the residential project planned to be developed in Tuzla as part of new investments;
- Building permit was obtained for the hotel investment project planned to be developed in Kadıköy, and development work began.

As at 31 December 2017, İş REIC's;

- total assets reached TL 5,312 million, up by nearly 9% yoy,
- shareholders' equity reached TL 3,281 million, up by nearly 4% yoy,
- total portfolio value reached TL 5,215 million, up by nearly 7% yoy,
- total real estate portfolio reached TL 5,132 million, up by nearly 8% yoy, and
- the Company booked approximately TL 180 million in net profit for the period.

We would like to thank all our shareholders for their support and confidence that made the results we have achieved possible.

Sincerely,

İş Gayrimenkul Yatırım Ortaklığı A.Ş.
Board of Directors

Dividend Policy

The dividend distribution proposal of the Board of Directors is discussed at the General Assembly and it is decided whether to pay out dividends, as well as its manner and timing.

The Company's articles of association stipulate that first dividends in the rate and amount determined by the CMB are to be distributed from the distributable profit.

The Board of Directors adopted a dividend distribution policy based on the principle of proposing to distribute at least 30% of the distributable profit in bonus shares or in cash to the General Assembly, giving due consideration to:

- maintaining the delicate balance between shareholders' expectations and the Company's need to grow, and
- the Company's profitability.

There are no privileges regarding distribution of profit, and dividend distribution is carried out within the legally prescribed period of time.

In the event that the Board of Directors proposes against distribution of profit to the General Assembly, information on the reasons therefor and the usage manner of retained earnings will be presented to the shareholders at the General Assembly, incorporated in the annual report, and disclosed publicly.

The Company's articles of association address distribution of advances on profit share, and advances on dividends may be distributed to shareholders subject to capital market requirements and regulations.

Profit Distribution Proposal by the Board of Directors

Under the Capital Markets Board of Turkey (CMB) legislation, the Company's articles of association and the Company's dividend policy, it is proposed that profit be distributed as shown in the table below based on the net profit for the period ended 31 December 2017, that TL 45,000,000 be distributed as bonus share and TL 68,531,250 be distributed as cash dividends to be covered from out of the net profit for the period, and that cash dividend payout be commenced on 27 March 2018.

İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. Profit Distribution Table for the Year 2017 (TL)			
1.	Paid-in/Issued Capital		913,750,000
2.	General Legal Reserve (based on legal records)		50,984,830.73
	Information regarding privileges in profit distribution according to the Articles of Association, if any, information on such privileges		There are no privileges in profit distribution
		Based on CMB	Based on Legal Records
3.	Profit for the Period	179,956,837.00	221,768,688.61
4.	Taxes	0.00	0.00
5.	Net Profit for the Period	179,956,837.00	221,768,688.61
6.	Prior Period Losses	0.00	0.00
7.	General Legal Reserve	11,088,434.43	11,088,434.43
8.	NET DISTRIBUTABLE PROFIT FOR THE PERIOD	168,868,402.57	210,680,254.18
9.	Donations Made within the Year		
10.	Net Distributable Current-Year Profit Including Donations	168,868,402.57	
11.	First Dividend to Shareholders	90,687,500.00	
	- Cash	45,687,500.00	
	- Bonus	45,000,000.00	
	- Total	90,687,500.00	
12.	Dividends For Preferred Shareholders	0.00	
13.	Dividends For Others	0.00	
	- Board Members	0.00	
	- Employees	0.00	
	- Other than Shareholders	0.00	
14.	Dividends for Usufruct Shares	0.00	
15.	Second Dividend to Shareholders	22,843,750.00	
16.	General Legal Reserves	2,284,375.00	
17.	Statutory Reserves	0.00	
18.	Special Reserves	0.00	
19.	EXTRAORDINARY RESERVES	53,052,777.57	94,864,629.18
	Other Sources for Distribution		0.00
	- Prior Period Profit		0.00
	- Extraordinary Reserves		0.00
20.	- Other Reserves Distributable As Per Law and Articles of Association		0.00

İş Gayrimenkul Yatırım Ortaklığı A.Ş. Dividend Ratio Table for 2017						
	GROUP	TOTAL DIVIDENDS		TOTAL DIVIDENDS/NET DISTRIBUTABLE PERIOD PROFIT	OF TL 1 NOMINAL VALUE DISTRIBUTED PROFIT	
		CASH (TL)	BONUS (TL)	RATIO (%)	AMOUNT (TL)	RATIO (%)
NET	A	97,901.783	64,285.713	0.10%	0.124	12.4%
	B	68,433,348.217	44,935,714.287	67.13%	0.124	12.4%
	TOTAL	68,531,250.000	45,000,000.000	67.23%	0.124	12.4%

Corporate Governance Principles Compliance Report

PART I – STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

İş REIC espoused the four main elements of Corporate Governance Principles, which are Fairness, Transparency, Accountability and Responsibility, and observes compliance with them in its activities.

Our Company adheres to all of the Corporate Governance Principles that are compulsory to be implemented, and takes care to maximize its adherence with regards to all principles. Optional corporate governance principles are addressed under the relevant headings in the following sections. There were no conflicts of interest that arose during the reporting period on account of non-implementation of optional principles.

Our Company exercises the necessary sensitivity for compliance with Corporate Governance Principles, and established the Corporate Governance Committee in 2007. The Committee's primary duties include monitoring compliance with corporate governance principles, undertaking improvements in these areas, and presenting recommendations to the Board of Directors. The Committee follows up the changes in legislation, with a particular focus on investor relations activities in respect of capital markets, and regularly reviews the Company's corporate governance practices, constantly identifies improvement areas, and continually improves the Company's corporate governance system.

Corporate governance rating of our Company has been revised as "94.76" based on the review performed in 2017 by Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA) for the assessment of the Company's compliance degree with the Corporate Governance Principles. The Company was given the following ratings in the four main sections: Shareholders 91.49, Public Disclosure and Transparency 98.46, Stakeholders 96.70, Board of Directors 93.63.

The rating report prepared by SAHA upon the period review is posted on the Company website in the "Investor Relations" section, under the heading "Financial Data and Reports".

The Company's Corporate Governance Principles Compliance report is also available on the Company website in the "Investor Relations" section, under the heading "Corporate Governance".

PART II - SHAREHOLDERS

2.1. Investor Relations Department

The Company's "Investor Relations Department" has been active since 28 January 2005 within the relevant regulations of the CMB. Prior to each Board meeting, the Department prepares a report to be submitted to the Board of Directors about the Department's activities during the period. The Department manager physically participates in the Board of Directors meetings. Serving as a bridge between the Department and the Board of Directors, the Corporate Governance Committee, which actively oversees the Department's activities, meets regularly, and evaluates the activities carried out by the Department during the reporting period. Following the meeting, presentations about the topics that have been discussed in the committee meetings are shared with the Board of Directors. Besides these reports, "Annual Investor Relations Activity Report" is drawn up following the end of the fiscal year. As indicated in the operating principles of the committee, the Investor Relations Department also handles the secretarial tasks of the Corporate Governance Committee.

The Company's Investor Relations Department operates under the name "Investor Relations and Corporate Compliance" within the "Investor Relations and Corporate Compliance, Risk Management Group". The Department manager is Ayşegül Şahin Kocameşe, Head of the Investor Relations and Corporate Compliance, Risk Management Group. The Department manager holds Capital Market Activities Level 3 License and Corporate Governance Rating License. The Department manager serves as a member of the Corporate Governance Committee in accordance with Article 11 of the Corporate Governance Communiqué. The manager of the Investor Relations Department, being a member of the Corporate Governance Committee, participated in all of the Committee meetings held during the year, provided information to the Committee about the Department's activities and the material developments that took place during the reporting period, and took active part in the improvement and rating of corporate governance practices.

Contact details for the individuals working in the Investor Relations Department are presented below:

Contact Person	Phone Number	E-mail Address
Ayşegül Şahin Kocameşe Head of Investor Relations	0850 724 23 50	aysegul.sahin@isgyo.com.tr
Mine Kurt Yıldırım Assistant Manager	0850 724 23 50	mine.kurt@isgyo.com.tr
Begüm Olgaç Specialist	0850 724 23 50	begum.olgac@isgyo.com.tr

Investor Relations Department consistently and effectively manages matters related to the conduct of General Assembly Meetings, and particularly those related to the exercise of shareholders' rights, public disclosure and provision of company-related information, as well as share capital increases and the Company's rating processes.

During 2017, the Investor Relations Department held meetings with analysts and fund managers from local and foreign investment companies.

During the year, the Investor Relations Department responded to nearly 360 queries, most of which were received by e-mail. Information requests from local and foreign investors or investment companies were responded to with careful observation of all matters with respect to public disclosure, and particularly the legislation and the Company's Information Policy. About 57% of all requests for information consisted of individual queries, while the remaining 43% were of an institutional nature.

Shareholders may convey their information requests by contacting the Investor Relations Department employees directly or by sending an e-mail to the Department's e-mail address or using the contact form available on the website. Shareholders usually contact the Department employees directly or via the Department's e-mail account, and rarely use the contact form on the website.

In addition to investors' queries, support is extended for information requests, surveys and academic studies within the scope of research conducted by universities and various public institutions.

The Investor Relations Department regularly maintains proper records of the written and oral queries that it receives. Besides handling requests for information made to the Company, this Department also regularly monitors the reports and bulletins published by brokerages in which any mention of the Company is made, while providing the necessary support to brokerages for their reporting or model updating processes through teleconferences or meetings.

2.2. Exercise of Shareholders' Right to Obtain Information

İş REIC's Information Policy is based on transparency and fairness, and the Company adheres to İş REIC Code of Ethics, which has been in place since 2003, in all of its public disclosure activities, and treats every shareholder equally, irrespective of the number of shares held thereby.

The Company's Information Policy was publicly disclosed and made available on the company website for the information of all shareholders and stakeholders. The policy is reviewed regularly in view of the applicable regulations and the Company's changing needs.

During the reporting period, information requests received from local and foreign investors or brokerages were responded to with careful observation of all matters with respect to public disclosure, and particularly the legislation and the Company's Information Policy.

The Company website is actively used to facilitate public disclosure and exercise of shareholder rights. Quarterly investor presentations in Turkish and English, as well as the balance sheet and income statement and other financial statements drawn up within the scope of financial reports, along with material event disclosures made through the Public Disclosure Platform (KAP) were prepared in Turkish and English and posted on the corporate website the same day. Moreover, those sections of the Company's corporate website that are subject to updates, particularly the information with a potential impact on the exercise of shareholder rights, were regularly updated within the frame of current developments. Thereby, accurate and up-to-date information was made available especially to investors and investment companies in addition to various individuals or institutions that require information about the Company and its activities.

Corporate Governance Principles Compliance Report

The corporate website incorporates the “Information Society Services” section as required by the Regulation governing the websites of equity companies published by the Ministry of Customs and Trade. Investors link to the Central Securities Depository (MKK) portal via the Information Society Services section and are able to access fundamental information about the Company also through this link.

Moreover, investors have access to stock performance data as well as to the Company’s material event disclosures via the data provided by Foreks Bilgi İletişim Hiz. A.Ş. under the “Investor Relations/Stock Performance” section on the Company website. In addition, stock performance data is also available on the English website.

Care is taken to publish announcements about the Company’s activities, which will take place in the press, in national editions of newspapers with high circulation numbers. In addition, news and documents concerning General Assemblies of Shareholders are also posted on the corporate website.

Requests to appoint a special auditor have not been stipulated as an individual right in the Company’s articles of association. During the reporting period, our Company did not receive any requests for the appointment of a special auditor. At the Annual General Assembly of Shareholders convened on 23 March 2017, one shareholder requested the appointment of a special auditor, which request was declined by majority of votes.

2.3. Information about the General Assembly

The Annual General Assembly of Shareholders for 2016 convened on 23 March 2017 at the address İş Sanat Kültür Merkezi Levent-Beşiktaş/İstanbul with 67.84% attendance, of which 67.77% were acting as proxies and 0.068% were acting in person. Besides shareholders, all Members of the Board of Directors except for one member participated in the meeting, as well as an authorized person from the independent audit firm and Company employees. Neither the Company’s articles of association nor the Company’s internal directive on the operating principles and procedures of the General Assembly contain any provisions precluding the media from attending the General Assembly. Although they were invited in the general assembly announcement, no members of the media attended the General Assembly.

Under the relevant requirements of the Turkish Commercial Code and the Ministry of Customs and Trade, the Company’s General Assembly Meeting for 2016 was concurrently held on the Electronic General Meeting System hosted by the Central Securities Depository, and shareholders who are entitled to participate in the General Assembly Meeting were given the opportunity to electronically participate in the meeting, assign a proxy, make recommendations, voice their comments, and cast votes over this system.

The General Assembly process was conducted according to the Corporate Governance Principles in particular, and the provisions of the applicable capital market legislation and the Turkish Commercial Code (TCC) in general; the invitation for the meeting, including the agenda and sample proxy form, were published on the corporate website, Turkish Trade Registry Gazette, Public Disclosure Platform (KAP), and in a national newspaper. In addition to the announcements on the Public Disclosure Platform, invitation for the meeting was also made via the Electronic General Meeting System (e-GEM) and the e-Company (Companies Information Portal) of the MKK; documents pertaining to the General Assembly were also uploaded to e-GEM. In order to ensure that both Turkish and foreign investors were informed about meeting matters in advance, a “General Assembly Informative Document” was prepared in Turkish and English. This document, as well as the proxy form sample, the agenda and the dividend distribution proposal of the Board of Directors along with the invitation were all published on the Company website. The 2016 Annual Report was made available at the Company’s headquarters and on the website for investor review 21 days before the meeting date. All documents prepared in relation to the General Assembly were also uploaded to the MKK’s Electronic General Meeting System.

When preparing the agenda, the Board of Directors pays attention to take into consideration the suggestions communicated in writing by shareholders to the Company’s Investor Relations Department for their incorporation in the agenda. At the time the agenda for the 2016 Annual General Assembly was being prepared, the Company received a request for incorporation of items in the agenda from one shareholder. The suggestions that were not approved to be included in the agenda by the Board of Directors and the grounds for such refusal were publicly disclosed in the “General Assembly Informative Document” prepared for 2016 Annual General Assembly.

Pursuant to Corporate Governance Principles, the Company publicly disclosed in a material event disclosure the final list of independent board member nominees, and posted the résumés of independent board member nominees and other member nominees on the Company website prior to the General Assembly, thus allowing shareholders to have information about board member nominees in advance.

In order to facilitate participation of shareholders in the General Assembly Meeting, due care was taken to hold the meeting in a place where majority of shareholders reside and to ensure that the right to participate in the meeting is exercised within the frame of the relevant regulations of the Ministry of Customs and Trade.

Pursuant to Corporate Governance Principles, prior to the meeting, shareholders were informed on the number of total votes that may be cast at the General Assembly, the privileges they incorporate, and the voting procedure.

At every stage of the meeting, shareholders are granted the chance to raise questions and advance proposals, including the right to take the floor. Questions are answered and proposals are given consideration, as well. At the Annual General Assembly of Shareholders this year, the questions and proposals of shareholders present in the meeting were mentioned in the meeting minutes, and the questions raised during the meeting and their answers were also published under the section "Investor Relations/General Assembly" of the Company website. Furthermore, all oral and written queries from the shareholders about the Company were answered prior to and after the General Assembly of Shareholders within the scope of the Company Information Policy.

Following the General Assembly, the meeting minutes were uploaded to the e-GEM, the minutes and the list of attendants were publicly disclosed via the Public Disclosure Platform, and was made available to shareholders by posting them under the heading "General Assembly Meetings" beneath the "Investor Relations" section of the Company website.

The General Assembly did not convene extraordinarily during the reporting period.

There is a Donations Policy in place, which sets out the principles and procedures applicable to the donations to be made by the Company. No changes were made to the policy during the reporting period.

As per article 19 of the Capital Market Law, the limit of the donations to be made by a company is to be set at the General Assembly Meeting. Under the Company Donations Policy, the donation budget set aside for the Company's donations during 2017 and approved by the General Assembly was TL 125,000. In 2017, the Company did not make any donations. This matter will be presented for the information of the shareholders in the General Assembly to be convened for the year 2017 pursuant to the Corporate Governance Principle numbered 1.3.10 and Article 6 of the CMB's Communiqué on Dividends (II-19.1).

None of the Board of Directors decisions passed during the reporting period required the affirmative votes of all of the independent Board members and needed to be referred to the General Assembly by reason of a negative vote and thus, required the incorporation of the act within the agenda.

During the General Assembly Meeting held during the year, Board of Directors Members were authorized to transact under articles 395 and 396 of the TCC concerning "prohibition on doing business with the Company, on borrowing from the Company" and "non-compete". During the reporting period, neither the Board Members, nor shareholders having management control, nor executives with administrative responsibility or their spouses or relatives by marriage unto the second degree engaged in any material transaction that might lead to a conflict of interest between the Company or its subsidiaries, or joined another company dealing with the same kind of commercial affairs in the capacity of an unlimited partner. Mr. Murat Doğan, Board member of our Company, serves as a member of the Board of Directors of İş-Altınhas İnşaat Taahhüt ve Tic. A.Ş., and Mr. Turgay Tanes, the Company's CEO, serves as the Chairman of the Board at the same company.

Also there are no transactions individuals with access to inside information have carried out within the scope of the Company's field of activity in their own names.

Corporate Governance Principles Compliance Report

2.4. Voting Rights and Minority Rights

The Company's capital is divided into 913,750,000 shares, which are made up of Group A shares that correspond to TL 1,305,357.11 and Group B shares that correspond to TL 912,444,642.89. Group A shareholders have the privilege of nominating candidates to the Board of Directors elections. One Member of the Board of Directors is elected from among the candidates nominated by Group B shareholders, with all of the remaining Members being elected from among the ones nominated by Group A shareholders. Candidates for the Board of Directors are presented for the information of the shareholders during the General Assembly and are appointed by the decision adopted in the General Assembly.

Article 14 of the CMB Communiqué on the Principles Regarding Real Estate Investment Companies (III-48.1) sets out that shareholders in a REIC may issue shares incorporating the privilege of nominating candidates for election of Board Members. REICs are not allowed to issue any securities that grant privileges other than the one to nominate candidates to the election of Board of Directors membership. Accordingly, the Company's articles of association contain no privileges regarding voting.

At the Company, each nominal value of TL 0.01 gives entitlement to one vote, and shareholders vote at General Assembly Meetings pro rata the total nominal value of the shares they hold, pursuant to article 434 of the Turkish Commercial Code. Principles in relation to voting at General Assembly Meetings are set out in the Company's internal directive on working principles and procedures of General Assembly, which has been laid down for approval at the General Assembly and has been publicly disclosed. The Company's articles of association grant no privileges in relation to voting.

There are no companies with which the Company has cross-shareholding relationship.

Save for legal regulations, the Company's articles of association do not incorporate additional stipulations regarding minority rights. Any additional stipulation for minority rights requires an amendment to the articles of association, which can be made through Company shareholders' volition in this regard. Since no such request has been received from shareholders as yet, such an amendment to the articles of association was not addressed in the agenda. There are no plans to make a change in this respect. Nonetheless, our shareholders' questions, opinions and comments received by our Company during the reporting period were responded to meticulously and without delay, irrespective of the number of the shares held.

2.5. Entitlement to Dividends

The Company's Dividend Policy is presented in the annual report and on the corporate website, under the "Policies" tab beneath the heading "Corporate Governance" in the "Investor Relations" section.

The Dividend Policy of the Company is presented below:

The dividend distribution proposal of the Board of Directors is discussed at the General Assembly and it is decided whether to pay out dividends, as well as its manner and timing.

The Company's articles of association stipulate that first dividends in the rate and amount determined by the CMB are to be distributed from the distributable profit.

The Board of Directors adopted a dividend distribution policy based on the principle of proposing to distribute at least 30% of the distributable profit in bonus shares or in cash to the General Assembly, while keeping a close eye on:

- maintaining the delicate balance between shareholders' expectations and the Company's need to grow,
- the Company's profitability.

There are no privileges regarding distribution of profit, and dividend distribution is carried out within the legally prescribed period of time.

In the event that the Board of Directors proposes against distribution of profit to the General Assembly, information on the reasons therefor and the usage manner of retained earnings will be presented to the shareholders at the General Assembly, included in the annual report, and disclosed publicly.

The Company's articles of association address distribution of advances on dividends, and advances on dividends may be distributed to shareholders subject to the applicable capital market regulations and requirements.

At the Annual General Assembly for 2016 fiscal year, it was decided to distribute dividends in the total amount of TL 127,500,000 to shareholders, breaking down as cash dividends worth TL 63,750,000, so that TL 0.075 (gross=net) (7.5%) dividend will correspond to each share with a nominal value of TL 1, and bonus shares worth TL 63,750,000. Cash dividend payout to shareholders was completed on 30 March 2017 and bonus share distribution on 2 May 2017.

The Board of Directors' proposal for dividend distribution in relation to 2017 period profit will be submitted to the approval of shareholders at the Annual General Assembly for 2017 fiscal year.

2.6. Transfer of Shares

The Company's articles of association do not contain any provisions restricting the transfer of shares.

PART III – PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. Company Internet Site and Its Content

The Company has its own website accessible at www.isgyo.com.tr. The website features trade registry information, the latest shareholder and management structure, detailed information about privileged shares, dates and issue numbers of the Turkish Trade Registry Gazettes in which amendments were promulgated along with the latest version of the Company's articles of association, material event disclosures, financial statements, annual reports and other public disclosure documents, agendas of general meetings, participation in meetings, meeting minutes, proxy voting forms, dividend policy, information policy, questions raised during the general meeting and their answers, code of ethics, and frequently asked questions. Share purchase proposal, mandatory informative sheets drawn up for collecting proxy forms and similar forms are not posted on the website since the Company does not have any processes requiring the preparation of such documents, neither is the Company's policy concerning repurchasing of own shares as the Company does not have a decision for repurchasing its own shares, either. In the case that there exists a process requiring the preparation of the said documents, related documents will also be made available on the Company website. The website is also prepared in English for use by foreign investors. Both the Turkish and English versions of the website are regularly and simultaneously updated to better inform the investors.

In accordance with the Central Securities Depository (MKK) data published via the Public Disclosure Platform (KAP), the Company's shareholding structure is updated quarterly to show also the non-corporate or corporate shareholders directly holding 5% or higher interest in capital, or having voting rights. Upon public disclosure of financial statements and notes, summary financial statements drawn up in English and notes to semi-annual and annual financial statements are posted on the English website pursuant to the capital market legislation.

The corporate website covers the elements as described in the Corporate Governance Principles, and the information posted on the website are regularly reviewed. The website is also monitored with respect to its compliance with applicable regulations in terms of its format and content.

The corporate website incorporates the "Information Society Services" section as per the regulation governing the websites of equity companies published by the Ministry of Customs and Trade. Investors are linked to the MKK portal via the Information Society Services section and to access fundamental information about the Company also through this link.

In addition to that, investors have easy access to stock performance data as well as to the Company's material event disclosures via the data provided by Foreks Bilgi İletişim Hiz. A.Ş. under the "Investor Relations/Stock Performance" section on the Company website. Moreover, stock performance data is also provided on the English website.

3.2. Annual Reports

The Company's annual reports are prepared in the content that will give the public opinion access to accurate and complete information about the Company's activities within the frame of Corporate Governance Principles, as well as other Capital Market regulations and applicable regulation of the Ministry of Customs and Trade.

Corporate Governance Principles Compliance Report

Care is taken to make sure that the annual report covers detailed information on Board Members and committees, as well as basic information about the Company's activities. In this frame, the annual report contains Board Members' résumés, their powers and responsibilities in the Company and the outside positions they hold, whether they make any transactions within the Company's main business scope under the Company's legal entity or on the Company's capital market instruments, whether they enter into a borrowing relationship with the Company. Other information covered by the report includes financial rights provided to Board Members and Independent Members' declarations of interest, operating principles of the Board of Directors, number of Board meetings held during the reporting period, attendance to meetings, number of decisions passed and information on the adoption manner of these decisions; formation and operating principles of the committees set up under the Board of Directors, their activities during the reporting period, and the numbers of their meetings and decisions, as well as the Board of Directors' assessment on the activities of committees.

In addition, the annual reports also address changes in legislation that might have material impact on the Company's activities; disclosure of conflicts of interest, if any, between the Company and outsourced service providers in fields such as investment consultancy and rating, and the measures adopted to prevent conflicts of interest; information on important lawsuits brought against the Company during the year and their potential outcomes; information on cross-shareholding relations in which more than 5% of the capital is held directly, and information on social benefits and professional training provided to employees, and on corporate social responsibilities activities in relation to Company activities that bring about other social and environmental implications.

PART IV - STAKEHOLDERS

4.1. Keeping Stakeholders Informed

Open and honest communication channels have been established with Company employees and other stakeholders, with attention paid to ensure that all stakeholders are kept informed about issues that concern them. Effective and speedy indemnification is made available in the event of infringement of stakeholders' rights regulated by legislation and mutual contracts. In all the agreements made, the Company takes care to include information on possible cases of indemnification and takes into consideration any and all demands and feedbacks received from stakeholders. The Company has in place a "Compensation Policy" devised for its employees, which is posted on the Company website.

The rights of all stakeholders are protected within the frame of the Code of Ethics published by the Board of Directors.

The sanctions applicable to Company employees with respect to adherence to Code of Ethics take place in internal guidelines. Company employees can convey any transaction that contradicts with the legislation and are ethically inappropriate to the Audit Unit. An Ethics Hotline was set up, which will be used for stakeholders to convey any transactions deemed to contradict with the laws or the Company's ethical values to the Committee for Audit made up of Independent Board Members. An e-mail account has been assigned for this line and e-mail address has been announced on the corporate website.

The Company takes care to always cooperate with partners that espouse its Code of Ethics. In the professional relationships with customers, honesty and fairness are observed, reliability of agreements is upheld, and commitments are fulfilled in a timely manner. The Company attaches importance to building relationships with suppliers upon long-lasting trust. Care is taken to maintain the confidentiality of information of a trade secret nature, which information is related to customers and suppliers.

Actions that will ensure customer satisfaction are taken in the marketing and sales of goods and services; customer requests concerning purchased goods and services are fulfilled as soon as possible and customers are informed about possible delays. Attention is paid to ensuring alignment with the existing quality standards of the goods and services. In real estate projects where the Company that acts as a real estate investment company gives a certain quality guarantee to customers, such undertakings are fulfilled.

4.2. Stakeholder Participation in Management

Keeping all lines of communication open and eliminating all possible encumbrances is a fundamental principle regarding participation of Company employees in management. There is no formal model established for direct participation of other stakeholders in management.

The Company maintains constant communication with employees, pays due regard to their needs, and creates various platforms and mechanisms by which employees can convey their opinions and comments.

Internal meetings are held, which are attended by Company employees when necessary, and they play a significant role in the decision-making process of senior management.

Expectations and demands from all stakeholders involved with the Company are addressed on the basis of Code of Ethics and resolved through mutual communication. Contractual and other demands, requests and problems of real and legal persons, which the Company is dealing with in relation to rental and sales agreements, are forwarded to the Company's relevant committees through the Corporate Communications, Sales, Leasing and Marketing Group, and solution-oriented suggestions are discussed and decided on by these committees.

4.3. Human Resources Policy

The main objective of the Company is to recruit the qualified human resource that will carry out Company activities in the most effective manner and to ensure employee motivation so as to maintain constant success; continuously improve financial rights and fringe benefits of employees; create a fair and professional working environment, and provide the necessary support to determine and fulfill the training needs of employees.

Employees are informed about decisions and developments that concern them. There is not a trade union set up under the Company organization. On the other hand, while the Company supports the freedom of association and the effective recognition of the right to collective bargaining, the Company has not received any such request from the employees to date.

In line with the objectives and strategies specified in the Company's Human Resources Policy, the Company aims to create a shared corporate culture by recruiting the human resource that espouses the same values with the Company, and seeks to create competitive advantage by conducting the necessary training, development and cultivation activities.

Matters such as employment conditions, career path and advancement requirements, monetary arrangements and fringe benefits are clearly detailed in the Company's Human Resources Regulation for the information of employees. The Human Resources and Education Department carries out all decisions made in relation to the employees in accordance with the said regulation.

Employees' job descriptions were developed based on business analyses. Number of employees, on the other hand, was determined according to the units' workloads and on the basis of distribution of tasks in line with the demands of the Company's Groups. Employees are expected to embrace the performance-driven management concept and recognize that their individual involvement will contribute to customers and shareholders. Therefore, Company Performance Evaluation criteria and their printed results are shared with the employees. Employees who target to add value to their respective jobs are backed by the Human Resources and Education Department, and they gain access to self-development and manage their career objectives.

The personal honor of each employee and all of their legally recognized rights are protected within the framework of the Company's Code of Ethics. All necessary measures have been taken to ensure a safe and healthy work environment.

During the reporting period, the Human Resources and Education Department received no complaints on account of discrimination.

4.4. Code of Ethics and Social Responsibility

The Code of Ethics was devised by the Board of Directors in 2003 under the headings "Shareholders", "Operating Standards", "Employees" and "Customers-Suppliers-Shareholders", posted on the Company website and publicly disclosed. The Code of Ethics can be accessed on the Company website under the "Corporate Governance" heading in the "Investor Relations" section.

While headed towards generating high returns for its shareholders, which is a key objective, İş REIC also carries out various activities to contribute to the social life and the environment within the scope of its corporate social responsibility concept.

Corporate Governance Principles Compliance Report

Along the line, the Company extends support to numerous artistic and sports events, in addition to the activities carried out in the sector. The activities carried out with a view to allowing the young generation gain experience in the sector and to socially equip them coincide with our corporate mission that puts human at its core.

İş REIC provides gratuitous support to projects in areas that it regards within the scope of its social responsibility such as education, health, culture, law, art, scientific research, environmental protection, and sport. Committed to consistently shaping its approaches, values, and policies within the framework of its corporate social responsibility, the Company will continue to engage in such activities and to provide them with support in the future as well.

No lawsuits were brought against the Company during the reporting period, which might affect the Company's financial status and operations.

Activities in relation to the social responsibility initiative launched in 2016 to manifest our attitude for seeking solutions to social issues, needs and expectations as İş REIC continued throughout 2017. In line with İş REIC's policy to carry out social investments that will be a model for all segments of the society, the sector and the business world and will create tangible benefits, a Corporate Social Responsibility Policy was formulated, which puts giving children equal access to educational, cultural, environmental and social means in its focal point, and targets to equip children with enhanced qualifications within the frame of priority topics. The said Policy was approved by the Board of Directors. The volunteering group activities continued throughout the year, which were launched with advisory support received, in line with our pursuit for generating a real solution that would serve as an example for the sector for a social issue or need aligned with the values embedded in our Company and brand, and related to our field of activity and our expertise. In the process, academic support was received from the faculty members of Koç University in line with the goal of identifying priority activity areas, determining and launching the social projects that will be conducted in these areas, and the roadmap for the project and program content were established. It was decided to proceed with TOÇEV, an NGO working to help underprivileged children continue their education, and discussions about the activity program were initiated. The project "My Creative World" is planned to be launched during 2018.

Acting upon the conviction that sustainable growth in all areas is crucial, and with its mission of creating desirable spaces for contemporary people and cities, İş REIC continued to support the sector's development and social solidarity in 2017.

During the reporting period, the Company maintained its support to sectoral development by sponsoring the Evolving Cities Summit organized by GYODER (Association of Real Estate and Real Estate Investment Companies), the Shopping Mall Investments Conference organized by AYD (Council of Shopping Centers – Turkey), Aegean Economic Forum organized by Özgencil Consulting that was inaugurated by T.R. Prime Minister Binali Yıldırım and heavily attended by the private sector and the public sector, İzmir leg of Evolving Regions Summit organized by Hürriyet newspaper, and İzmir Occupational Health and Safety Summit organized by the İzmir Association of Industrialists and Businessmen.

In addition, İş REIC opens the doors of the shopping centers in its portfolio to associations and foundations working to benefit the public by offering them the opportunity to set up stands and carry out publicity activities free-of-charge. The Company extends all necessary cooperation in this area.

PART V - BOARD OF DIRECTORS

5.1. Structure and Formation of the Board of Directors

Members of the Board of Directors	
Ömer Karakuş	Chairman, Non-Executive 16.05.2017-21.03.2018
Süleyman H. Özcan	Vice Chairman, Non-Executive 23.03.2017-21.03.2018
Aysel Tacer	Board Member, Non-Executive 23.03.2017-21.03.2018
D. Sevdil Yıldırım	Board Member, Non-Executive, Independent 23.03.2017-21.03.2018
Haluk Büyükbaş	Board Member, Non-Executive, Independent 23.03.2017-21.03.2018
Nihat Uzunoğlu	Board Member, Non-Executive, Independent 23.03.2017-21.03.2018
Mete Uluyurt	Board Member, Non-Executive 23.03.2017-21.03.2018
Murat Doğan	Board Member, Non-Executive 23.03.2017-21.03.2018
Sakine İlgen Dokuyucu	Board Member, Non-Executive 23.03.2017-21.03.2018
Senior Management	
Turgay Tanes	CEO

The powers and authorities of the Members of the Board of Directors are set out in the Company's articles of association. The Company is managed and externally represented by the Board of Directors. The Board of Directors performs the duties assigned to it by the General Assembly in accordance with the Turkish Commercial Code, the Capital Market Law and other applicable legislation. The Board of Directors is composed of nine members, three of which are independent.

Within the frame of Corporate Governance Principles, a Nominating Committee was not set up at the Company, and its functions are fulfilled by the Corporate Governance Committee. Along the line, the Corporate Governance Committee evaluated the candidacy of three individuals to serve as independent members on the Board of Directors during the reporting period. The Corporate Governance Committee prepared evaluation reports establishing whether the candidates possessed the criteria of independence on 21 March 2017, and submitted them to the Board of Directors on 21 March 2017. The Board of Directors finalized the list of nominees in the light of these evaluations and the finalized list of nominees was publicly disclosed.

During the reporting period, no events took place that compromised the independence of the Board Members. Declarations of interest by Board Members are on page 35-37.

Corporate Governance Principles Compliance Report

Board of Directors members' engaging in the transactions stipulated under Articles 395 and 396 of the TCC is subject to the approval of the General Assembly and the Board members were authorized to engage in the transactions falling under the said articles at the General Assembly meeting convened on 23 March 2017. Nonetheless, although there are no set rules on Board Members' undertaking other duties outside the Company, if they take on an executive role or hold a seat on the board of directors on, or offers consultancy service to, another company, this must not cause a conflict of interest. Also, as a basic principle, Independent Board Members must act so as to maintain the independence criteria described in the Principles. In-group/non-group positions held by the Board of Directors members, their terms of office in the Company, and distribution of positions are presented in the members' resumés.

Although the Company has not yet determined a targeted ratio and timing in relation to the women members on the Board of Directors, and has not devised a policy to this end, our Company pays attention to make sure that individuals possessing the required competencies take place in the Company's execution and on the Board of Directors, without discriminating on the basis of sex. Within this context, the Company spends maximum effort for active participation of women on the Board of Directors. On the other hand, when electing the members of the Board of Directors, priority is given to designating nominees possessing the required qualifications and experience in areas associated with the Company's field of activity; hence establishment of a binding policy with respect to the number of women members is not preferable. However, evaluations are ongoing for determining a targeted ratio of women Board members. Currently, three women members serve on the Board of Directors. While one member has been serving as a Member of the Board of Directors since 2012, other members took office upon being elected in the general meetings convened in 2016 and 2017.

Ömer Karakuş, Chairman

Ömer Karakuş received his degree in public administration from Gazi University, Faculty of Economics and Administrative Sciences. Having started his career at İşbank in 1989 as an Assistant Inspector on the Board of Inspectors, he was appointed Assistant Manager in the Accounting Department in 1998, where he later served as Unit Manager. He was appointed Head of Accounting Department in 2005, Manager of Yenişehir Branch in Ankara in 2007, Head of HR Department in 2008, and Head of the Board of Inspectors on 15 January 2016. Mr. Karakuş was promoted to Deputy Chief Executive Officer of İşbank on 27 April 2017. He held a seat as a member on the boards of directors of Nemtaş Nemrut Liman İşletmeleri A.Ş. (2005-2006), Anadolu Anonim Türk Sigorta A.Ş. (2006-2010), Anadolu Hayat Emeklilik A.Ş. (2010-2012), Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş. (2012-2013) and İşbank AG (2013-2016). Mr. Karakuş has been a member of İş REIC's Board of Directors since 16 May 2017.

Süleyman H. Özcan, Vice Chairman

Süleyman H. Özcan got his degree in economics at Boğaziçi University, and started his career as an assistant internal auditor on the Board of Internal Auditors of İşbank in 1993. He was appointed as Assistant Manager in Treasurers Department in 2001 and then as manager in the same department. He also worked as Unit Manager in Project and Change Management Department and Department of Strategy and Corporate Performance Management respectively and served in various positions at some İşbank subsidiary companies. Holding an in-group position in addition to his seat on the Board of Directors of İş REIC, he has been working as Department Manager in Investor Relations Department since 26 March 2009. He is also a Member of İşbank's Corporate Governance Committee. Mr. Özcan has been serving as a Member of İş REIC's Board of Directors since 8 December 2014 and is also a member of the Corporate Governance Committee.

Aysel Tacer, Board Member

Aysel Tacer received her degree in business administration from Marmara University, Faculty of Economics and Administrative Sciences. She started her career at İşbank as an Officer at Taksim Branch in 1980. Ms. Tacer served as Assistant Section Head and Financial Analyst in the Credit Information and Financial Analysis Department from 1983 to 1989; became Assistant Credit Analyst in 1989 and Assistant Manager in 1993 at Şişli Branch. Between 1996 and 2011, she served as Manager of Akatlar, Çarşı-Bakırköy, Bakırköy, Güneşli and Güneşli Corporate Branches. Ms. Tacer was a member of the Board of Auditors at Tuba Sim İnş. Konsorsiyumu A.Ş. (1994-1996), a member of the Board of Auditors at İş Faktoring Finansman Hizmetleri A.Ş. (1999-2001), and a member of the Board of Directors at Camiş Madencilik A.Ş. (2001-2005), at Anadolu Anonim Türk Sigorta Şirketi (2005-2009) and at İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (2009-2011). Ms. Aysel Tacer was elected to İşbank's Board of Directors on 31 March 2011 and on 28 March 2014. She has served as member of the Board of Directors until 21 March 2016, and functioned, in tandem, as a Member of Corporate Social Responsibility Committee and as Alternate Member of the Credit Committee. She retired from İşbank effective 30 June 2015. Ms. Tacer has been serving as a Member of İş REIC's Board of Directors since 11 April 2016 and does not hold any in-group position apart from her seat on the Board of Directors of İş REIC.

D. Sevdil Yıldırım, Independent Board Member

D. Sevdil Yıldırım received her degree in business administration from the Middle East Technical University in 1988. She also has master's degrees in economics from the Middle East Technical University and in finance from the London Business School. She worked at Capital Markets Board of Turkey (CMB) in Research and Development, Auditing and Market Supervision departments in 1988-1999. After serving as an Assistant General Manager at Yapı Kredi Invest (1999-2006), Turkish Yatırım (2007) and BGC Partners (2008), she joined Yıldız Holding A.Ş. in 2009 as Finance Coordinator in charge of Corporate Finance and Capital Markets. She was the Assistant General Manager and Member of the Investment Committee of Gözde Private Equity Investment Company (2010-2012) that she co-founded. Besides offering mentoring at Startupbootcamp Turkey and Women in Management, she runs selective projects in renewable energy, healthcare and agriculture mainly with Chinese corporations. Shortlisted for a tender by the European Investment Fund venture capital scheme, Ms. Yıldırım was also awarded as the management company for venture capital fund by 1514 Tender of TÜBİTAK in 2014. Having held vice president positions for Gulf business councils at DEİK (Foreign Economic Relations Board) from 2007 to 2011, she currently serves as a board member at KOTEDER, the Association of Listed Companies' Executives whose members include publicly held companies. She is a member of the Association of Capital Market Professionals, of the Women Corporate Directors (WCD) Foundation and also a part of the 30 Percent Club in Turkey. In tandem with her roles mentioned above, she is an independent board member at TAV Havalimanları Holding A.Ş., a non-group position, and an independent board member at Denizli Cam San. A.Ş., an in-group position. Ms. Yıldırım has been serving as a member of İş REIC's Board of Directors since 28 March 2012 and she is also the head of Corporate Governance Committee, as well as the member of the Committee for Audit.

Haluk Büyükbaş, Independent Board Member

Mr. Haluk Büyükbaş received his BSc and MSc in electrical engineering from the Middle East Technical University, Faculty of Engineering in 1980 and 1983, respectively. He started to work as an Engineer at the Research and Planning Department of the Turkish Electricity Administration, where he functioned as an Engineer, Chief Engineer, and Project Manager in the Transmission Lines and Substations Project Department between 1981 and 1989. Mr. Büyükbaş worked as Department Head at the T.R. Prime Ministry Housing Development Administration from 1989 to 1995, and served as Deputy General Manager of the General Directorate of Public Finance of the T.R. Prime Ministry Undersecretariat of Treasury between 1995-1997. Mr. Büyükbaş served as Vice President of the T.R. Prime Ministry Privatization Administration between 1997 and 2003, during which time he handled the privatizations of oil and energy companies. He worked as President's Advisor at the Privatization Administration from 2003 until 2005 when he retired from civil service. During his civil service, Mr. Büyükbaş also served as a member on the boards of directors and boards of auditors of various companies including TÜPRAŞ, PETKİM, ERDEMİR and ÇEAŞ. He became Secretary General of the Turkish Contractors Association (TCA) in 2005, a position he still holds. In connection with this post, he has been a Governor at the World Water Council based in Marseille since 2006. Mr. Büyükbaş has been a Member of İş REIC's Board of Directors since 24 March 2016 and does not hold any other in-group position apart from his seat on the Board of Directors of İş REIC.

Nihat Uzunoğlu, Independent Board Member

Mr. Nihat Uzunoğlu received his degree in political sciences from Ankara University in 1981 and started to work as Junior Accountant at the Ministry of Finance the same year. He was appointed to the position of Accountant in 1984, ranking first in his term, and to the position of Chief Accountant in 1991. Mr. Uzunoğlu conducted studies and research on "Self-Regulation Organization in the British Tax System" for one year in the UK, between 1989-1990. On 13 March 1994, he was assigned as the first Director of the Foreign Trade Tax Administration that was just established, in which post he served for 3.5 years. He then served as the Assistant Head of Provincial Treasury of İstanbul from July 1997 to August 2004. Mr. Uzunoğlu was re-appointed to the Tax Inspectors Board as Chief Tax Inspector in August 2004, where he served in various functions including member of the Reading Commission and member of the Advisory Commission. Mr. Uzunoğlu served as the President of the Finance Tax Inspectors Association for four terms between 2005 and 2009, and retired from civil service in January 2014. He currently offers advisory in tax, insurance and other financial legislation at RSM TR Yeminli Mali Müşavirlik A.Ş. and also provides training activities on tax implementations at the "HUZ ACADEMY", which is a joint institution of the Tax Inspectors Association and Tax Inspectors Foundation. Mr. Uzunoğlu is the author of a two-volume book set titled Herkes İçin Katma Değer Vergisi Kanunu Yorum ve Açıklamaları (Value Added Tax Law Interpreted and Explained for the Layman) published by the Finance Tax Inspectors Association. Mr. Uzunoğlu has been a Member of İş REIC's Board of Directors since 24 March 2016 and does not hold any other in-group position apart from his seat on the Board of Directors of İş REIC.

Corporate Governance Principles Compliance Report

Mete Uluhurt, Board Member

Mete Uluhurt graduated from Tarsus American High School in 1989 and from the Department of Economics at Bilkent University in 1994. He started his career on the Board of Internal Auditors of İşbank in 1996. Mr. Uluhurt was appointed as an Assistant Manager to the Budget and Planning Department in 2004. Having pursued his master's studies in business administration at Boğaziçi University in 2005, he worked as Vice Chairman of the Board of Internal Auditors, as Unit Manager in Change Management Department, as Unit Manager in the Department of Strategy and Corporate Performance Management and as Manager of Balmumcu Branch. Mr. Uluhurt has been a Member of İş REIC's Board of Directors since 26 March 2013, and serves as Strategy and Corporate Performance Management Unit Manager of İşbank, an in-group position.

Murat Doğan, Board Member

Murat Doğan got his degree in industrial engineering from İstanbul Technical University in 2000, and joined İşbank as an assistant specialist in İşbank's Subsidiaries Division. He currently serves as Unit Manager for Real Estate Investments and Healthcare Companies in the division. Holding in-group positions in addition to his seat on the Board of Directors of İş REIC, Mr. Doğan is a Board member at Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş., İş Merkezleri Yönetim ve İşletim A.Ş., Erişim Müşteri Hizmetleri A.Ş. and İş-Altınhas İnşaat Taahhüt ve Tic. A.Ş. Having served as a member of the Company's Committee for Audit from 2010 to 2012, Mr. Doğan has been holding a seat on İş REIC's Board of Directors since 8 December 2014. He is also a member of the Corporate Governance Committee and the Committee for Early Detection of Risk.

Sakine İlgen Dokuyucu, Board Member

Sakine Dokuyucu received her degree in business administration from Ankara University, Faculty of Political Sciences in 1991. She started her career at İşbank in 1994 in Akay Branch in Ankara. She worked in İşbank's Accounting Department from 1997 until 2008. Since 2008, she has been working in the Financial Management Department where she has been functioning as Unit Manager since January 2009. Ms. Dokuyucu has been a Member of İş REIC's Board of Directors since 23 March 2017.

Turgay Tanes - CEO

Turgay Tanes graduated from the Department of Public Administration of the Faculty of Economics and Administrative Sciences at Gazi University in 1987. He started his career at İşbank as an assistant inspector on the Board of Inspectors in 1988. He became an assistant manager in the Subsidiaries Division in 1996 and worked as a group manager of Real Estate and Glass Sector Companies from 1999 to 2004 in the same division. Serving as the CEO of İş Real Estate Investment Company from 2004, Mr. Tanes also functions as the chairman of one of the subsidiaries of İşbank, member of the Board of Directors of GYODER (Association of Real Estate and Real Estate Investment Companies), and Vice Chairman of KONUTDER (Association of Housing Developers and Investors).

5.2. Operating Principles of the Board of Directors

Agendas of the Board meetings are prepared as recommended by the CEO and with the knowledge of the Chairman of the Board. The Board of Directors carries out its activities within the frame of its publicly disclosed operating principles, and meetings are called by the Chairman or Vice Chairman as and when deemed necessary for the Company's business affairs. Board Members also have the right to call for a meeting of the Board of Directors according to article 13 of the Company's articles of association.

A Board of Directors Secretariat has been set up at the Company. This unit is responsible for and actively involved in organizing Board meetings, preparing and recording reports, documentation, and Board decisions, coordinating communication among Board Members, and performing similar functions.

The Board of Directors convened eight times during the period and passed 59 resolutions. All Board Members attended almost all of the Board meetings. All decisions taken by the Board were passed unanimously. No dissenting opinions were expressed in any of the decisions taken during board meetings. Inasmuch as no votes were cast against any of the decisions that were taken, it was not necessary to make note of any opposition to them in meetings' minutes.

No Board Member enjoys any special voting rights and/or has the power to exercise a veto.

The insurance necessary to indemnify the losses that Members of the Board of Directors may cause to the Company by reason of their faults in the performance of their duties has been purchased by İşbank, the principal shareholder, so as to cover the Bank and its subsidiaries.

5.3. Number, Structures and Independence of the Committees Established Under the Board of Directors

As required both by the Capital Markets Board's Corporate Governance Principles and by the Company's Board of Directors Operating Principles, there are three committees within the Board: a Corporate Governance Committee, a Committee for Early Detection of Risk, and a Committee for Audit. These committees are headed by Independent Board Members. All of the members of the Committee for Audit are Independent Board Members as per the legal requirement. The heads and members of committees are presented below.

Corporate Governance Committee			
Head	Member	Member	Member
D. Sevdil Yıldırım Independent Board Member (non-executive)	Süleyman H. Özcan Board Member (non-executive)	Murat Doğan Board Member (non-executive)	Ayşegül Şahin Kocameşe (executive)

Committee for Early Detection of Risk	
Head	Member
Haluk Büyükbaş Independent Board Member (non-executive)	Murat Doğan Board Member (non-executive)

Committee for Audit	
Head	Member
Nihat Uzunoğlu Independent Board Member (non-executive)	D. Sevdil Yıldırım Independent Board Member (non-executive)

Corporate Governance Principles are adhered to when electing the committee members. The Board of Directors consists of nine members, three of whom are independent. Owing to the number of committees set up under the Board of Directors and the qualifications of the members assigned to the committees, a Board Member may serve on more than one committee. There are no plans to make any changes to this practice.

Within the frame of Principle no. 4.3.4 of the Corporate Governance Principles, the number of independent members on the Company's new Board of Directors is implemented as 1/3 of the full membership. Made up of nine members, the Board of Directors includes three independent members.

Operating principles have been defined and publicly disclosed for each committee. Committees perform their functions within the frame of those principles. During the reporting period and after the conduct of the Company's annual meeting, the duties and responsibilities of Board Members were assigned and elections to committee seats were held as required by CMB Corporate Governance Communiqué, which were then publicly announced.

Neither a Nominating Committee nor a Remuneration Committee has been set up. The functions of these committees are performed by the Corporate Governance Committee.

A Corporate Governance Committee has been set up in compliance with the Capital Markets Board's rules and regulations concerning corporate governance and it has been charged with fulfilling the duties and responsibilities incumbent upon it under Corporate Governance Principles. This Committee regularly reviews the Company's corporate governance practices and it strives to make improvements in them. During the reporting period, this Committee, along with the Investor Relations Department, was actively engaged in the review of the Company's corporate governance rating. At regular intervals, the Committee reviews the Company's

Corporate Governance Principles Compliance Report

investor relations activities and strategies, and ensures that the Board of Directors is kept informed about such issues on a regular basis. In addition to these functions, the Committee is also active in such areas as providing coordination among other committees and supporting their activities when necessary. Taking care to meet prior to each Board of Directors meeting, the Committee met nine times during the year.

In line with the duties incumbent upon it as specified in its operating principles and in compliance with the principles of applicable capital market laws, regulations, and administrative provisions during the reporting period, the Committee for Audit actively works in such matters as publicly disclosing the Company's financial statements, having independent audits conducted, and ensuring that the Company's internal systems function effectively; all other aspects of the independent auditors' activities were also supervised. During the reporting period, the Committee held 5 meetings and submitted five written reports to the Board of Directors.

In accordance with the CMB's rules and regulations concerning corporate governance, the Committee for Early Detection of Risk has been set up to early detect the risks that may threaten the Company's existence, development and survival, to implement the necessary measures for identified risks and to manage the risks. It is also charged with conducting reviews of the risk management systems at least on an annual basis. Through the reports issued and activities carried out during the reporting period, the Committee played an active role in the identification and analysis of important risks inherent in the Company's operations, ensured that necessary information was provided to the Board of Directors with respect to monitoring the risk limits, and increased the efficiency of the Company's risk systems. During the reporting period, the Committee held six meetings.

5.4. Risk Management and Internal Control Mechanism

The Company's risk management activities are being carried out by the Risk Management Unit since 2005. This Unit reports to the Company's senior management in relation to the management of the risks inherent in the Company's operations within the frame of the Company's Risk Policy and other associated internal guidelines.

The Board of Directors and the Committee for Early Detection of Risk are kept informed about the Company's risk exposure by means of a comprehensive "Company Risk Report" that is prepared and submitted every three months. This report includes, among other things, information about the Company's business sector, key financial indicators, and the results of the unit's analysis and assessment of the risks that are inherent in the Company's activities. Detailed information is provided about business environment risk, a category of operational risk that the Company is particularly exposed to.

Furthermore, within the scope of the duties and responsibilities charged to the Committee for Early Detection of Risk and the Board of Directors under article 378 of the Turkish Commercial Code no. 6102, a "Committee for Early Detection of Risk Report" is prepared on a bimonthly basis and submitted to the Board of Directors for its information.

The internal control system is set up to review, control, monitor and assess the Company's activities, along with the fitness, adequacy and effectiveness of these controls in relation to these activities. The results are reported to relevant units. The Company's internal control activities are carried out by the Audit Group, and the internal control system has adopted a risk-focused approach to control. The controls developed to minimize and eliminate the risks inherent in the Company's operations and the adequacy of these controls make up the basis of the internal control activity.

Committees set up under the Board of Directors work actively and fulfill their duties and responsibilities set out in Corporate Governance Principles. Through its reports and activities during the reporting period, the Committee for Early Detection of Risk played an active role in the identification and analysis of important risks inherent in the Company's operations, ensured that necessary information was provided to the Board of Directors for monitoring risk limits, and increased the efficiency of the Company's risk systems. The Committee for Audit, on the other hand, reviewed the operation of the Company's internal systems, contributed to the betterment of processes that presented room for improvement, and effectively carried out audit activities. The Board of Directors regularly oversees the efficiency of the Company's internal systems and prepares an assessment report on the operation and efficiency of internal systems during the year.

5.5. Strategic Goals of the Company

Diversifying its portfolio by investing in projects in the real estate sector such as offices, retail sector and residences, the Company adopts the strategy of generating maximum benefit for its shareholders by increasing its ongoing revenues and profitability. Accordingly, the Company aims to capture the ideal balance between real estate investments that will generate regular income and those on which development profit will be derived in parallel with the conjuncture.

In line with this aim, mixed-use project concept that covers both residential and commercial units in the projects that are being developed is given emphasis, thereby rendering the benefit derived on rental activities continuous, while also intending to generate high returns and profitability on the sales.

Within the frame of the fundamental strategies described above, the top priority of İş REIC in 2018 is to bring all of its ongoing investments to completion within the projected timelines, to attain projected profitability, to capture the targeted lease and sales figures, to sustain high cash dividend distribution, and to carry on with project developments that will result in optimum use and benefits on properties included in its portfolio.

Besides all these activities, the Company closely monitors investment opportunities relating to projects and real estate properties that will secure the Company's organic and revenue growth, and assesses them in line with its investment strategy.

When planning for 2018 and following years, risks that may stem from the business environment are also taken into consideration, a close eye is kept on exchange rate risk in investment and funding decisions, and the lowest risk / maximum benefit/cost trade-off is observed.

The Board of Directors regularly monitors the actualizations within the frame of strategic goals, revises the targets as and when called for by new circumstances, and shapes investment and financing decisions accordingly.

5.6. Financial Rights

Pursuant to Corporate Governance Principles, the remuneration principles for the Board Members and executives with administrative responsibility are put into writing and presented for the information of shareholders at the General Assembly. The Company's Remuneration Policy is available on the Company's website, under "Policies" under the heading "Corporate Governance" in "Investor Relations" section.

The remunerations of the Members of the Board of Directors are proposed by the Corporate Governance Committee, and the remuneration to be paid is determined by the General Assembly. At the General Meeting convened on 23 March 2017, monthly gross salary to be paid to each Member of the Board of Directors was determined as TL 8,500.

The benefits provided to the Board of Directors and senior management are made public via the Financial Reports disclosed quarterly and also in the Annual Report. In order to act in parallel to the relevant established practice in our country, our Company does not disclose the benefits provided to the Board of Directors and senior management on the basis of individuals. Currently, there are no plans to make any changes in this practice.

Besides the remuneration decided by the General Assembly, the Board Members are not granted any rights that would yield financial benefits such as bonuses or premiums. Stock options or a payment plan based on the Company's performance are not used for the remuneration of Independent Board Members. The financial rights provided to Board of Directors members amounted to TL 896.4 thousand gross in the reporting period.

The financial benefits provided to the senior management cover salaries and bonuses. The financial rights provided to the senior management (CEO and Heads of Groups) last year amounted to TL 4,655 thousand gross.

During the reporting period, the Company engaged in no transactions such as lending, granting loans, extending credit through a third person under the name personal loan or providing guarantees, etc. involving Board Members or senior managers.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

**Financial Statements as of and for the Year Ended December 31, 2017
with Independent Auditors' Report Thereon**

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

Independent Auditor's Report



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To the Shareholders of İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

A) Report on the Audit of the Financial Statements

1) Opinion

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

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

2) Basis for Opinion

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

Independent Auditor's Report

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.

<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. As of December 31, 2017, fair value amount of the investment properties disclosed in the financial statements has been valued at TL 3.834.870.889 by independent appraisal firms and details of the valuation have been disclosed in note 10. Due to the fact that investment properties are significant part of the Company's assets and applied valuation methods contain significant 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). For this assessment within our audit work, we involved valuation experts of a firm which is in our audit network.</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>
<p>Inventories</p> <p>As of December 31, 2017, in the financial statements of the Company there are inventories amounting to TL 757.111.894 in the current assets and TL 344.153.094 in the non-current assets. Inventories comprise of cost of land that is held to build housing projects for sale in the short-term and construction costs of housing units. Accounting policy regarding to inventories is disclosed in note 2, related inventory amounts are disclosed in note 11. Due to the fact that inventories are significant part of the Company's assets and matters such as accounting of purchase, conversion-capitalization and other necessary costs which are included to inventories, housing inventories to be sold are considered as key audit matter to our audit.</p>	<p>Within the scope of our audit procedures performed regarding inventories, we 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) Other matter

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

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

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

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

B) Report on Other Legal and Regulatory Requirements

- 1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on January 29, 2018.
- 2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period January 1 - December 31, 2017 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.
- 3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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

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



January 29, 2018
İstanbul, Türkiye

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İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi
**As of December 31, 2017 Statement of
Financial Position (Balance Sheet)**

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

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi
**As of December 31, 2017 Statement of
Financial Position (Balance Sheet)**

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

		<i>Audited</i>	<i>Audited</i>
	<i>Notes</i>	<i>December 31, 2017</i>	<i>December 31, 2016</i>
LIABILITIES			
Short-term liabilities		873.322.937	188.453.135
Current portion of long term borrowings	7	169.179.394	121.419.856
<i>Loans and borrowings to related parties</i>	24	154.258.179	103.666.106
<i>Loans and borrowings to third parties</i>		14.921.215	17.753.750
Current portion of long term financial leases	7	696.316	10.915.156
<i>Financial leasing to related parties</i>	24	696.316	10.915.156
Trade payables	8	53.537.218	34.198.753
<i>Trade payables to related parties</i>	24	9.365.703	5.270.465
<i>Trade payables to third parties</i>		44.171.515	28.928.288
Other payables	9	44.979.614	622.898
Deferred income	16	597.513.536	6.198.445
<i>Deferred income from related parties</i>	24	493.827	660.831
<i>Deferred income from third parties</i>		597.019.709	5.537.614
Short-term provisions		3.921.968	12.576.072
<i>Provisions for employee benefits</i>	15	317.880	251.586
<i>Other short-term provisions</i>	14	3.604.088	12.324.486
Other short-term liabilities	16	3.494.891	2.521.955
Long-term liabilities		1.158.047.332	1.537.221.403
Loans and borrowings	7	1.015.606.839	921.629.250
<i>Loans and borrowings to related parties</i>	24	518.177.339	513.874.749
<i>Loans and borrowings to third parties</i>		497.429.500	407.754.501
Long term financial leases	7	-	696.326
<i>Financial leasing to related parties</i>		-	696.326
Other payables	9	-	35.990.000
Deferred revenue	16	140.667.466	577.681.090
Long term provisions	15	1.773.027	1.224.737
<i>Provisions for employee benefits</i>		1.773.027	1.224.737
EQUITY		3.280.576.987	3.161.345.656
Share capital	17	913.750.000	850.000.000
Inflation restatement difference on share capital	17	240.146.090	240.146.090
Share premium	17	423.981	423.981
Other comprehensive income that will never be reclassified to profit or loss		27.386.467	24.361.973
<i>Revaluation and classification of gains / losses</i>		27.610.009	24.226.634
<i>Other earnings/ losses</i>		(223.542)	135.339
Legal reserves	17	46.188.875	36.305.282
Prior years' profits	17	1.872.724.737	1.589.596.928
Net profit for the period		179.956.837	420.511.402
TOTAL EQUITY AND LIABILITIES		5.311.947.256	4.887.020.194

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

**Statement of Profit or Loss
For the Year Ended December 31, 2017**

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

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi
**Statement of Other Comprehensive Income
For the Year Ended December 31, 2017**

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

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

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

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

	Notes	Share capital	Inflation restatement difference on share capital	Share premium
Balances at January 1, 2016		746.000.000	240.146.090	423.981
Transfers		--	--	--
Total comprehensive income		--	--	--
Capital Increase (from internal sources)		104.000.000	--	--
Dividends		--	--	--
Balances at December 31, 2016	17	850.000.000	240.146.090	423.981
Balances at January 1, 2017		850.000.000	240.146.090	423.981
Transfers		--	--	--
Total comprehensive income		--	--	--
Capital Increase (from internal sources)		63.750.000	--	--
Dividends		--	--	--
Balances at December 31, 2017	17	913.750.000	240.146.090	423.981

Other comprehensive income that will never be reclassified to profit or loss						
Net change in remeasurements of defined benefit liability	Net change in revaluation of tangible assets	Legal reserves	Prior years' profits	Net profit for the period	Total	
210.783	21.731.787	28.240.772	1.197.948.571	555.932.867	2.790.634.851	
--	--	8.064.510	547.868.357	(555.932.867)	--	
(75.444)	2.494.847	--	--	420.511.402	422.930.805	
--	--	--	(104.000.000)	--	--	
--	--	--	(52.220.000)	--	(52.220.000)	
135.339	24.226.634	36.305.282	1.589.596.928	420.511.402	3.161.345.656	
135.339	24.226.634	36.305.282	1.589.596.928	420.511.402	3.161.345.656	
--	--	9.883.593	410.627.809	(420.511.402)	--	
(358.881)	3.383.375	--	--	179.956.837	182.981.331	
--	--	--	(63.750.000)	--	--	
--	--	--	(63.750.000)	--	(63.750.000)	
(223.542)	27.610.009	46.188.875	1.872.724.737	179.956.837	3.280.576.987	

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Statement of Cash Flow For the Year Ended December 31, 2017

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

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

The accompanying notes form an integral part of these financial statements

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Convenience Translation of Notes to the Financial Statements For the Year Ended December 31, 2017

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

1. Organization and operations of the Company

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

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

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

The Company has 78 employees as of December 31, 2017 (December 31, 2016: 80).

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

2. Basis of presentation of financial statements

2.1 Basis of presentation

Statement of compliance

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

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

Additional paragraph for convenience translation into English

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

Preparation of financial statements

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

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.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Convenience Translation of Notes to the Financial Statements For the Year Ended December 31, 2017

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

Preparation of financial statements in Hyperinflationary Periods

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

Interest in Joint Arrangements

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

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

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

Foreign currency transactions

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

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

2.2 Changes in accounting policy

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

2.3 The new standards, amendments and interpretations

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Convenience Translation of Notes to the Financial Statements For the Year Ended December 31, 2017

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

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

TAS 7 Statement of Cash Flows (Amendments)

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

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

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

Annual Improvements to TFRSs - 2014-2016 Cycle

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

- TFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some TFRS 7 disclosures, IAS 19 transition provisions and IFRS 10 Investment Entities. These amendments are to be applied for annual periods beginning on or after 1 January 2018.
- TFRS 12 Disclosure of Interests in Other Entities: This amendment clarifies that an entity is not required to disclose summarised financial information for interests in subsidiaries, associates or joint ventures that is classified, or included in a disposal group that is classified, as held for sale in accordance with TFRS 5 Non-current Assets Held for Sale and Discontinued Operations. These amendments are to be applied for annual periods beginning on or after 1 January 2017.
- TAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying TFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

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

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

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TFRS 15 Revenue from Contracts with Customers

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

TFRS 9 Financial Instruments

In January 2017, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, TFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. TFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted by applying all requirements of the standard. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard. The Company has performed an impact assessment of TFRS 9. This assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional supportable information being made available to the Company in the future. The amendments will not have a significant impact on the financial position or performance of the Company.

TFRS 4 Insurance Contracts (Amendments)

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

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

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

TFRIC 22 Foreign Currency Transactions and Advance Consideration

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

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

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

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

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

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

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

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

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

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

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

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

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

In December 2017, POA issued amendments to TAS 40 'Investment Property'. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

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

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

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

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

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Annual Improvements - 2010-2012 Cycle

IFRS 13 Fair Value Measurement

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

Annual Improvements - 2011-2013 Cycle

IFRS 16 Leases

The IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

IFRIC 23 Uncertainty over Income Tax Treatments

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

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

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

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

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

IFRS 17 - The new Standard for insurance contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The standard is not applicable for the Company.

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Prepayment Features with Negative Compensation (Amendments to IFRS 9)

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

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

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

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

Annual Improvements - 2015-2017 Cycle

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

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

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

2.4 Summary of significant accounting policies

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

2.4.1 Accounting of income and expense

Revenue

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

Rent income from investment properties under operating leases

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

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

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Revenue from sale of investment property

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

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

Interest income and expense

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

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

Other income and expense

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

2.4.2 Investment property

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

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

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

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

2.4.3 Tangible assets

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

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

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

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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
Furniture and fixtures	3-5 years

Subsequent costs

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

2.4.4 Intangible assets

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

Amortization

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

2.4.5 Impairment of non-financial assets

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

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

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

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2.4.6 Inventories

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

2.4.7 Financial instruments

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

i) Non-derivative financial assets

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

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

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

Cash and cash equivalents

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

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

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

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

Held-to-maturity investments

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

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

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

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

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

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

Reverse repurchase agreements

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

Trade receivables

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

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

Impairment of financial assets

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

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

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

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

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

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.

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ii) Non-derivative financial liabilities

Trade and other payables

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

iii) Derivative financial instruments

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

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

iv) Paid-in capital

Ordinary shares

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

2.4.8 Offsetting

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

2.4.9 Effects of foreign currency transactions

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

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

2.4.10 Borrowing costs

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

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

2.4.11 Earnings per share

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

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

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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 asset and liabilities

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

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

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

The Company

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

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

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

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

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

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2.4.15 Employee benefits / Retirement pay provisions

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

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

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

2.4.16 Share capital and dividends

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

2.4.17 Related parties

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

2.4.18 Leasing

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

The Company, as lessor in the operational lease transactions

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

The Company, as lessee in the operational lease transactions

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

The Company, as lessee in the finance lease transactions

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

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2.4.19 Statement of cash flows

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

2.4.20 Segment reporting

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

2.4.21 Restrictions on the investment portfolio of real estate investment trusts

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

2.5 Restrictions on the investment portfolio of real estate investment trusts

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

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

3. Equity accounted investees

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

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

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

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

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

The Company recognized profit amounting to TL 1.363.515 resulting from consolidation of Kanyon with equity method for the year ended December 31, 2017 (December 31, 2016: Loss TL 674.188) in the accompanying statement of profit and loss.

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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.

	Ankara İş Kule Building	Istanbul İş Kuleleri Complex	Maslak Building	Mallmarine Shopping Mall	İş Bankası Ankara Merkez Building	İş Bankası Ankara Kızılay Building	İş Bankası Antalya Merkez Building	Kanyon Shopping Mall	Real Hipermarket Building
December 31, 2017									
<u>Sales Revenue</u>									
Rent income	732.821	30.348.612	5.133.387	731.341	4.267.850	2.166.251	1.152.880	36.581.502	9.316.288
Income from right of construction	--	--	--	--	--	--	--	--	--
Income from sales of real estate	--	--	--	--	--	--	--	--	--
Sales income from investment property	--	--	--	--	--	45.000.000	24.000.000	--	118.644.068
Income fees and service	--	299.733	--	--	--	--	--	147.419	--
Other income	--	130.416	11.765	--	--	--	--	39.631	77.766
Total Revenue	732.821	30.778.761	5.145.152	731.341	4.267.850	47.166.251	25.152.880	36.768.552	128.038.122
Insurance expense	66.242	905.559	29.856	25.470	20.577	6.765	5.555	357.178	95.078
Administrative expense	830.506	8.516.219	--	2.806	--	--	--	13.218.499	--
Tax and duty and other charges	283.457	1.639.995	170.142	23.472	11.484	50.569	29.814	1.720.989	396.708
Cost of sales of real estate	--	--	--	--	--	--	--	--	--
Cost of sales of investment property	--	--	--	--	--	45.335.257	24.345.257	--	116.779.887
Other	29.000	169.923	42.500	--	20.500	12.800	--	--	--
Cost of Sales	1.209.205	11.231.696	242.498	51.748	52.561	45.405.391	24.380.626	15.296.666	117.271.673
Gross Profit	(476.384)	19.547.065	4.902.654	679.593	4.215.289	1.760.860	772.254	21.471.886	10.766.449
Prepared based on IFRS 8 "Operating Segments"									
Capital investments	--	12.888.829	--	--	44.819	--	--	1.664.843	--

Marmarapark	Kapadokya Lodge Hotel	Ofis Lamartine	Tuzla Çınarlıbahçe Residence	Tuzla Operation and Trade Center	Tuzla Combined Project	İzmir Ege Perla	Other Real Estate	Total
--	82.943	1.764.737	100.156	67.179.525	16.561.286	2.778.090	--	178.897.669
18.274.776	--	--	--	--	--	--	--	18.274.776
--	--	--	--	--	--	41.674.317	--	41.674.317
--	--	--	--	--	--	--	--	187.644.068
--	--	319.256	--	--	295.464	--	--	1.061.872
--	--	1.527	3.184	--	--	--	--	264.289
18.274.776	82.943	2.085.520	103.340	67.179.525	16.856.750	44.452.407	--	427.816.991
--	62.916	14.376	1.542	534.004	283.433	192.943	--	2.601.494
--	99.790	225.129	56.931	--	2.480.799	9.620.560	--	35.051.239
351.724	32.498	78.783	4.655	960.467	506.411	141.235	--	6.402.403
--	--	--	--	--	--	30.913.903	--	30.913.903
--	--	--	--	--	--	--	--	186.460.401
--	8.750	--	--	30.209	65.930	14.822	--	394.434
351.724	203.954	318.288	63.128	1.524.680	3.336.573	40.883.463	--	261.823.874
17.923.052	(121.011)	1.767.232	40.212	65.654.845	13.520.177	3.568.944	--	165.993.117
--	527.591	--	--	24.709.675	2.924.504	80.206.834	420.487.592	543.454.687

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	Ankara İş Kule Building	Istanbul İş Kuleleri Complex	Maslak Building	Mallmarine Shopping Mall	İş Bankası Ankara Merkez Building	İş Bankası Ankara Kızılay Building	İş Bankası Antalya Merkez Building	Kanyon Shopping Mall	Real Hipermarket Building
December 31, 2016									
<u>Sales Revenue</u>									
Rent income	2.848.896	44.887.617	4.819.590	732.406	4.024.755	3.385.905	1.699.341	34.619.914	6.921.618
Income from right of construction	--	--	--	--	--	--	--	--	--
Income from sales of real estate	--	--	--	--	--	--	--	--	--
Sales income from investment property	--	--	--	--	--	--	--	--	--
Income fees and service	--	565.498	--	--	--	--	--	220.520	--
Other income	--	26.227	54.192	--	--	--	--	233.083	153.006
Total Revenue	2.848.896	45.479.342	4.873.782	732.406	4.024.755	3.385.905	1.699.341	35.073.517	7.074.624
Insurance expense	60.655	939.743	26.395	27.024	20.603	9.248	6.824	454.277	149.892
Administrative expense	413.050	1.937.060	--	--	541	1.090	--	12.867.528	396
Tax and duty and other charges	273.002	1.556.038	163.895	22.603	11.060	48.704	28.714	1.658.415	382.105
Cost of sales of real estate	--	--	--	--	--	--	--	--	--
Cost of sales of investment property	--	--	--	--	--	--	--	--	--
Other	--	30.645	19.020	--	--	19.117	--	--	--
Cost of Sales	746.707	4.463.485	209.310	49.627	32.204	78.160	35.538	14.980.220	532.393
Gross Profit	2.102.189	41.015.858	4.664.473	682.779	3.992.552	3.307.746	1.663.804	20.093.295	6.542.231
Prepared based on IFRS 8 "Operating Segments"									
Capital investments	--	411.242	32.763	48.174	--	--	--	386.524	--

Marmara- park	İş Bankası Güneşli Bulding	İş Bankası Sirkeci Building	Kapadokya Lodge Hotel	Ofis Lamartine	Tuzla Çınarlı- bahçe Residence	Tuzla Operation and Trade Center	Tuzla Combined Project	İzmir Ege Perla	Other Real Estate	Total
--	--	3.847.930	106.660	1.756.443	98.194	61.500.000	5.655.700	6.831	--	176.911.800
14.933.996	--	--	--	--	--	--	--	--	--	14.933.996
--	--	--	--	--	--	--	--	156.964.797	--	156.964.797
--	--	45.000.000	--	--	--	--	--	--	--	45.000.000
--	--	--	--	4.240	3.253	44.688	78.376	--	--	916.575
--	--	--	--	--	1.288	--	--	--	--	467.796
14.933.996	--	48.847.930	106.660	1.760.683	102.735	61.544.688	5.734.076	156.971.628	--	395.194.964
--	--	20.082	164.980	50.066	1.223	--	22.746	--	--	1.953.757
--	--	--	5.983	249.485	55.530	--	2.022.633	--	--	17.553.295
--	--	68.615	33.222	75.036	4.528	888.695	469.740	--	--	5.684.374
--	--	--	--	--	--	--	--	137.410.941	--	137.410.941
--	--	46.995.218	--	--	--	--	--	--	--	46.995.218
--	--	--	14.419	1.850	--	--	46.157	--	--	131.208
--	--	47.083.915	218.603	376.437	61.281	888.695	2.561.276	137.410.941	--	209.728.793
14.933.996	--	1.764.014	(111.942)	1.384.247	41.452	60.655.993	3.172.799	19.560.687	--	185.466.172
--	--	--	38.326	--	--	15.539.715	9.031.243	26.807.606	81.543.796	133.839.389

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Reconciliation of income, assets and liabilities

	January 1 - December 31, 2017	January 1 - December 31, 2016
Sales Revenue		
Segment revenue	427.816.991	395.194.964
Undistributed revenue	11.841.527	9.337.894
Total Revenue	439.658.518	404.532.858
Cost of Sales		
Segment Costs	261.823.874	209.728.793
Total cost of sales	261.823.874	209.728.793
Assets	December 31, 2017	December 31, 2016
Segment assets	4.936.135.877	4.521.787.358
Other assets	63.668.118	28.770.301
Non-segment related assets	312.143.261	336.462.535
Total assets	5.311.947.256	4.887.020.194
Liabilities	December 31, 2017	December 31, 2016
Segment liabilities	1.980.687.674	1.711.250.831
Other liabilities	50.682.595	14.423.707
Total liabilities	2.031.370.269	1.725.674.538

5. Cash and cash equivalents

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

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

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

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

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

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

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

6. Financial investments / Derivatives

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

7. Loans and borrowings

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

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

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

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

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

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

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

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

The Company borrowed a four-year loan of TL 180.000.000 from İş Bankası in order to finance the purchase of Zeytinburnu Land. As a security to the loan, a first-degree collateral of TL 250.000.000 on the land purchased has been granted to İş Bankası. However, 25% of the Land, whose ownership is shared between the Company and Timur Gayrimenkul Geliştirme Yapı ve Yatırım Anonim Şirketi (Timur Gayrimenkul-NEF) in the rates of 75% and 25% respectively, has been sold to Timur Gayrimenkul Geliştirme Yapı ve Yatırım Anonim Şirketi on 19 September 2014. Following the sales transaction, the ownership shares of the Company and Timur Gayrimenkul has become 50%-50%. As of December 31, 2017, TL 160.000.000 of the loan borrowed for the Land has been repaid and the balance payable decreased to TL 20.000.000.

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

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

				December 31, 2017
ISIN CODE	Issued Nominal Amount (TL)	Issue Date	Amortization Date	Net Book Value
TRISISGYE1915	87.000.000	October 11, 2016	October 10, 2019	89.734.143
TRISISGY61912	100.000.000	June 29, 2016	June 28, 2019	100.031.654
TRISISGY31915	213.000.000	April 5, 2016	March 29, 2019	213.067.422
Total				402.833.219

				December 31, 2016
ISIN CODE	Issued Nominal Amount (TL)	Issue Date	Amortization Date	Net Book Value
TRISISGYE1915	87.000.000	October 11, 2016	October 10, 2019	89.076.612
TRISISGY61912	100.000.000	June 29, 2016	June 28, 2019	100.000.000
TRISISGY31915	213.000.000	April 5, 2016	March 29, 2019	213.000.000
Total				402.076.612

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

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

8. Trade receivables and payables

Short-term trade receivables and payables

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

As of December 31, 2017, provision for doubtful trade receivables is TL 2.567.268 (December 31, 2016: TL 1.315.908). Provision for doubtful receivables is determined based on the historical collection performance.

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

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

Long Term Trade Receivables

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

9. Other receivables and payables

	December 31, 2017	December 31, 2016
Other short-term receivables ⁽¹⁾	1.078.243	1.211.817
Total	1.078.243	1.211.817

	December 31, 2017	December 31, 2016
Other payables - short-term		
Deposits and guarantees given	8.989.614	622.898
Other short-term payables ⁽²⁾	35.990.000	--
Total	44.979.614	622.898
Other payables - long-term		
Other long-term payables ⁽²⁾	--	35.990.000
Total	--	35.990.000

⁽¹⁾ As of December 31, 2017, other short term receivable comprised of receivables which in from Timur Gayrimenkul Geliştirme Yapı ve Yatırım Anonim Şirketi amounting to TL 644.882, from Gediz Elek. Perakende Satış A.Ş. amounting to TL 174.707 (As of December 31, 2016, other short-term receivables are mainly comprised of receivables from Timur Gayrimenkul Geliştirme Yapı ve Yatırım Anonim Şirketi amounting to TL 844.210).

⁽²⁾ As of December 31, 2017, TL 35.990.000 has been transferred from other long term payables to other short term payables. The amount of TL 35.990.000 is to be paid to Tecim Yapı Elemanları İnşaat Servis ve Yönetim Hizmetleri San. ve Tic. Limited Şirketi in relation to the purchase of the land registered in Kartal District Section 53, block 2274, lots 395, 397, 398, 399 and 408 and block 2846, lot 1 and block 2847 lot 1. The consideration will be paid to Tecim Yapı Elemanları İnşaat Servis ve Yönetim Hizmetleri San. ve Tic. Limited Şirketi via the proceeds on the sale of houses as part of a revenue sharing agreement based on the project development to be performed on the acquired land.

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10. Investment property

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

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

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

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

	January 1, 2017 opening balance	Purchases	Disposals	Fair value difference	December 31, 2017 closing balance
Investment property under operating lease					
Ankara İş Tower Building	128.025.000	--	--	7.395.000	135.420.000
Marmarapark	146.620.000	--	--	15.400.000	162.020.000
İstanbul İş Kuleleri Complex	797.895.000	12.888.829	--	59.121.171	869.905.000
İş Bankası Ankara Kızılay Building ⁽¹⁾	38.295.000	--	(44.660.000)	6.365.000	-
İş Bankası Ankara Merkez Building	44.320.000	44.819	--	3.390.181	47.755.000
İş Bankası Antalya Merkez Building ⁽¹⁾	22.015.000	--	(23.985.000)	1.970.000	-
Ege Perla Shopping Mall ⁽²⁾	279.441.000	80.206.834	--	(114.597.834)	245.050.000
Kapadokya Lodge Hotel	24.250.000	527.591	--	610.409	25.388.000
Mallmarine Shopping Mall	12.312.000	--	--	718.000	13.030.000
Maslak Building	101.115.000	--	--	6.520.000	107.635.000
Real Hipermarket Building ⁽¹⁾	110.000.000	--	(115.000.000)	5.000.000	-
Office Lamartine	48.890.000	--	--	1.653.000	50.543.000
Tuzla Çınarlı Bahçe Project	2.600.000	--	--	--	2.600.000
Kanyon Shopping Mall	479.965.000	1.664.843	--	28.460.157	510.090.000
Tuzla Combined Project	274.812.000	2.924.504	--	(7.354.504)	270.382.000
Tuzla Technology and Operation Center Project	862.565.000	24.709.675	--	54.070.325	941.345.000
	3.373.120.000	122.967.095	(183.645.000)	68.720.905	3.381.163.000
Investment property under construction					
İstanbul Finance Center Land	169.600.000	24.283.921	--	(1.966.921)	191.917.000
Kartal Project	128.298.507	76.011.693	--	9.902.772	214.212.972
Levent Land	4.110.487	24.775	--	132.655	4.267.917
Üsküdar Land	39.540.000	740.308	--	3.029.692	43.310.000
	341.548.994	101.060.697	--	11.098.198	453.707.889
Total	3.714.668.994	224.027.792	(183.645.000)	79.819.103	3.834.870.889

⁽¹⁾ Among the buildings included in the portfolio of the Company are İş Bankası Ankara Kızılay Building and İş Bankası Antalya Merkez Building was sold to İş Portföy Yönetimi A.Ş. First Real Estate Investment Fund. The transfer procedures were completed on August 22, 2017 and the entire sales price including VAT of TL 81.420.000 was collected. Furthermore, transfer procedures for the sale of the Real Hipermarket Building were completed on August 23, 2017 and the entire sales price including VAT amounting to TL 140.000.000 was collected.

⁽²⁾ İzmir Ege Perla Shopping Mall project was completed and the shopping center opened on September 6, 2017. Ege Perla Shopping Mall has been transferred to investment properties from investment property under operating lease.

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The fair values of the Company's investment properties at December 31, 2017 have been arrived at on the basis of valuations carried out in November and December 2017, and ongoing investments have been arrived at basis of valuations carried out in December 2017 by three independent appraiser firms. Appraisal firms are accredited independent firms licensed by the Capital Markets Board of Turkey, and have appropriate qualifications and recent experience in appraising properties in the relevant locations. According to the appraisal reports, the valuations made in accordance with the International Valuation Standards have been performed according to the methods specified in the table below.

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

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

⁽¹⁾The Company sold the Sirkeci Building, which was the tenant of T. İş Bankası A.Ş. in December 2016 at a price of TL 45.000.000.

As of December 31, 2017, the Company has 1st and 2nd degree mortgage on the investment properties amounting to USD 136.000.000 and TL 685.000.000, which are established in favor of İş Bank. In the current period, the Company obtained rent income amounting to TL 178.897.669 (December 31, 2016: TL 176.911.800) of its investment property. Total direct operating expenses related to these properties amounting to TL 44.449.570 (December 31, 2016: TL 25.322.634)

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11. Inventories

<i>Short-term inventories</i>	December 31, 2017	December 31, 2016
<i>Completed residential units</i>		
İzmir Ege Perla ⁽¹⁾	66.331.863	91.612.134
<i>Non-completed residential units</i>		
Topkapı Project ⁽²⁾	294.173.271	--
Kartal Project ⁽³⁾	396.606.760	--
Total	757.111.894	91.612.134
<i>Long-term inventories</i>	December 31, 2017	December 31, 2016
<i>Non-completed residential units</i>		
Kartal Project ⁽⁴⁾	--	256.825.664
Topkapı Project ⁽²⁾	142.566.368	287.508.549
Tuzla Land ⁽⁵⁾	201.586.726	171.172.017
Total	344.153.094	715.506.230

⁽¹⁾ The Company has started the Ege Perla Izmir project registered in Izmir, Konak District on a plot total 18.392 m² area in the third quarter of 2012. Initial sales has started at October 2012. As of December 31, 2017 preliminary sales contracts have been signed for total 146 residences and the Company has not received advances.

⁽²⁾ The Company has started the Manzara Adalar project in Istanbul, Kartal, in December 2014. Sales agreements for 601 residences have been signed and advances have been received amounting to TL 227.783.222 as of December 31, 2017 (December 31, 2016: TL 184.311.055) (Note 11).

⁽³⁾ The Company has started the In Istanbul Project in İstanbul, Topkapı, in May 2016. As of December 31, 2017 preliminary sales contracts have been signed for total 2.418 residence and the Company received advances amounting to TL 499.460.375 (December 31, 2016: TL 389.799.255) (Note 16). The Company explains the given guarantees for loans that uses Zeytinburnu land in Note 14. As of December 31, 2017, the total financing cost amount of TL 86.973.967 was capitalized in the project cost.

⁽⁴⁾ The Company has started the Tuzla Land project registered in Istanbul, Tuzla District in January 2016. The Company has bought a land to in order to develop a project, which cost to TL 143.500.000.

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

12. Tangible assets

	Buildings ^(*)	Machinery and equipment	Vehicles	Fixtures	Total
Cost					
Opening balance as of January 1, 2017	28.793.832	85.950	32.447	2.823.388	31.735.617
Purchases	12.000	--	--	426.622	438.622
Disposals	--	--	(32.447)	(46.312)	(78.759)
Fair value difference	3.383.375	--	--	--	3.383.375
Closing balance as of December 31, 2017	32.189.207	85.950	--	3.203.698	35.478.855
Accumulated Depreciation					
Opening balance as of January 1, 2017	913.832	85.950	32.447	2.144.057	3.176.286
Current year charge	978.599	--	--	398.010	1.376.609
Disposal	--	--	(32.447)	(47.346)	(79.793)
Closing balance as of December 31, 2017	1.892.431	85.950	--	2.494.721	4.473.102
Net book value as of January 1, 2017	27.880.000	--	--	679.331	28.559.331
Net book value as of December 31, 2017	30.296.776	--	--	708.977	31.005.753

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

^(*)As of December 31, 2017, İş Kuleleri Kule: 2 10th and 11th floor offices are the most important tangible assets item of the Company which are currently used for registered address with amounting to TL 30.296.776. These areas get share from the mortgages amounting to USD 136 million and TL 185 million established in İş Kuleleri and Kule Çarşı (December 31, 2016: USD 136 million and TL 185 million).

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

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13. Intangible assets

	Computer Programs	Total
Cost		
Opening balance as of January 1, 2017	2.668.527	2.668.527
Purchases	728.887	728.887
Closing balance as of December 31, 2017	3.397.414	3.397.414
Accumulated Depreciation		
Opening balance as of January 1, 2017	2.195.277	2.195.277
Current year charge	354.431	354.431
Closing balance as of December 31, 2017	2.549.708	2.549.708
Net book value as of January 1, 2017	473.250	473.250
Net book value as of December 31, 2017	847.706	847.706
	Computer Programs	Total
Cost		
Opening balance as of January 1, 2016	2.360.560	2.360.560
Purchases	307.967	307.967
Closing balance as of December 31, 2016	2.668.527	2.668.527
Accumulated Depreciation		
Opening balance as of January 1, 2016	1.941.941	1.941.941
Current year charge	253.336	253.336
Closing balance as of December 31, 2016	2.195.277	2.195.277
Net book value as of January 1, 2016	418.619	418.619
Net book value as of December 31, 2016	473.250	473.250

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

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

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14. Provisions, contingent assets and liabilities

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

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

^(*) Debt provisions consists of company's provisions as of December 31, 2017 and profit sharing to be paid to T. İş Bankası A.Ş. related with Ege Perla project home and office sales.

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

Details of collaterals, pledges and mortgages ("CPM") given by the Company as of December 31, 2017 and December 31, 2016 are as follows:

	December 31, 2017	December 31, 2016
A. CPM given for companies own legal personality ^(*)	1.216.433.473	1.217.026.199
B. CPM given in behalf of fully consolidated companies	--	--
C. CPM given for continuation of its economic activities on behalf of third parties ^(**)	213.454.488	201.793.100
D. Total amount of other CPM's	--	--
- Total amount of CPM's given on behalf of majority shareholder	--	--
- Total amount of CPM's given on behalf of other Group companies which are not in scope of B and C	--	--
- Total amount of CPM's given on behalf of third parties which are not in scope of C	--	--
Total	1.429.887.961	1.418.819.299

^(*) CPM given for the Company's own legal personality consists of letters of guarantee amounting to TL 18.455.073 and pledge amounting to USD 136.000.000 and TL 685.000.000. As of December 31, 2017, the investment properties are pledged in favour of İş Bankası amounting to 1st degree USD 136.000.000 and TL 500.000.000 and 2nd degree TL 185.000.000. (The Company has 1st degree mortgage on its investment properties held amounting to USD 136.000.000 in favour of Türkiye İş Bankası. The Company received a counter guarantee amounting to USD 160 million from Türkiye İş Bankası to constitute financing guaranty provided. In this context, 1st degree mortgage was constituted in favour of İş Bankası from investment properties portfolio of the Company, Kule-2 and Kule Çarşısı amounting to USD 136.000.000 as 1st degree mortgage, Kule-2 and Kule Çarşısı amounting to TL 185.000.000 as 2nd degree mortgage.)

The Company borrowed a four-year loan of TL 180.000.000 from İş Bankası in order to finance the purchase of Zeytinburnu Land. As a security to the loan, a first-degree collateral of TL 250.000.000 on the land purchased has been granted to İş Bankası. However, 25% of the Land, whose ownership is shared between the Company and Timur Gayrimenkul Geliştirme Yapı ve Yatırım Anonim Şirketi (Timur Gayrimenkul-NEF) in the rates of 75% and 25% respectively, has been sold to Timur Gayrimenkul Geliştirme Yapı ve Yatırım Anonim Şirketi on September 19, 2014. Following the sales transaction, the ownership shares of the Company and Timur Gayrimenkul has become 50%-50%. As of December 31, 2017, TL 160.000.000 portion of TL 180.000.000 loan borrowed for the Land has been repaid and the balance payable decreased to TL 20.000.000. In this context, there is no change this pledge given.

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

^(**) Represents the cost of guarantors given to the related banks in return for the loan amount in case the buyers of the Company's ongoing residential and office projects use mortgage/business loan from contracted banks. In this respect, as of December 31, 2017, the ratio of CPM given by the Company to the Company's shareholders' equity is 6,5% (December 31, 2016: 6,3%).

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Operating leases

The Company, as the lessor in the operating lease transactions

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

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

15. Provision for employee benefits

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

	December 31, 2017	December 31, 2016
Severance pay indemnity	1.773.027	1.224.737
Total	1.773.027	1.224.737

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

The amount payable consists of one month's salary limited to a maximum of TL 4.732 for each period of service as of December 31, 2017 (December 31, 2016: TL 4.297).

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

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

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as of December 31, 2017, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective reporting dates have been calculated assuming an annual inflation rate of 7% (estimated salary increase rate) and a discount rate of 11,50%, resulting in a real discount rate of approximately 4,21% (December 31, 2016: the provisions have been calculated assuming an annual inflation rate of 6,15% (estimated salary increase rate) and discount rate of 10,80%, resulting in a real discount rate of approximately 4,38% discount rate). The anticipated rate of for features is considered. As the maximum liability is revised semi-annually, the maximum amount of TL 4.732 effective from December 31, 2017 has been taken into consideration in calculation of provision from employment termination benefits.

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

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

<i>Prepaid expenses - short term</i>	December 31, 2017	December 31, 2016
Job advances ⁽¹⁾	72.337.849	71.297.635
Prepaid expenses	520.941	52.855
Related Party Prepaid expenses (Note 24) ⁽²⁾	2.472.998	2.716.668
Total	75.331.788	74.067.158

⁽¹⁾ As of December 31, 2017, job advances paid to Sera Yapı Endüstri ve Tic. A.Ş. under the agreement terms are TL 4.567.157 for Topkapı İnstanbul Project (31 December 2016: TL 11.431.622).

The Company signed an agreement with Ant Yapı A.Ş. for the construction work of Manzara Adalar project located in Kartal, İstanbul. As of December 31, 2017, job advances paid to Ant Yapı A.Ş. under the agreement terms are TL 847.648 (December 31, 2016: TL 9.356.766). The Company also paid job advances to Tecim Yapı Elemanları A.Ş. which is old owner of land under the revenue sharing agreement terms are TL 62.881.313 (December 31, 2016: TL 49.411.572).

⁽²⁾ As of December 31, 2017, prepaid expenses mainly consist of prepaid insurance expenses with related parties amounting (December 31, 2016: TL 2.716.668).

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<i>Prepaid expenses - long term</i>	December 31, 2017	December 31, 2016
Job advances ^(*)	2.358.403	--
Prepaid taxes and dues payable	1.882.140	--
Total	4.240.543	--
<i>Other current assets</i>	December 31, 2017	December 31, 2016
Prepaid taxes and dues payable	3.425	26.205
Deposits and guarantees given	36.727	--
Total	40.152	26.205
<i>Other non-current assets</i>	December 31, 2017	December 31, 2016
VAT transferred ^(*)	110.088.475	103.298.551
Total	110.088.475	103.298.551
<i>Other short-term liabilities</i>	December 31, 2017	December 31, 2016
Taxes and funds payable	3.094.233	2.131.536
Payable Social Security cuts	400.658	390.419
Total	3.494.891	2.521.955
<i>Deferred revenue - short-term</i>	December 31, 2017	December 31, 2016
Advances received ^(*)	586.576.131	4.272.002
Deferred revenue ^(**)	10.443.578	1.265.612
Short-term deferred revenue from related party (Note 24)	493.827	660.831
Total	597.513.536	6.198.445
<i>Deferred revenue - long-term</i>	December 31, 2017	December 31, 2016
Advances received ^(*)	140.667.466	574.110.310
Deferred revenue ^(**)	--	3.570.780
Total	140.667.466	577.681.090

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

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

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

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17. Shareholder's equity

Share capital

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

	December 31, 2017		December 31, 2016	
İş Gayrimenkul Yat. Ort. A.Ş.	(%)		(%)	
Türkiye İş Bankası A.Ş.	44,11	403.081.752	44,08	374.659.401
Anadolu Hayat Emeklilik A.Ş.	7,11	64.952.938	7,11	60.421.337
Other	48,78	445.715.310	48,81	414.919.262
Total	100	913.750.000	100	850.000.000

The total number of ordinary shares consists of TL 913.750.000 (December 31, 2016: TL 850.000.000) shares with a par value of TL 1 per share. All of the shares are issued to name and TL 1.305.357 (December 31, 2016: TL 1.214.286) of the total amount is Group A and TL 912.444.643 (December 31, 2016: TL 848.785.714) of the total amount is Group B shares. Group A shareholders have the privilege to nominate candidates during the Board of Directors member elections. One member of Board of Directors is selected among the candidates nominated by Group B shareholders while the rest is selected among the candidates nominated by Group A shareholders. There is no other privilege given to the Group A shares.

According to decision which was taken of meeting of the Board of Director dated March 31, 2017 and taken of Ordinary General Meeting of shareholders dated March 23, 2017, of distribute the 2016 year's profit as share, the Company's paid in capital was amounted to TL 913.750.000 by increasing TL 63.750.000 and the increase has been meet from profit of the year 2016 on condition that no exceed the upper limit of registered capital which is amounting to TL 2.000.000.000. The registration of capital increase was completed on May 10, 2017 and the new capital has been announced on Turkish Trade Registry Gazette on May 16, 2017.

Adjustment to share capital

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

Share premium

As of December 31, 2017 and December 31, 2016, share premiums amounting TL 423.981 represent excess amount of selling price and nominal value for each share during initial public offering of the Company's shares.

Restricted reserves

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

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

Prior years' profits

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

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Dividend distribution

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

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

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

18. Revenue and cost of revenue

	January 1- December 31, 2017	January 1- December 31, 2016
Sales income from investment property	187.644.068	45.000.000
Rent income	178.897.669	176.911.800
Income from sales of real estate	41.674.317	156.964.797
Income from right of construction	18.274.776	14.933.996
Income Fees and Service	1.061.872	916.575
Other revenue	264.289	467.796
Total real estate revenues	427.816.991	395.194.964
Interest income on bank deposits	8.209.727	8.449.466
Gain on buy/sell of marketable securities	3.620.655	877.144
Interest income from reverse repos	11.145	11.284
Total debt instruments revenue	11.841.527	9.337.894
Total revenue	439.658.518	404.532.858
	January 1- December 31, 2017	January 1- December 31, 2016
Cost of sales of investment property	186.460.401	46.995.218
Cost of administrative expenses	35.051.239	17.553.295
Cost of sales of real estate	30.913.903	137.410.941
Taxes and dues	6.402.403	5.684.374
Insurance expenses	2.601.494	1.953.757
Other	394.434	131.208
Total	261.823.874	209.728.793

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi
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19. Administrative expenses / Marketing, selling and distribution expenses

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

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

20. Nature by expenses

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

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

21. Other operating income / expense

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

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

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22. Finance income / expense

	January 1- December 31, 2017	January 1- December 31, 2016
Finance expense		
Foreign exchange losses	(21.977.088)	(44.346.825)
Interest expense on loans and borrowings	(29.043.919)	(30.259.031)
Other interest expense	(5.615)	(132)
Derivative losses	(555)	(14.245)
Total	(51.027.177)	(74.620.233)
Finance income		
Derivative gains	3.829.974	--
Total	3.829.974	--

23. Earnings per share

	January 1- December 31, 2017	January 1- December 31, 2016
Period opening of number of shares in circulation	85.000.000.000	74.600.000.000
Bonus shares due to capital increase	6.375.000.000	10.400.000.000
Number of shares in circulation as of December 31	91.375.000.000	85.000.000.000
Weighted average number of shares in circulation ⁽¹⁾	91.375.000.000	85.000.000.000
Net profit for the period	179.956.837	420.511.402
Earnings per share	0,0020	0,0049
Diluted earnings per share	0,0020	0,0049

⁽¹⁾ Capital increase is realized from internal sources and increase in number of share is used for computation of prior period earnings per share.

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

24. Related party disclosures

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

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

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

Details of related party balances are as follows:

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

The Company has letters of guarantee amounting TL 18.455.073 (December 31, 2016: TL 14.703.799) from İş Bankası. In addition, 1st and 2nd degree mortgage is instituted by the Company in favour İş Bankası amounting to TL 685.000.000 and USD 136.000.000 on some investment properties.

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

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

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	December 31, 2017	
	Loans and borrowings	
<i>Balances with related parties</i>	Short Term	Long Term
T. İş Bankası A.Ş.	154.258.179	484.995.840
<i>Transactions with related parties</i>	Interest expense on loans	Capitalized interest expense
T. İş Bankası A.Ş.	28.700.640	41.250.185
	December 31, 2017	
	Financial leasing	
<i>Balances with related parties</i>	Short Term	Long Term
İş Finansal Kiralama A.Ş.	696.316	--

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

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

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

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

⁽¹⁾ The amount of purchases with Anadolu Anonim Türk Sigorta Anonim Şirketi is related to the insurance of the Company's real estates. The amount of purchases from the İş Merkezleri Yönetim ve İşletim Anonim Şirketi is related to the operation of the Company's investment properties İş Kuleleri and Mallmarine Shopping Center.

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

⁽¹⁾ The amount of purchases with Anadolu Anonim Türk Sigorta Anonim Şirketi is related to the insurance of the Company's real estates. The amount of purchases from the İş Merkezleri Yönetim ve İşletim Anonim Şirketi is related to the operation of the Company's investment properties İş Kuleleri and Mallmarine Shopping Center.

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As of December 31, 2017, TL 27.171.000 part of TRSISGY31915 ISIN coded bond which is issued in nominal value TL 213.000.000 and TL 6.000.000 part of TRSISGY61912 ISIN coded bond which is issued in nominal value TL 100.000.000 are in related parties and breakdowns are below:

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

<i>Transactions with related parties</i>	January 1 - December 31, 2016	
	TRSISGY41617	TRSISGY71614
Anadolu Anonim Türk Sigorta A.Ş.	15.000.000	--
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	5.000.000	2.500.000
İş Yatırım Menkul Değerler A.Ş.	2.711.000	--
İş Yatırım Ortaklığı A.Ş.	4.500.000	3.500.000
Total	27.211.000	6.000.000

Benefits provided to key management personnel:

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

	January 1- December 31, 2017	January 1- December 31, 2016
	Salaries and other short term benefits	5.012.527
Employee termination benefits	538.465	454.561
Total	5.550.992	5.160.448

25. Nature and level of risks arising from financial instruments

a) Capital risk management

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

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

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

b) Financial risk factors

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

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

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Exposure to maximum credit risk as of reporting date	Receivables						
	Trade receivables		Other Receivables		Bank deposits	Derivative instruments	Other (**)
	Related parties	Other parties	Related parties	Other parties			
December 31, 2017							
Maximum net credit risk as of the reporting date (A+B+C+D) ⁽¹⁾	1.600.761	45.842.088	--	1.078.243	69.028.866	3.865.901	14.088.726
- The part of maximum risk under guarantee with collateral etc. ⁽²⁾	--	--	--	--	--	--	--
A. Net book value of financial assets that are neither past due nor impaired	1.600.761	45.842.088	--	1.078.243	69.028.866	3.865.901	14.088.726
B. Net book value of financial assets which are overdue but not impaired	--	1.463.781	--	--	--	--	--
C. Net book value of impaired assets							
- Past due (gross carrying amount)	--	2.567.269	--	--	--	--	--
- Impairment (-)	--	(2.567.269)	--	--	--	--	--
- The part of net value under guarantee with collateral etc.	--	--	--	--	--	--	--
- Not past due (gross carrying amount)	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--
- The part of net value under guarantee with collateral etc.	--	--	--	--	--	--	--
D. Off-balance sheet items with credit risk	--	--	--	--	--	--	--

⁽¹⁾ Items such as guarantees received which increase the credibility are not included in the determination of the balance.

⁽²⁾ Collaterals consist of notes, cheques and mortgages.

^(**) Investment funds which are shown in cash and cash equivalent, 3 months government bonds reverse repo agreements and other liquid assets are shown in other.

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b.1) Credit risk management

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

(*) Items such as guarantees received which increase the credibility are not included in the determination of the balance.

(**) Collaterals consist of notes, cheques and mortgages.

(***) Investment funds which are shown in cash and cash equivalent, 3 months government bonds reverse repo agreements and other liquid assets are shown in other.

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.

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

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

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

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

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

b.2) Liquidity risk management

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

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

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December 31, 2017						
Contractual maturities	Carrying Value	Total cash outflows according to contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non derivative financial liabilities						
Loans and borrowings	1.185.482.549	1.414.452.979	85.726.140	190.850.660	1.104.594.708	33.281.471
Trade payables	53.537.218	53.537.218	53.537.218	--	--	--
Other payables	44.979.614	44.979.614	--	44.979.614	--	--
Total liabilities	1.283.999.381	1.512.969.811	139.263.358	235.830.274	1.104.594.708	33.281.471

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

December 31, 2016						
Contractual maturities	Carrying Value	Total cash outflows according to contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non derivative financial liabilities						
Loans and borrowings	1.054.660.588	1.207.004.581	11.735.938	152.475.698	976.155.033	66.637.912
Trade payables	34.198.753	34.198.753	34.198.753	--	--	--
Other payables	36.612.898	36.612.898	--	622.898	35.990.000	--
Total liabilities	1.125.472.239	1.277.816.232	45.934.691	153.098.596	1.012.145.033	66.637.912

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

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.

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Foreign currency transactions lead to currency risks.

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

	USD Dollar	Euro	GBP
December 31, 2017	3,7719	4,5155	5,0803
December 31, 2016	3,5192	3,7099	4,3189

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

December 31, 2017			
	TL Equivalent (Functional currency)	US Dollar	Euro
1. Trade Receivables	--	--	--
2a. Monetary Financial Assets	24.683.762	6.057.501	406.483
2b. Non-Monetary Financial Assets	132.040	35.006	--
3. Other	--	--	--
4. CURRENT ASSETS	24.815.802	6.092.507	406.483
5. Trade Receivables	--	--	--
6a. Monetary Financial Assets	--	--	--
6b. Non-Monetary Financial Assets	--	--	--
7. Other	--	--	--
8. NON CURRENT ASSETS	--	--	--
9. TOTAL ASSET	24.815.802	6.092.507	406.483
10. Trade Payables	2.448.207	25.100	521.212
11. Financial Liabilities	47.084.378	9.577.324	2.427.122
12a. Other Monetary Liabilities	--	--	--
12b. Other Non-Monetary Liabilities	2.093.642	455.055	83.539
13. SHORT TERM LIABILITIES	51.626.228	10.057.479	3.031.873
14. Trade Payables	--	--	--
15. Financial Liabilities	188.307.531	44.117.648	4.850.000
16a. Other Monetary Liabilities	--	--	--
16b. Other Non-Monetary Liabilities	--	--	--
17. LONG TERM LIABILITIES	188.307.531	44.117.648	4.850.000
18. TOTAL LIABILITIES	239.933.759	54.175.127	7.881.873
19. Net asset/liability position of Off balance sheet derivatives (19a-19b)	--	--	--
19.a Off-balance sheet foreign currency derivative assets	--	--	--
19.b. Off-balance sheet foreign currency derivative liabilities	--	--	--
20. Net foreign currency asset / liability position	(215.117.957)	(48.082.620)	(7.475.390)
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(213.156.355)	(47.662.571)	(7.391.852)
22. Fair Value of foreign currency hedged Financial asset	--	--	--
23. Hedged foreign currency assets	--	--	--
24. Hedged foreign currency liabilities	--	--	--

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

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Foreign currency sensitivity

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

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

December 31, 2017		
	Appreciation of foreign currency	Devaluation of foreign currency
<u>If US Dollar changes against TL by 10%</u>		
US Dollar net asset / liability	(17.977.845)	17.977.845
Portion hedged against US Dollar risk (-)	--	--
US Dollar net effect	(17.977.845)	17.977.845
<u>If Euro changes against TL by 10%</u>		
Euro net asset / liability	(3.337.790)	3.337.790
Portion hedged against Euro risk (-)	--	--
Euro net effect	(3.337.790)	3.337.790
December 31, 2016		
	Appreciation of foreign currency	Devaluation of foreign currency
<u>If US Dollar changes against TL by 10%</u>		
US Dollar net asset / liability	(16.892.694)	16.892.694
Portion hedged against US Dollar risk (-)	--	--
US Dollar net effect	(16.892.694)	16.892.694
<u>If Euro changes against TL by 10%</u>		
Euro net asset/liability	(3.598.071)	3.598.071
Portion hedged against Euro risk (-)	--	--
Euro net effect	(3.598.071)	3.598.071

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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, 2017 and December 31, 2016.

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

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

b.3.3) Equity price risk

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

26. Fair value of financial instruments

Financial assets

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

Financial liabilities

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

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

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

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

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.

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

Fair Value Hierarchy as at Reporting Date

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

Financial assets	December 31, 2016	Level 1	Level 2	Level 3
Investment properties	3.714.668.994	--	3.714.668.994	--
Tangible Assets	28.559.331	--	28.559.331	--
Financial assets held for trading	1.496.689	1.496.689	--	--
Derivatives held for trading	566	--	566	--
	3.744.725.580	1.496.689	3.743.228.891	--

27. Events after the reporting period

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Convenience Translation of Notes to the Financial Statements For the Year Ended December 31, 2017

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

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

The main accounts of separate financial statements	Related regulation	December 31, 2017	December 31, 2016
A Capital and money market instruments	III-48.1. Md. 24 / (b)	83.117.592	156.032.365
B Real estates, rights supported by real estates and real estate projects	III-48.1. Md. 24 / (a)	4.936.135.877	4.521.787.358
C Affiliates	III-48.1. Md. 24 / (b)	2.527.108	1.563.593
Due from related parties (other receivables)	III-48.1. Md. 23 / (f)	--	--
Other assets		290.166.679	207.636.878
D Total assets	III-48.1. Md. 3 / (k)	5.311.947.256	4.887.020.194
E Loans and borrowings	III-48.1. Md. 31	1.184.786.233	1.043.049.106
F Other financial liabilities	III-48.1. Md. 31	3.604.088	12.324.486
G Financial lease obligations	III-48.1. Md. 31	696.316	11.611.482
H Due to related parties (other payables)	III-48.1. Md. 23 / (f)	--	--
I Equity	III-48.1. Md. 31	3.280.576.987	3.161.345.656
Other liabilities		842.283.632	658.689.464
D Total liabilities and equity	III-48.1. Md. 3 / (k)	5.311.947.256	4.887.020.194
Other separate financial information	Related regulation	December 31, 2017	December 31, 2016
A1 Capital and money market instruments amount held for 3-year real estate payments	III-48.1. Md. 24 / (b)	--	--
A2 Time balances / demand balances TL / foreign currency	III-48.1. Md. 24 / (b)	69.028.866	125.695.426
A3 Foreign capital market instruments	III-48.1. Md. 24 / (d)	--	--
B1 Foreign real estates, rights supported by real estates and real estate projects	III-48.1. Md. 24 / (d)	--	--
B2 Inactive land	III-48.1. Md. 24 / (c)	47.577.917	43.650.487
C1 Foreign affiliates	III-48.1. Md. 24 / (d)	--	--
C2 Participating to operating company	III-48.1. Md. 28	2.527.108	1.563.593
J Non-cash loans	III-48.1. Md. 31	18.455.073	14.703.799
K Mortgage amounts of the mortgaged lands that the project will be developed on without ownership	III-48.1. Md. 22 / (e)	--	--
L The sum of investments in money and capital market instruments in a single company	Seri:VI No:11, Md.22/(I)	--	--

⁽¹⁾ From the associates disclosed in Note 3, Kanyon is in the scope of the Company under the scope of Article 28 paragraph 1 of the "Communiqué on Principles Regarding Real Estate Investment Trusts" No: 48.1 of the CMB, III. The Company accounts for this associate according to the equity method in the accompanying financial statements. As of December 31, 2017, the Company's participation in Kanyon is TL 500.000 and does not exceed 10% of the total assets.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi
**Convenience Translation of Notes to the Financial Statements
For the Year Ended December 31, 2017**

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

Portfolio restrictions	Related regulation	December 31, 2017	December 31, 2016	Min/Max ratio
1 Mortgage amounts of the mortgaged lands that the project will be developed on without ownership	III-48.1. Md. 22 / (e)	0%	0%	Max 10%
2 Real estates, rights supported by real estates and real estate projects	III-48.1. Md. 24 / (a). (b)	93%	93%	Min 51%
3 Capital and money market instruments and subsidiaries	III-48.1. Md. 24 / (b)	2%	3%	Max 49%
4 Foreign real estates, rights supported by real estates and real estate projects, affiliates and capital market instruments	III-48.1. Md. 24 / (d)	0%	0%	Max 49%
5 Inactive land	III-48.1. Md. 24 / (c)	1%	1%	Max 20%
6 Participating to operating company	III-48.1. Md. 28	0%	0%	Max 10%
7 Borrowings limits	III-48.1. Md. 31	37%	34%	Max 500%
8 Time balances / demand balances TL / foreign currency	III-48.1. Md. 22 / (e)	1%	3%	Max 10%
9 The sum of investments in money and capital market instruments in a single company	Seri:VI No:11, Md.22/(I)	0%	0%	Max 10%

Appendix: Summary Appraisal Reports

Subject of Appraisal	İstanbul İş Towers Complex (Tower 2 - Tower 3 - Kule Çarşı Shopping Mall and Parking Space)
Application Date and No	23 October 2017-005
Report Prepared by	Terra Gayrimenkul Değerleme ve Danışmanlık A.Ş.
Report Date and Report No	27 December 2017 /İŞGYO/005
Appraisal Date	20 December 2017
Appraisal Method Used	Market Value Method
Registry of Deeds	Masonry business center of with an area of 25,909 m ² registered at İstanbul Province, Beşiktaş District, Rumelihisarı Neighborhood, Sheet No: 81, Block No: 1420, Parcel No: 1
Appraisal Value (TL including VAT/excluding VAT)	TL 900,305,000 (excluding VAT) / TL 1,062,359,900 (including VAT)
Insurance Value (TL)	TL 68,850,300
Subject of Appraisal	Ankara İş Tower
Application Date and No	23 October 2017-002
Report Prepared by	Terra Gayrimenkul Değerleme ve Danışmanlık A.Ş.
Report Date and Report No	22 December 2017 2017/İŞGYO/002
Appraisal Date	18 December 2017
Appraisal Method Used	Market Value Method
Registry of Deeds	Land with an area of 6,287 m ² and reinforced concrete building on it registered at Ankara Province, Çankaya District, Kavaklıdere Neighborhood, Block No: 5708, Parcel No: 63
Appraisal Value (TL including VAT/excluding VAT)	TL 135,420,000 (excluding VAT) / TL 159,795,600 (including VAT)
Insurance Value (TL)	TL 41,322,150
Subject of Appraisal	Maslak Office Building
Application Date and No	1 December 2017-014
Report Prepared by	Nova Taşınmaz Değerleme ve Danışmanlık A.Ş.
Report Date and Report No	22 December 2017 003-2017/8144
Appraisal Date	18 December 2017
Appraisal Method Used	Market Value Method
Registry of Deeds	Masonry business center with an area of 4,469.5 m ² registered at İstanbul Province, Sarıyer District, M. Ayazağa Neighborhood, Sheet No: 2, Parcel No: 10, Block No: 10
Appraisal Value (TL including VAT/excluding VAT)	TL 107,635,000 (excluding VAT) / TL 127,009,300 (including VAT)
Insurance Value (TL)	TL 17,735,000
Subject of Appraisal	Ankara-Ulus Office Building
Application Date and No	1 December 2016-013
Report Prepared by	Nova Taşınmaz Değerleme ve Danışmanlık A.Ş.
Report Date and Report No	22 December 2017 2017/8140
Appraisal Date	18 December 2017
Appraisal Method Used	Market Value Method
Registry of Deeds	Masonry building with an area of 1,362 m ² registered at Ankara Province, Altındağ District, Fevzipaşa Neighborhood, Block No: 796, Parcel No: 5
Appraisal Value (TL including VAT/excluding VAT)	TL 47,755,000 (excluding VAT) / TL 56,350,900 (including VAT)
Insurance Value (TL)	TL 14,775,000
Subject of Appraisal	Kapadokya Lodge Hotel
Application Date and No	20 October 2017
Report Prepared by	Reel Gayrimenkul Değerleme A.Ş.
Report Date and Report No	22 December 2017 ISGY-1710005
Appraisal Date	23 November 2017-20 December 2017
Appraisal Method Used	Market Value Method
Registry of Deeds	Land of with an area of 40,236 m ² and hotel registered at Nevşehir Province, Merkez District, Uçhisar Village, Nar Deresi Locality, Sheet No: 30.K.1B, Block No: 122, Parcel No: 2-3
Appraisal Value (TL including VAT/excluding VAT)	TL 25,388,000 (excluding VAT) / TL 29,957,840 (including VAT)
Insurance Value (TL)	TL 18,614,242

Subject of Appraisal	Kanyon Shopping Mall
Application Date and No	23 October 2017-006
Report Prepared by	Terra Gayrimenkul Değerleme ve Danışmanlık A.Ş.
Report Date and Report No	27 December 2017 2017/İŞGYO/006
Appraisal Date	20 December 2017
Appraisal Method Used	Market Value Method
Registry of Deeds	Masonry building with an area of 29,427.34 m ² registered at İstanbul Province, Şişli District, Mecidiyeköy Neighborhood, Sheet No: 303, Block No: 1946, Parcel No: 136. The Company's share is 50%.
Appraisal Value (TL including VAT/excluding VAT)	TL 510,090,000 (excluding VAT) / TL 601,906,200 (including VAT)
Insurance Value (TL)	TL 28,285,858
Subject of Appraisal	Mallmarine Shopping Mall
Application Date and No	23 October 2017-003
Report Prepared by	Terra Gayrimenkul Değerleme ve Danışmanlık A.Ş.
Report Date and Report No	25 December 2017 2017/İŞGYO/003
Appraisal Date	19 December 2017
Appraisal Method Used	Market Value Method
Registry of Deeds	6-storeyed building located at the address of Muğla Province, Marmaris District, Kemeraltı Neighborhood, Atatürk Boulevard, No: 28, on a land with an area of 1,166.33 m ² registered at Sheet No: 2, Block No: 119, Parcel No: 24
Appraisal Value (TL including VAT/excluding VAT)	TL 13,030,000 (excluding VAT) / TL 15,375,400 (including VAT)
Insurance Value (TL)	TL 3,066,714
Subject of Appraisal	Esenyurt (Marmarapark) – Parcel No: 110
Application Date and No	23 October 2017-008
Report Prepared by	Terra Gayrimenkul Değerleme ve Danışmanlık A.Ş.
Report Date and Report No	27 December 2017 2017/İŞGYO/008
Appraisal Date	20 December 2017
Appraisal Method Used	Market Value Method
Registry of Deeds	Land with a total area of 62,343.69 m ² İstanbul Province, Esenyurt District, Yakuplu Neighborhood, Sheet No: 24d-4b, Block No: 21, Parcel No: 110
Appraisal Value (TL including VAT/excluding VAT)	TL 162.020.000 (excluding VAT) / TL 191.193.600 (including VAT)
Subject of Appraisal	Çınarlı Bahçe Tuzla Commercial Areas
Application Date and No	20 October 2017
Report Prepared by	Reel Gayrimenkul Değerleme ve Danışmanlık A.Ş.
Report Date and Report No	26 December 2017 ISGY-1710002
Appraisal Date	4 December 2017-22 December 2017
Appraisal Method Used	Market Value Method
Registry of Deeds	Land with an area of 40,983.24 m ² registered at İstanbul Province, Tuzla District, Merkez Neighborhood, Sheet No: 20, Parcel No: 1329
Appraisal Value (TL including VAT/excluding VAT)	TL 2,600,000 (excluding VAT) / TL 3,068,000 (including VAT)
Insurance Value (TL)	TL 298,420
Subject of Appraisal	İstanbul İşbank Technology & Operation Center
Application Date and No	1 December 2017-010
Report Prepared by	Nova Taşınmaz Değerleme ve Danışmanlık A.Ş.
Report Date and Report No	21 December 2017 003-2017/8142
Appraisal Date	15 December 2017
Appraisal Method Used	Market Value Method
Registry of Deeds	Land with an area of 44,395.35 m ² registered at İstanbul Province, Tuzla District, Merkez Neighborhood, Sheet No: G22B17A1C, Block No: 7301, Parcel No: 1
Appraisal Value (TL including VAT/excluding VAT)	TL 941,345,000 (excluding VAT) / TL 1,110,787,100 (including VAT)
Insurance Value (TL)	TL 498,560,000

Subject of Appraisal	Tuzla Mixed
Application Date and No	1 December 2017-011
Report Prepared by	Nova Taşınmaz Değerleme ve Danışmanlık A.Ş.
Report Date and Report No	21 December 2017 003-2017/8143
Appraisal Date	15 December 2017
Appraisal Method Used	Market Value Method
Registry of Deeds	Land with an area of 21,305.29 m ² registered at İstanbul Province, Tuzla District, Merkez Neighborhood, Sheet No: G22B17A1C, Block No: 7301, Parcel No: 2
Appraisal Value (TL including VAT/excluding VAT)	TL 270,382,000 (excluding VAT) / TL 319,050,760 (including VAT)
Insurance Value (TL)	TL 200,510,000

Subject of Appraisal	İzmir Ege Perla Project
Application Date and No	1 December 2017-017
Report Prepared by	Nova Taşınmaz Değerleme ve Danışmanlık A.Ş.
Report Date and Report No	29 December 2017 003-2017/8145
Appraisal Date	25 December 2017
Appraisal Method Used	Market Value Method
Registry of Deeds	Land with an area of 18,392 m ² registered at İzmir Province, Konak District, Mersinli Neighborhood, Sheet No: 296, Block No: 3324, Parcel No: 106
Appraisal Value (TL including VAT/excluding VAT)	TL 329,697,000 (excluding VAT) / TL 384,625,690 (including VAT)
Insurance Value (TL)	TL 114,660,000

Subject of Appraisal	Office Lamartine
Application Date and No	20 October 2017
Report Prepared by	Reel Gayrimenkul Değerleme ve Danışmanlık A.Ş.
Report Date and Report No	26 December 2017 ISGY/1710006
Appraisal Date	15 November 2017-22 December 2017
Appraisal Method Used	Market Value Method
Registry of Deeds	Land with an area of 578.72 m ² registered at İstanbul Province, Beyoğlu District, Şehitmuhtar Neighborhood, Lamartin and Cumhuriyet Avenue, Sheet No: 11, Block No: 408, Parcel No: 24
Appraisal Value (TL including VAT/excluding VAT)	TL 50,543,000 (excluding VAT) / TL 59,640,740 (including VAT)
Insurance Value (TL)	TL 6,515,850

Subject of Appraisal	Üsküdar Land
Application Date and No	23 October 2017-004
Report Prepared by	Terra Gayrimenkul Değerleme ve Danışmanlık A.Ş.
Report Date and Report No	25 December 2017 2017/İŞGYO/004
Appraisal Date	19 December 2017
Appraisal Method Used	Market Value Method
Registry of Deeds	Land with an area of 32,081 m ² registered at İstanbul Province, Üsküdar District, Burhaniye Neighborhood, Tunuslu Mahmutpaşa Street, Block No: 725, Parcel No: 18
Appraisal Value (TL including VAT/excluding VAT)	TL 43,310,000 (excluding VAT) / TL 51,105,800 (including VAT)
Insurance Value (TL)	Not mentioned as it is land.

Subject of Appraisal	Kartal Manzara Adalar Project
Application Date and No	1 December 2017-016
Report Prepared by	Nova Taşınmaz Değerleme ve Danışmanlık A.Ş.
Report Date and Report No	26 December 2017 003-2017/8141
Appraisal Date	21 December 2017
Appraisal Method Used	Market Value Method
Registry of Deeds	Land with an area of 36,724.88 m ² registered at İstanbul Province, Kartal District, Yukarı Neighborhood, Sheet No: G22A14B2B, Block No: 10047, Parcel No: 6
Appraisal Value (TL including VAT/excluding VAT)	TL 711,150,000 (excluding VAT) / TL 764,400,000 (including VAT)
Insurance Value (TL)	Not mentioned as there is no settlement.

Subject of Appraisal	Levent Land
Application Date and No	20 October 2017
Report Prepared by	Reel Gayrimenkul Değerleme ve Danışmanlık A.Ş.
Report Date and Report No	22 December 2017 ISGY-1710001
Appraisal Date	11 December 2017-20 December 2017
Appraisal Method Used	Market Value Method
Registry of Deeds	Land with an area of 7,613 m ² registered at İstanbul Province, Beşiktaş District, Levent Neighborhood, Sheet No: 81, Block No: 916, Parcel No: 572 and Rumelihisarı Neighborhood, Block No: 916, 629, 630, 631
Appraisal Value (TL including VAT/excluding VAT)	TL 4,267,916 (excluding VAT) / TL 5,036,141 (including VAT)
Insurance Value (TL)	Not mentioned as it is land.

Subject of Appraisal	İstanbul Financial Center Project
Application Date and No	20 October 2017
Report Prepared by	Reel Gayrimenkul Değerleme ve Danışmanlık A.Ş.
Report Date and Report No	22 December 2017 ISGY-1710004
Appraisal Date	4 December 2017-20 December 2017
Appraisal Method Used	Market Value Method
Registry of Deeds	Land with an area of 4,797.45 m ² registered at İstanbul Province, Ümraniye District, Küçükbakkalköy Neighborhood, Sheet No: F22D23D4D, Block No: 3328, Parcel No: 9
Appraisal Value (TL including VAT/excluding VAT)	TL 191,917,000 (excluding VAT) / TL 226,462,060 (including VAT)
Insurance Value (TL)	Not mentioned as there is no settlement.

Subject of Appraisal	İstanbul Project
Application Date and No	20 October 2017
Report Prepared by	Reel Gayrimenkul Değerleme ve Danışmanlık A.Ş.
Report Date and Report No	28 December 2017 ISGY-1710003
Appraisal Date	23 October 2017-27 December 2017
Appraisal Method Used	Market Value Method
Registry of Deeds	Land with an area of 80,239.89 m ² registered at İstanbul Province, Zeytinburnu District, Merkezefendi Neighborhood, Sheet No: 490-491, Block No: 2905, Parcel No: 17
Appraisal Value (TL including VAT/excluding VAT)	TL 511,500,500 (excluding VAT) / TL 603,570,590 (including VAT)
Insurance Value (TL)	Not mentioned as there is no settlement.

Subject of Appraisal	Tuzla Land
Application Date and No	1 December 2017-009
Report Prepared by	Nova Taşınmaz Değerleme ve Danışmanlık A.Ş.
Report Date and Report No	21 December 2017 003-2017/8147
Appraisal Date	15 December 2017
Appraisal Method Used	Market Value Method
Registry of Deeds	Land with an area of 53,459.93 m ² registered at İstanbul Province, Tuzla District, Merkez Neighborhood, Parcel No: 6408
Appraisal Value (TL including VAT/excluding VAT)	TL 168,085,000 (excluding VAT) / TL 198,340,300 (including VAT)
Insurance Value (TL)	Not mentioned as it is land.

Subject of Appraisal	Kartal, Parcel No: 395-400
Application Date and No	1 December 2017-015
Report Prepared by	Nova Taşınmaz Değerleme ve Danışmanlık A.Ş.
Report Date and Report No	26 December 2017 003-2017/8146
Appraisal Date	21 December 2017
Appraisal Method Used	Market Value Method
Registry of Deeds	Land with an area of 170 m ² registered at İstanbul Province, Kartal District, Yukarı Neighborhood, Block No: 2274, Parcel No: 400 and land with an area of 1,204.05 m ² registered at Block No: 10050, Parcel No: 395
Appraisal Value (TL including VAT/excluding VAT)	TL 5,550,000 (excluding VAT) / TL 6,549,000 (including VAT)
Insurance Value (TL)	Not mentioned as there is no settlement.

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