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**REPORT ON THE MERGER OF  
İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. WITH  
TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

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## MERGER REPORT

### I. INTRODUCTION

By virtue of the Board of Directors Resolution No. 835 dated 18 April 2017, by İş Gayrimenkul Yatırım Ortaklığı A.Ş., (“**İş REIC**” or the “**Acquiring Company**”), and the Board of Directors Resolution No. 387 dated 18 April 2017, by TSKB Gayrimenkul Yatırım Ortaklığı A.Ş., (“**TSKB REIC**” or the “**Acquired Company**”), it has been resolved that, subject to the approval by the General Meetings of the Merger Parties, the Acquired Company’s entire assets and liabilities are transferred to the Acquiring Company and that the Merger Parties merged under the legal entity of the Acquiring Company

This “Merger Report” has been prepared jointly by Board of Directors of both İş REIC and TSKB REIC in order to comply with Article 147 of the Turkish Commercial Code and the provisions of Article 9 of the “Communiqué on Merger and Demerger”

The Acquiring Company and the Acquired Company hereinafter shall be referred to as “**Parties**” or “**Merger Parties**” collectively, along with each being referred to as “**Party**” or “**Merger Party**”.

## II. GENERAL INTRODUCTORY INFORMATION ABOUT THE MERGER PARTIES

### A. General Information

#### Acquiring Company

**Trade Name:** İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

**Head Office:** İş Kuleleri Kule 2, Kat:10-11 34330 Levent Beşiktaş İstanbul

**Date of Registration:** 06.08.1999

**Trade Registry Office/Number:** İstanbul Trade Registry Office- 402908

**Duration:** Indefinite

**Areas of Activity:** Conditional on being permitted under the procedures and principals established by the Capital Markets Board's pertinent regulations, activity areas include investing in real estate, capital market instruments backed by real estate, real estate projects, real estate rights and capital market instruments, establishing ordinary partnerships to conduct projects and carrying out all other activities permitted under the Capital Markets Board.

**Tax Office and Number:** İstanbul (Head) Tax Directorate- 4810137715

**Website:** [www.isgyo.com.tr](http://www.isgyo.com.tr)

**Nace Code:** 64.99.03

#### Acquired Company

**Trade Name:** TSKB Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

**Head Office:** Ömer Avni Mahallesi Meclisi Mebusan Caddesi Mollabayırı Sokak No:1 34427 Fındıklı İstanbul

**Date of Registration:** 03.02.2006

**Trade Registry Office/Number:** İstanbul Ticaret Sicil Müdürlüğü- 577325

**Duration:** Indefinite

**Areas of Activity:** Conditional on being permitted under the procedures and principals established by the Capital Markets Board's pertinent regulations, activity areas include investing in real estate, capital market instruments backed by real estate, real estate projects,

real estate rights and capital market instruments, establishing ordinary partnerships to conduct projects and carrying out all other activities permitted under the Capital Markets Board.

**Tax Office and Number:** İstanbul Beyoğlu Tax Directorate- 8590482032

**Website:** [www.tskbgyo.com.tr](http://www.tskbgyo.com.tr)

**Nace Code:** 64.99.03

## B. Information about the Current Capital Structure and Shares

### Acquiring Company

i. **Issued capital:** 913.750.000 Turkish Liras

ii. **Authorised capital:** 2.000.000.000 Turkish Liras

iii. **Distribution of shares among shareholders (most recent):**

Shareholder's Full Name/Title	Number of Shares	Amount of Capital Share	Ratio of Shares
<b>Türkiye İş Bankası A.Ş.</b>	40.308.165.134 (130.535.711 Share Group A, 40.177.629.423 Share Group B)	403.081.651,34 TL	%44,11 (%0,14 Share Group A, %43,97 Share Group B)
<b>Anadolu Hayat Emeklilik A.Ş.</b>	6.495.293.761 Share Group B	64.952.937,61 TL	%7,11
<b>Other</b>	44.571.541.105 Share Group B	445.715.411,05 TL	%48,78
<b>Total</b>	91.375.000.000 (130.535.711 Share Group A and 91.244.464.289 Share Group B)	913.750.000 TL	%100 (%0,14 Share Group A, %99,86 Share Group B)

iv. **Real and legal entities with indirect equity ownership:**

Shareholder's Full Name/Title	Number of Shares	Amount of Capital Share	Ratio of Shares
<b>Türkiye İş Bankası A.Ş.</b>	19.448.426.639	194.484.266,388	%21,28

<b>Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandık Vakfı (Munzam Sandık Vakfı)</b>		TL	
<b>Cumhuriyet Halk Partisi</b>	13.676.477.832	136.764.778,32 TL	% 14,97

PWC Yeminli Mali Müşavirlik A.Ş. has established in its “Sworn Certified Financial Accountant Report on Payment of Capital” dated 17 May 2017 and numbered YMM/1864/2017/2372 that the Acquiring Company’s issued capital has been paid in full.

**v. Determining whether current privileges and the privileges granted to the shares that represent the capital shall or shall not continue:**

According to Article 7 of the Articles of Association of the Acquiring Company entitled “Capital and Share Certificates”, the capital of the Acquiring Company is comprised of Group A and Group B types of shares, and Group A shares have the privilege of nominating candidates for the Board of Directors.

According to Article 11 of the said Articles of Associations, the Board of Directors of the Acquiring Company is comprised of at least five and maximum 11 members and all members of the Board of Directors (excluding only one) are elected among the candidates nominated by Group A shareholders.

Existing privileges will continue for Group A shares even after the merger.

**vi. Disclosure about dividend shares, bonds and similar debt instruments (if any) among the share stock representing the capital:**

There are no dividend shares, convertible bonds or debt instruments among the share stock representing the capital of the Acquiring Company.

**Acquired Company**

- i. Issued capital:** 150.000.000 Turkish Liras
- ii. Authorised capital:** 200.000.000 Turkish Liras
- iii. Distribution of shares among shareholders (most recent):**

Shareholder's Full Name/Title	Number of Shares	Amount of Capital Share	Ratio of Shares
<b>Türkiye Sınai Kalkınma Bankası A.Ş.*</b>	88.500.000 (10.000.000 Share Group A, 4.091.111 Share Group B, 74.408.889 Share Group C)	88.500.000 TL	%59,01 (%6,67 Share Group A, %2,73 Share Group B, %49,61 Share Group C)
<b>Other</b>	61.500.000 Share Group C	61.500.000 TL	%40,99
<b>Total</b>	150.000.000 (10.000.000 Share Group A, 4.091.111 Share Group B and 135.908.889 Share Group C)	150.000.000 TL	%100 (%6,67 Share Group A, %2,73 Share Group B, %90,6 Share Group C)

\* Total shares of TSKB in the capital is 70,84% as of 23.05.2017, including publicly traded shares.

**iv. Real and legal entities with indirect equity ownership:**

Shareholder's Full Name/Title	Number of Shares	Amount of Capital Share	Ratio of Shares
<b>Türkiye İş Bankası A.Ş.</b>	44.737.705,54	44.737.705,54 TL	%29,83

Sworn Certified Financial Accountant Mehmet Erdoğan Güler has established in his its "Sworn Certified Financial Accountant Report on Payment of Capital" dated 18 March 2013 and numbered SER 2013/01 that the Acquired Company's issued capital has been paid in full.

**v. Determining whether current privileges and the privileges granted to the shares that represent the capital shall or shall not continue:**

According to Article 7 of the Articles of Association of the Acquired Company entitled "Capital and Shares", the capital of the Acquired Company is comprised of Group A and Group B types of shares in the name and Group C issued to bearer, and

Group A and Group B shares have the privilege of nominating candidates for the Board of Directors.

According to Article 11 of the said Articles of Associations, the Board of Directors of the Acquired Company is comprised of at least five members, and all members of the Board of Directors are elected among the candidates nominated by Group A shareholders, excluding only one member- who is elected among the candidates nominated by Group B shareholders.

TSKB REIC's privileged shareholders shall not receive any privileged shares or equivalent privileges in return for the privileged TSKB REIC shares they own.

**vi. Disclosure about dividend shares, bonds and similar debt instruments (if any) among the share stock representing the capital:**

There are no dividend shares, convertible bonds or debt instruments among the share stock representing the capital of the Acquired Company.

**C. Information about Governing Organs and Members**

**Acquiring Company**

Members of the Board of Directors of the Acquiring Company were elected at Ordinary General Meeting held on 23 March 2017 and Board of Directors Meeting on 16 May 2017. Positions of the members of the Board are set out below.

<b>Board Members</b>	<b>Position</b>	<b>The General Meeting Where Elected</b>
<b>Ömer Karakuş</b>	Chairman	Board of Directors Meeting held on 16 May 2017
<b>Süleyman Hayrettin Özcan</b>	Vice Chairman	Ordinary General Meeting held on 23 March 2017
<b>Aysel Tacer</b>	Board Member	Ordinary General Meeting held on 23 March 2017
<b>Didar Sevdil Yıldırım</b>	Independent Board Member	Ordinary General Meeting held on 23



		March 2017
<b>Haluk Büyükbaş</b>	Independent Board Member	Ordinary General Meeting held on 23 March 2017
<b>Nihat Uzunoglu</b>	Independent Board Member	Ordinary General Meeting held on 23 March 2017
<b>Mete Uluyurt</b>	Board Member	Ordinary General Meeting held on 23 March 2017
<b>Murat Doğan</b>	Board Member	Ordinary General Meeting held on 23 March 2017
<b>Sakine İlgen Dokuyucu</b>	Board Member	Ordinary General Meeting held on 23 March 2017

### **Acquired Company**

Members of the Board of Directors of the Acquired Company were elected at Ordinary General Meeting held on 22 March 2017. The positions of the members of the Board are set out below.

<b>Board Members</b>	<b>Position</b>	<b>The General Meeting Where Elected</b>
<b>Ufuk Bala Yücel</b>	Chairman	Ordinary General Meeting held on 22 March 2017
<b>Özlem Bağdatlı</b>	Vice Chairman	Ordinary General Meeting held on 22 March 2017
<b>Elif Aydoğan Özdemir</b>	Board Member	Ordinary General Meeting held on 22 March 2017
<b>Fuat Sönmez</b>	Board Member	Ordinary General Meeting held on 22 March 2017

<b>Armağan Öznur Gökhan</b>	Board Member	Ordinary General Meeting held on 22 March 2017
<b>İbrahim Ümit Seğmen</b>	Independent Board Member	Ordinary General Meeting held on 22 March 2017
<b>Ersan Yıldırım</b>	Independent Board Member	Ordinary General Meeting held on 22 March 2017

### III. INFORMATION ABOUT MERGER BY ACQUISITION

#### A. Aims and Consequences of the Merger

In parallel with the investment strategy of increasing the rental income and diversification of the portfolio, the merger between İş REIC and TSKB REIC who operate in the same sector will have positive effects on the portfolio and the rental income as well as the economic benefits and operational and competitive advantages that will arise from the merger.

Since its inception, İş REIC has made significant investments in real estates generating rental income through conducting either purchase operations or project development. Hence, owing to the merger, İş REIC will include such real estates in the portfolio of TSKB REIC in its own portfolio, while the latter will enjoy İş REIC's experience in managing real estate investments and special expertise coming from applied business models.

By benefiting from the experience and expertise of İş REIC in real estate management and project development; tenant mix and marketing ability of some of TSKB REIC's assets will be improved in order to increase the rent efficiency, changing the function of the asset or evaluation of new project development opportunities may be considered for some of the real estate properties that will be acquired from TSKB REIC while some of them may even be sold depending on the market conditions to realize capital gains.

It's also believed that the marketing and enhancing the brand recognition of the assets that will be added to the portfolio will be positively affected by the brand recognition of İş REIC and its competence in reaching out local and international retailers,

investors and managing companies. That is to say, the said real estates will be marketed more effectively.

In addition to above, following the merger, reductions are expected, especially in the expenses and costs associated with the general administrative and purchasing functions due to both the economies of scale involved and the elimination of certain cost items.

At last, the parties will benefit from the merger in terms of greater competitive advantages. With the diversification of project portfolio and the increase in the project development power, competitive advantage would be achieved and this in turn is to boost the number of potential investors.

#### **B. Merger Agreement**

The Merger Agreement is signed by the Parties, and it shall enter into force after being approved by the General Meeting of both Parties.

#### **C. Financial Statements for the Merger**

Since Merger Parties are subject to the Capital Markets Law and open to public and their shares are publicly traded on the Borsa Istanbul, the basis for the merger transaction itself and for the merger related calculations shall be the annual financial statements and their Respective notes issued by the Parties on 31 December 2016 and covering the 1 January 2016 – 31 December 2016 period, prepared in compliance with the Turkish Accounting Standards and the Turkish Financial Reporting Standards, audited by independent auditors, disclosed to the Public Disclosure Platform (PDP) by the Acquired Company on 26 January 2017 and by the Acquiring Company on 27 January 2017, and issued by the Public Oversight Accounting and Auditing Standards Authority in accordance with the terms of the Capital Markets Board's "Communiqué on Principles of Financial Reporting" (II-14.1) and all other relevant legislation.

#### **D. Expert Institution Report**

Since both companies are subject to the Capital Markets Law, in accordance with Article 7 entitled "Expert Institution Opinion" of the Capital Markets Board's "Communiqué on Merger and Demerger" (II-23.2), the basis for the merger

transaction, determining fairly and reasonably the number of shares to be allotted from İş REIC, shares to be issued subsequent to the capital increase, the amount of capital increase to be effected in İş REIC, and the calculations of the merger ratio as well as the exchange ratio shall be the “Expert Institution Report on the Merger of İş Gayrimenkul Yatırım Ortaklığı A.Ş. and TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.” (“Expert Institution Report”), prepared by DRT Kurumsal Finans Danışmanlık Hizmetleri A.Ş. (Deloitte), authorised by the Acquiring Company by virtue of the Board of Directors resolution dated 18 April 2017 and numbered 835, and by the Acquired Company by the virtue of the Board of Directors resolution dated 18 April 2017 and numbered 387.

#### **E. Merger Ratio, Exchange Ratio and Valuation of Shares<sup>1</sup>**

Based on the aforementioned Expert Institution Report of Deloitte and the requirements of the Capital Markets Boards “Communiqué on Merger and Demerger” (II-23.2), the merger ratio, the exchange ratio, the post-merger capital increase amount in the merger of İş REIC and TSKB REIC and the number of issued shares to be allotted to the shareholders of the Acquired Company have been calculated by using three different valuation methods complying with the internationally accepted valuation standards, namely the market value method under the market approach, adjusted NAV method under the cost approach and discounted cash flow method under the income approach. Findings from each calculation method and the corresponding weighted averages are as follow.

<b>Valuation Method</b>	<b>Merger Ratio</b>	<b>Exchange Ratio</b>	<b>Capital Increase<sup>2</sup></b>	<b>Post-Merger Capital<sup>3</sup></b>
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<sup>1</sup> This Section is based on the Expert Institution Report.

<sup>2</sup> The amount of capital increase varies depending on shareholders of the Acquired Company wishing to exercise their retirement right by casting opposing votes in the General Meetings held for the purpose of discussing endorsement of the Merger and raising objections annotated in the minutes of the meetings.

<b>Market Value Method</b>	%92,99	0,45887571	68.831.357 TL	982.581.357 TL
<b>Adjusted Net Asset Value Method</b>	%94,14	0,37935217	56.902.826 TL	970.652.826 TL
<b>Discounted Cash Flow Method</b>	%98,10	0,11816988	17.725.482 TL	931.475.482TL
<b>Results (Weighted Figures)</b>	% 95,08	0,31512588	47.268.883 TL	961.018.883 TL

The exchange ratio calculated by using these three methods included in the Expert Institution Report and the subsequent taking of their weighted averages is considered to be fair and reasonable. Accordingly, it is found that the merger ratio is 95,08% and the exchange ratio is 0,31512588. Furthermore, the amount of Acquiring Company's current capital (TL 913.750.000) will be increased by TL 47.268.883. Hence, the total amount of Acquiring Company's issued share capital resulting from the merger will be TL 961.018.883. The final amount of the capital increase may change depending on the shareholders of the Acquired Company wishing to exercise their retirement right by casting opposing votes in the General Meeting held regarding the Merger and raising objections annotated in the minutes of the meeting.

If none of the shareholders of the Merger Parties chooses to exercise their retirement right described in this Merger Agreement, then the new shareholding structure of the Acquiring Company following the merger will be as follows.

<b>Shareholder's Full Name/Title</b>	<b>Number of Shares</b>	<b>Amount of Capital</b>	<b>Share Ratio</b>
<b>Türkiye İş</b>	40.308.165.134	403.081.651,34 TL	%41,95

<sup>3</sup> The post-merger capital may vary depending on shareholders of the Acquired Company wishing to exercise their retirement right by casting opposing votes in the General Meetings held for the purpose of discussing endorsement of the Merger and raising objections annotated in the minutes of the meetings.

<b>Bankası A.Ş.</b>	(130.535.711 Share Group A, 40.177.629.423 Share Group B)		(%0,14 Share Group A, %41,81 Share Group B)
<b>Anadolu Hayat Emeklilik A.Ş.</b>	6.495.293.761 Share Group B	64.952.937,61 TL	%6,76
<b>Türkiye Sınai Kalkınma Bankası A.Ş.</b>	3.348.625.290 Share Group B	33.486.252,90 TL	%3,48
<b>Other</b>	45.949.804.115 Share Group B	459.498.041,15 TL	%47,81
<b>Total</b>	96.101.888.300 (130.535.711 Share Group A, 95.971.352.589 Share Group B)	961.018.883 TL	%100

The post-merger shareholding structure of the Acquiring Company may vary depending on shareholders of the Merger Parties wishing to exercise their retirement right by casting opposing votes in the General Meetings held for the purpose of discussing endorsement of the Merger and raising objections annotated in the minutes of the meetings.

**F. Type and Value of the Shares to Be Transferred to Shareholders of the Acquired Company**

Under the merger transaction, Acquired Company's shareholders will receive 31.512588 units of Group B in the name stock of İş REIC at 0.01 Turkish lira par value, in exchange of each of their TSKB REIC stock shares with 1.00 (one) Turkish lira par value.

**G. The Rights of the Shareholders of the Acquired Company in the Acquiring Company**

According to Article 7 of the Articles of Association of the Acquiring Company entitled "Capital and Share Certificates", the capital of the Acquiring Company is

comprised of Group A and Group B types of shares in the name, and Group A shares have the privilege of nominating candidates for the Board of Directors. All members of the Board of Directors (excluding only one) are elected among the candidates nominated by Group A shareholders. According to the Articles of Association of the Acquiring Company, existing privileges will continue for Group A shares even after the merger.

According to Article 7 of the Articles of Association of the Acquired Company entitled “Capital and Shares”, the capital of the Acquired Company is comprised of Group A and Group B types of shares in the name and Group C issued to bearer, and Group A and Group B shares have the privilege of nominating candidates for the Board of Directors. All members of the Board of Directors are elected among the candidates nominated by Group A shareholders, excluding only one member- who is elected among the candidates nominated by Group B shareholders.

TSKB REIC’s privileged shareholders shall not receive any privileged shares or equivalent privileges in return for the privileged TSKB REIC shares they own. Under the merger transaction, Acquired Company’s shareholders will receive 31.512588 units of Group B in the name stock of İş REIC at 0.01 Turkish lira par value, in exchange of each of their TSKB REIC stock shares with 1.00 (one) Turkish lira par value.

Save above, the shareholders of the Acquired Company TSKB REIC shall have the same shareholder rights at the Acquiring Company İş REIC.

The delivery of the Acquiring Company shares to be given to the shareholders of the Acquired Company, which shall be dissolved without liquidation, shall be dematerialised and registered by the Central Securities Depository within the deadlines stipulated by Capital Markets Board and the Central Securities Depository regulations. Commencing with the fiscal year 2017, during which the Acquired Company will dissolve, the shareholders of the Acquired Company shall be entitled to the dividends distributed on the Acquiring Company shares, which they will receive as a result of the merger, in the event they continue their shareholdings in the Acquiring Company as of such date of dividend distribution.

No additional payment requirements, personal performance obligations or personal responsibilities will be imposed on the Acquired Company TSKB REIC's shareholders due to the merger.

#### **H. Amendments to the Article of Association**

According to the Expert Institution Report, the amount of the Acquiring Company's current capital (TL 913.750.000) will be increased by TL 47.268.883, meaning that the total amount of Acquiring Company's issued share capital resulting from the merger will be TL 961.018.883. The final amount of the capital increase may change depending on the shareholders of the Acquired Company wishing to exercise their retirement right by casting opposing votes in the General Meeting held regarding the Merger and raising objections annotated in the minutes of the meeting.

Once the amount of capital increase has been ascertained depending on the shareholders of the Acquired Company exercising their retirement right , Article 7 of the Articles of Association of the Acquiring Company entitled "Capital and Share Certificates" will be amended through a Board of Directors resolution increasing the capital of the Acquiring Company. The amendment is subject to the approval of Capital Markets Board, shall be disclosed to the Public Disclosure Platform and to the public on İř REIC's corporate website ([www.isgyo.com.tr](http://www.isgyo.com.tr)), and must be registered to the Trade Registry.

The Articles of Association Amendment Draft involving the current amount of capital increase, which is TL 47.268.883 according to the Expert Institution Report, will be disclosed to the public through Public Disclosure Platform and İř REIC's corporate website ([www.isgyo.com.tr](http://www.isgyo.com.tr)).

#### **I. The Retirement Right**

Within the scope of the provisions of Article 24 of the Capital Markets Law, entitled "Retirement Right," and Article 9 of the Capital Markets Board's "Communiqué on Common Principles Regarding Significant Transactions and the Retirement Right" (II-23.1), entitled "Exercising the Retirement Right," shareholders of both Parties who attend the general meeting where said merger transaction shall be submitted for approval and cast a nay vote and have their objections annotated in the minutes of the meeting shall be entitled to exit by selling their shares to the Party concerned.



If, after the general meeting where the said merger transaction would be submitted for approval, and within the statutory deadline set for exercising the retirement right, the shareholder who casts a nay vote and has their objections annotated in the minutes of the meeting, applies to the intermediary firm that has been exclusively commissioned by the Merger Parties to manage the process of exercising the retirement right to exercise their retirement right in accordance with the procedures set and disclosed to the public, as stated within the provisions of Article 24 of the Capital Markets Law entitled “Retirement Right” and Article 10 of the Capital Markets Board’s “Communiqué on Common Principles Regarding Significant Transactions and the Retirement Right” (II-23.1) entitled “Exercise Price of Retirement Right

- (i) The exercise price of the retirement right for 100 İř REIC shares corresponding to a total nominal value of 1.00 (one) Turkish lira is calculated to be 1. 3713 Turkish lira based on “the arithmetic average of adjusted weighted average prices” formed at the Borsa Istanbul during the 30 (thirty) day period (October 20, 2016 - November 18, 2016 period), (including the date of disclosure 18 November 2016, since the Board of Directors’ resolution to initiate the merger discussions was disclosed to the public after the closing of the second session of the Borsa Istanbul) before the merger transaction was first disclosed to the public on 18 November 2016, and also calculated in accordance with the adjustment made by Borsa Istanbul pursuant to the resolution of the ordinary General Meeting dated 23 March 2017 approving distribution of cash dividends and stock dividends.
- (ii) The exercise price of the retirement right for each TSKB REIC shares corresponding to 1.00 (one) Turkish lira par value is calculated to be 0,6488 Turkish lira based on “the arithmetic average of adjusted weighted average prices” formed at the Borsa Istanbul during the 30 (thirty) day period (October 20, 2016 - November 18, 2016 period) (including the date of disclosure, since the Board of Directors’ resolution to initiate the merger discussions was disclosed to the public after the closing of the second session of the Borsa Istanbul) prior to 18 November 2016, which is the date the merger transaction was first disclosed to the public.

The exercise process for the execution of the retirement right shall commence within 6 (six) business days at the latest from the date of the general meeting where the merger transaction will be submitted for approval, and the deadline for exercising the retirement right will be 10 (ten) business days.

It is mandatory that the retirement right is exercised through intermediary firm. Shareholders who will exercise their retirement right shall do so by delivering their shares to be surrendered for sale during the exit process to the intermediary firm responsible for performing the buying transactions on behalf of the merger partnership, all in accordance with the general provisions and guidelines set for the retirement right and within the context of the exercise process disclosed to the public. Share prices shall be paid to those shareholders who have applied to the intermediary firm to exercise their retirement right on the next business day that follows the sale at the latest.

Shareholders who wish to exercise their retirement right must do so for all the shares they own regardless of their group distinction.

**J. Offsetting Payment**

No offsetting payment is foreseen.

**K. Exit Cash<sup>4</sup>**

No exit cash is foreseen in respect of the merger.

**L. Relevant Authority Approvals other than the Capital Markets Board**

**Competition Board**

Since the Merger does not fall under ambit of Article 6 of the “Communiqué on Mergers and Acquisitions Requiring the Approval of the Competition Board” (Communiqué No: 2010/4) issued by the Competition Board and published in Official Gazette No. 27722 dated October 7, 2010, since there is no “control change”, no application for the merger transaction must be made to the Competition Board by the Acquiring Company.

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<sup>4</sup> The exercise of the retirement right is set out in the “Retirement Right” section of this Report.

### **Other Authorities**

According to the laws to which the Parties subject, there is no other public institution from which approvals for the merger must be obtained.

## **M. Impact of the Merger on Employees of the Merger Parties and their Creditors**

### **The Impact of the Merger on the Employees**

The Employees of the Acquired Company TSKB REIC will not become those of İş REIC upon the merger.

### **The Impact of the Merger on Creditors**

The merger will not have any adverse effect on the creditors of the Acquired Company. Any rights, debts and obligations of the Acquired Company which will be dissolved without liquidation shall be transferred to the Acquiring Company with the registration of Merger to the trade registry as per Article 153 of the Turkish Commercial Code, and any third-party debts shall be paid by the Acquiring Company, in full and on their due dates, in accordance with the terms of the merger agreement as well as the Turkish Commercial Code and the provisions of the relevant legislation.

Furthermore, if the creditors of İş REIC and TSKB REIC participating in the merger apply within three (3) months of the merger gaining legal validity (i.e., registration), then the Acquiring Company İş REIC shall secure their debt pursuant to Article 157/(1) of the Turkish Commercial Code. The Acquiring Company İş REIC may also choose to pay the debt, instead of securing the same, under Article 157/(4) of the Turkish Commercial Code, where it is understood that the creditors will not suffer any losses thereof.

Pursuant to Article 157/(2) of the Turkish Commercial Code, the Merger Participants, İş REIC and TSKB REIC must inform their creditors about their rights, by submitting an announcement in the Turkish Trade Registry Gazette three times and on a seven (7) day interval. The same notification must also be put on their websites. Pursuant to Provision No. 541/(1) of the Turkish Commercial Code, individuals who have been verified as creditors on the books of TSKB REIC and other documents and whose

addresses are known/verified can be notified about the subject through certified mail as well.

Article 541 of the Turkish Commercial Code shall apply to the Acquired Company's debts, which are due but have not been claimed by their creditors or that are not yet due or are disputed. In this respect,

- (i) If the declared creditors, however, fail to file proper claims for their receivables, then the total amount of their receivables shall be deposited to a bank to be determined by the Ministry of Customs and Trade pursuant to provisions of Article 541/(2) of the Turkish Commercial Code,
- (ii) However, if the Acquiring Company İş REIC fails to comply with the terms stipulated by Article 541/(3) of the Turkish Commercial Code (TSKB REIC's debts being sufficiently secured or the sharing by shareholders, or if TSKB REIC's assets are tied to the payment of these debts), a sufficient amount of funds shall be deposited into an account of a notary public to cover the debts of the Acquired Company TSKB REIC that have not become due or which are subject to dispute proceedings. However, due to the strong financial structure of İş REIC, the Article 541/(3) of the Turkish Commercial Code is not expected to be applicable.

**N. Potential risks that could possibly prevent the goals of the merger operation to be achieved**

No such risk has been found out.

**IV. CONCLUSION**

Given the exchange ratio, which has been established as fair and reasonable by the Expert Institution, and the information contained and justifications provided in this Merger Report, we are of the opinion that it would be proper to merge TSKB REIC under the legal entity of İş REIC by transferring TSKB REIC's entire assets and liabilities to İş REIC in their entirety.

**Acquiring Company**

**İş Gayrimenkul Yatırım Ortaklığı A.Ş.**

<b>Ömer Karakuş</b> Chairman	<b>Süleyman H. Özcan</b> Vice Chairman	<b>Aysel Tacer</b> Board Member	<b>D. Sevdil Yıldırım</b> Board Member
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<b>Haluk Büyükbaş</b> Board Member	<b>Nihat Uzunoğlu</b> Board Member	<b>Mete Uluyurt</b> Board Member	<b>Murat Doğan</b> Board Member
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**Sakine İlgen**  
**Dokuyucu**  
Board Member

**Acquired Company**  
**TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.**

<b>Ufuk Bala Yücel</b> Chairman	<b>Özlem Bağdatlı</b> Vice Chairman	<b>Elif Aydoğan</b> <b>Özdemir</b> Board Member	<b>Fuat Sönmez</b> Board Member
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<b>Armağan Öznur</b> <b>Gökhan</b> Board Member	<b>Ersan Yıldırım</b> Board Member	<b>İbrahim Ümit</b> <b>Seğmen</b> Board Member
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