



İş Real Estate Investment Trust Co.
2008 Annual Report

The architect of change



İş REIT in Brief

İş Real Estate Investment Trust Co. was established on 6 August 1999 when İş Gayrimenkul Yatırım ve Proje Değerlendirme A.Ş. took over all the assets and liabilities of Merkez Gayrimenkul Yatırım and reincorporated into a real estate investment trust. İş REIT is a portfolio management company that invests in real estate properties and real estate development projects.

Growing at a rapid and stable pace since its establishment, İş REIT is the leading real estate investment trust in Turkey today, in terms of its net asset value. Possessing a portfolio on par with global standards and bearing a selection of the most exclusive and prestigious real estate properties of Turkey, İş REIT plays a decisive and guiding role in the creation of a dynamic, sound and professional real estate market in our country.

Continuously growing with the aid of its professional management approach and new investments in a real estate market where competition is intensifying by the day, İş REIT engages in activities subject to the objectives and scope stipulated in regulations issued by the Capital Markets Board of Turkey (CMB) concerning real estate investment trusts.

The leader in the sector, the Company undertakes expansive investments and implements its corporate governance policy in all its activities with the objective of generating the highest possible returns for its shareholders with the minimum risk. Financing its new investments through its stable rental income derived from its qualified portfolio, İş REIT aims to maintain and further strengthen its leading status in the sector.

Name: İş Real Estate Investment Trust Co.

Date of Incorporation: August 6, 1999

Issued Capital: TRY 450,000,000

Authorized Capital: TRY 2,000,000,000

Date of Initial Public Offering and IPO Price: 01-03 December 1999/TRY 1.4

Head Office: İstanbul

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Vision, Mission and Objectives

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. To achieve a stable portfolio growth over the years and to maintain sustainable growth.

Mission

To create desirable spaces for contemporary people and contemporary cities. To maximize the collective value of our portfolio for our shareholders through stable growth and high profitability by utilizing our investments and resources effectively.

Objectives

To closely monitor opportunities for generating the highest possible returns for our shareholders. To maintain and strengthen our leading position in the market.

Annual General Meeting of Shareholders Agenda

1. Opening, formation of the Chairing Council and authorization of the Council to sign the minutes of the meeting
2. Reading and ratification of the Board of Directors' Report and Statutory Auditors' Report
3. Reading, deliberation and ratification of the balance sheet and profit & loss statement relating to the fiscal year 2008
4. Deliberation and decision on the Board of Directors' proposal concerning the distribution of profit for the year 2008
5. Release of the Board Members and the Auditors from their responsibilities for the activities and operations of the company in 2008
6. Approval, pursuant to Capital Market Regulations, to transfer and pursue the amount that was held in the special reserves as unrealized capital gains during the calculation of the profit to extraordinary reserves
7. Informing the General Assembly on the grants and donations made in 2008
8. Submission for approval of the independent audit firm chosen by the Board of Directors
9. Informing the General Assembly regarding the change in the Statutory Auditor during the year
10. Election of the members of the Board of Directors and of Auditors pursuant to article 11 and article 19 of the Articles of Association
11. Determination of the fees to be paid to the members of the Board of Directors and auditors
12. Wishes and suggestions

General Meeting of Shareholders and Participation

General meetings of shareholders convene in ordinary and extraordinary sessions. Annual general meetings are held at least once a year and within the shortest possible time following the close of the Company's fiscal year, to deliberate and decide upon the agenda prepared by the Board of Directors, taking into account the provisions of Article 369 of the Turkish Commercial Code.

At general meetings, each share of stock entitles the owner to one vote. A representative of the Ministry of Industry and Trade must be present at annual and extraordinary general meetings of shareholders. No decision taken at a general meeting of shareholders convened in the absence of a Ministry representative shall be valid.

Shareholders may have themselves represented at general meetings by proxies whom they may choose from among themselves or from outside the Company. Proxies, who are themselves shareholders in the Company, are entitled to exercise the voting rights of the shares they are representing as well as those of their own. The form of proxy statements is determined by the Board of Directors within the framework of the regulations laid down by the CMB. Proxy statements must be in written form. A proxy must vote in accordance with the wishes of the shareholder who has assigned his voting rights to the proxy holder on condition that such a stipulation is made in the assigning shareholder's proxy statement. CMB regulations governing the exercise of proxy votes will be complied with.

At general meetings votes are cast by a show of hands within the framework of CMB regulations. When proxies cast their votes, they must also show their proxy statements. However, votes may also be cast by a secret ballot at the request of those controlling at least one-tenth of the capital represented by the shareholders who are present.

Prerequisites for Participation in Meetings:

Those who possess at least one share of stock registered in their own name may participate in general meetings either personally or through a proxy.

Before close of business hours at least one week prior to the date of the meeting, shareholders who intend to participate in the general meeting personally or by sending a proxy must submit the following documents as appropriate;

- Custody statements of the shares they own,
- In the case of shareholders who are corporate entities, documents authorizing an individual to represent them,

and obtain an entry pass at the Company's headquarter or complete a proxy statement.

Report by the Board of Directors, Report by the Audit Board and Independent Auditors' Report of 2008; Balance Sheet, Income Statement and the Board of Directors Proposal Concerning the Distribution of the Net Profit for the Year 2008 are made available for examination by our shareholders at the Company's headquarters at least twenty-one days prior to the date of the General Meeting of Shareholders.

Declaration of Interest

by the Independent Board Members

I hereby declare that I am independent, in the context defined in Article 4 paragraph (g) of the Communiqué on Principles Regarding Real Estate Investment Companies (trusts), from other shareholders holding 10% or higher share in the Company or possessing voting rights in that percentage; or from any shareholder in the Company holding a shareholding interest incorporating a right to nominate for a seat on the Board of Directors; or from companies from which consultancy services are procured, operating companies, or from any company in which any person cited in subparagraphs (a) and (b) of Article 18 of the Communiqué on Principles regarding Real Estate Investment Companies (trusts) owns more than a 10% share or possesses voting rights in that percentage; or from the subsidiaries of the Company.



Turgut Sungur



Haldun Baydar

Companies from which

Consultancy, Audit and Appraisal Services are Obtained

Tax Consultant

Başaran Nas Yeminli Mali Müşavirlik A.Ş.

Independent Auditors

DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
(Member of Deloitte & Touche Tohmatsu)

Independent Appraisal Firm

Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.

Dividend Policy

The Company's dividend policy sets out the principle of distributing first dividend out of the distributable profit, at the percentage and amount determined by the Capital Markets Board of Turkey (CMB), as stipulated in our Articles of Association. The Board of Directors adopts the following principles with respect to dividend distribution proposals to be laid down before the General Assembly for approval:

1. Maintaining the delicate balance between shareholders' expectations and the Company's growth requirements,
2. Distributing at least 30% of the Company's distributable profit in bonus shares or in cash, taking into consideration İŞ REIT's profit-earning capacity

Milestones

for İş REIT

1998

- Ankara İş Tower and İstanbul İş Towers were included in the portfolio.

2000

- The Company's stock started to be traded on ISE-30 Index.

2001

- The first step was taken for the Kanyon Project with the purchase of the project's property in order to develop a joint project with the Eczacıbaşı Group.
- Maslak Building was included in the portfolio.
- Antalya Seven Seas Hotel, Marmaris Solaris Plaza (Mallmarine), Tatilya Theme Park and the adjacent project land with an area of 50,000 square meters were included in the portfolio.

2003

- The Company "Code of Ethics", already in practice, was disclosed to the public.
- International rating agency Fitch Ratings assigned İş REIT a long term national rating of A(tur), with a "stable" outlook.

2004

- İş REIT and Eczacıbaşı Holding jointly established Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.
- Ankara Ulus Office Building, Ankara Kızılay Office Building and Antalya Office Building were included in the portfolio.

2005

- The Company Disclosure Policy was accepted.
- İş REIT was granted "Best Developer in Turkey" award by Euromoney.
- Steps were taken to develop new projects on Tatilya and adjacent lands in order to improve the returns on Tatilya investment. An agreement was made at the end of the same year with Metro Group for development of a hypermarket project.

2006

- Dividend Policy was accepted.
- 1/2 share of the 32,081 m² land in Altunizade, İstanbul was included in the portfolio for USD 13.5 million in order to co-develop a mixed-use housing project with Tecim Yapı, for which project development was commenced.
- Turkey's first open-air mall Kanyon Shopping Center was opened.
- Negotiations were initiated with CURA/GGP, which wishes to develop a shopping center on Tatilya's adjacent lands, for transfer of construction right in the concerned lands.
- The foundation was laid for Real Hypermarket Project, slated for being the largest hypermarket in the area.
- The Kanyon Project endorsed its success, receiving the "Cityscape 2006 Architectural Review" award which is regarded as the Oscar of architecture.
- Fitch Ratings upgraded İş REIT's National Long Term Credit rating from A (tur) to A+(tur), with a "positive" outlook.

2007

- A preliminary contract was signed with ECE/GGP (CURA/GGP) regarding the establishment of the right of construction for building a shopping center on lands adjacent to Real. The first installment, corresponding to 50% of the total price, of USD 13,000,000 was collected upon registration of the right of construction in the title deed within the frame of the agreement reached.
- The share of İş REIT in Kanyon Office Block, constructed as part of the Kanyon Project was sold to Eczacıbaşı İlaç Sanayi ve Ticaret A.Ş. for USD 67.5 million, excluding VAT.
- Real Hypermarket Project was opened for service.
- It was decided to purchase the 18,392 m² land in İzmir owned by İşbank for the development of a mixed-use project.
- Fitch Ratings upgraded the national long-term credit rating of İş REIT by two grades from AA-(tur) to AA+(tur), with a long-term "stable" outlook .

2008

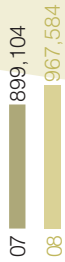
- Sirkeci Office Building with a gross area of 4,170 m² located in a neighborhood with commercial development potential in the Eminönü district, İstanbul was purchased from İşbank for TRY 22.5 million.
- Güneşli Office Building with a gross area of 20,805 m² located in the Küçükçekmece district in İstanbul was purchased from İşbank for a price of nearly TRY 37.5 million and included in the rental properties portfolio.
- The land with a total area of 77,327 m² located in the Kartal district in İstanbul was purchased from Tecim Yapı on 18 June 2008 to develop a large-scale project that will cover housing units and a shopping center.

Financial and Operational Highlights

Shareholders' Equity (000 TRY)



Total Assets (000 TRY)



Net Period Profit (000 TRY)



Portfolio Value (000 TRY)



Net Asset Value (000 TRY)

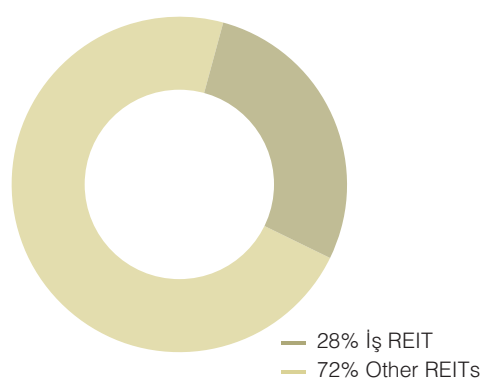
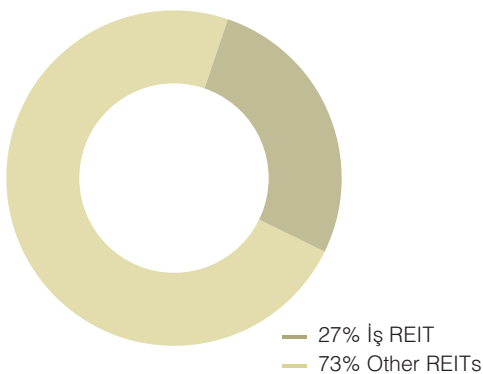


Market Capitalization of the REITs (000 TRY)

İş REIT	315,000
Other REITs	870,639
Market Total	1,185,639

Net Asset Value of the REIT Market (000 TRY)

İş REIT	1,176,269
Other REITs	3,086,039
Market Total	4,262,308

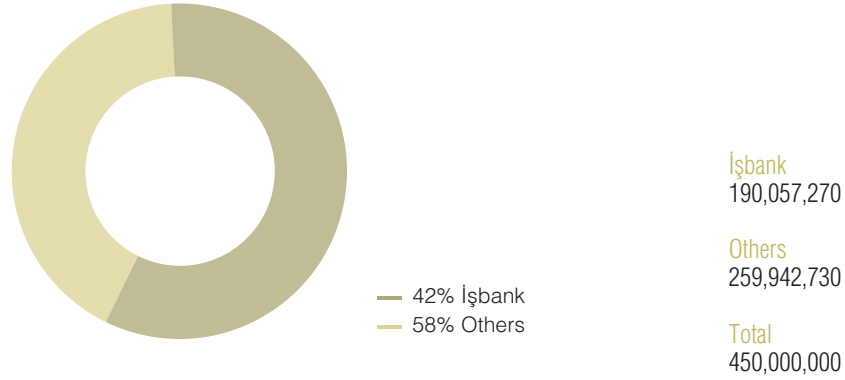


Net Asset Value per Share and Market Value (31.12.2008)

2008	TRY			
Net Asset Value per Share	2.61			
İş REIT Share Closing Price	0.70			
Total Market Capitalization	315,000,000			

2008	TRY			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net Asset Value per Share	2.58	2.55	2.58	2.61
İş REIT Share Closing Price	1.02	0.87	0.90	0.70

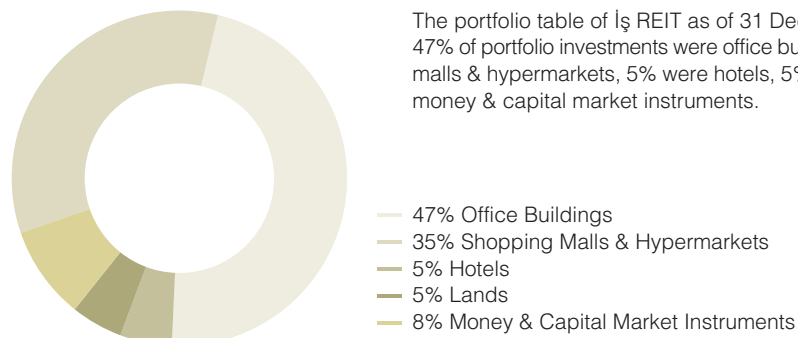
Capital and Shareholder Structure (TRY)



42% of the Company's issued capital (TRY 450,000,000 in value) belongs to Türkiye İş Bankası A.Ş. (İşbank).

As of 31 December 2008, 42% of the Company's shares were publicly held and as per the ISE Settlement and Clearing Bank's data of the same date approximately 31% of the İş REIT shares that were floating were held by foreign investors. (31.12.2007: 45%)

Portfolio Breakdown (31 December 2008)



The portfolio table of İş REIT as of 31 December 2008 reveals that 47% of portfolio investments were office buildings, 35% were shopping malls & hypermarkets, 5% were hotels, 5% were lands, and 8% were money & capital market instruments.

Message from the Chairman



With its approach to investments, financial structure and fiscal discipline, İş REIT targets to retain assets in its portfolio on which the Company will be able to derive permanent and sustainable rental income.

Distinguished shareholders,

The world economy in 2008...

In 2008, we left behind a year during which the global financial system was deeply shaken, effects of the global economic crisis were observed, and its reflections were experienced.

Originated in the US mortgage markets to subsequently dominate the entire financial system, the global crisis turned into a crisis of confidence that made its impact first on the developed countries' markets as a result of the serial bankruptcies filed by financial institutions. The contraction in the global demand is expected to transform into a process that will lead to shrinkage in the economies of emerging countries after those of the developed countries.

The effects of the crisis on the Turkish economy were started to be felt on industrial production and GNP. While it is a widely accepted argument that there will be no significant distinction among the economies due to the extensive reach and depth of the crisis, it is estimated that the possible impact of the financial volatility on the Turkish economy will be toned down by the stronger capital structure established particularly by financial institutions in our country in the aftermath of the 2001 crisis, coupled with the absence of widespread use of asset-backed leverage products.

Scene to large-scale capital movements and investments, the real estate sector is also affected from the crisis environment to a certain extent. While it is noted that the construction sector suffers from a contraction, the sector is also adversely impacted by the psychological battle in the supply and demand arising from the loss of value of asset prices across the world.

The key to sustainability...

As well-known, REITs essentially alleviate liquidity and funding hardships, in other words the primary disadvantages of real estate investments. They also enable the pooling of the savings of individual and corporate investors, and realization of large-scale real estate projects with high revenue potentials.

Addressed also in these descriptions, "real estate" investments that make up our core business remained a topic we dealt with displaying a high level of sensitivity also in 2008. Possessing all the qualities required of a REIT with its approach to investments, financial structure and fiscal discipline, İş REIT targets to retain assets in its portfolio on which the Company will be able to derive permanent and sustainable rental income.

İş REIT in 2008...

İş REIT successfully avoided the impact of the crisis on the sector, by virtue of its strong prediction ability and correctly identified strategies. The primary drivers behind this achievement unquestionably included the efficient and productive process management covering also the sales and leasing activities, as well as good project development.

We are proud to announce that we achieved our primary targets once again this year: we closely monitored the opportunities with increasing value and included them in our property portfolio so as to earn our shareholders the highest return, and we maintained and further strengthened our leadership in the sector.

Also in the period coming, the course of our growth will be set by sustained stable growth through contemporary places added to our portfolio and by being a profitable company.

Our dividend policy...

İş REIT targets sustainability also in its dividend policy. Having captured this target in the past four years and had the opportunity to put into practice the said policy owing to the profitability level attained, our Company's primary objectives for this year and the next is to maintain the high rental income generated on the property portfolio with a high occupancy rate, and continue to share its success with its investors by distributing dividends to its shareholders as a profitable company. This goal is closely watched also by our corporate investors, 31% of which is composed of foreign funds as at 31 December 2008.

We are proud to announce that we achieved our primary targets once again this year: we closely monitored the opportunities with increasing value and included them in our property portfolio so as to earn our shareholders the highest return, and we maintained and further strengthened our leadership in the sector.

Our Corporate Culture serves as a vital benchmark for our investors.

One of İşbank's biggest subsidiaries, İş REIT has built its corporate structure on the basis of the corporate and business culture created by this finance giant drawing on its vast experience of more than eight decades. Significant synergy arises from the fact that both organizations possess corporate governance understanding within the frame of shared values and professional rules.

The telling factors of this corporate culture are commitment to ethical values, accuracy, and transparency in all relations with shareholders and investors. I would like to emphasize once again that we will always remain strictly committed to these values which make up the foundation of the confidence held in our Company by our national and international investors, and which we put into life through our corporate governance practices.

Moving forward...

İş REIT will continue enriching its portfolio composed of Turkey's leading real estates with lucrative projects, while observing the risk versus return balance. We will keep working hard to create value for our sector, shareholders and other social stakeholders, by adeptly interpreting the developments in the economy and the real estate sector, and correctly reading the current needs and expectations.

I would like to extend my gratitude to our distinguished shareholders who have always been supportive in our efforts and to our employees who have contributed significantly to our achievements.



Adnan Bali
Chairman of the Board

Message from the General Manager



Distinguished shareholders, colleagues and business partners,

Having started to make its impact felt in the global markets from 2007 and in our country from 2008, the economic volatility continues in a course that implies continued presence on our agendas.

Comprehending the dimension of the crisis...

Having broken out in the USA in the second half of 2007 and expanded its sphere of influence by subsequently jumping to Europe and Asia, the global financial crisis, which was originally a liquidity crunch in borrowing markets of financial institutions, turned into an issue of distrust in financial institutions.

Due to the loss of confidence, investors reduced their demands for asset-backed securities and commercial papers, and turned towards less risky treasury bills. This trend led to a rapid gain of value for the US dollar, and caused repricing of financial assets, while forcing sharp declines in the market capitalizations of financial institutions at the same time.

Though the operation of lending markets recovered to an extent by various measures adopted by central banks such as provision of capital support and slackened monetary and fiscal policies, a high level of uncertainty is still observed in the markets, and global economic activity indicators follow a negative course.

With the reversal of international capital trends and deceleration in global economy in parallel with these developments in the markets of developed countries, emerging countries evidently entered the sphere of influence of the crisis from the second half of 2008. Emerging countries, among which Turkey belongs, were exposed to capital outflow due to decreased risk appetite of investors, and in turn, suffered from major value losses in their currencies and investment instruments.

The effects of the credit contraction resulting from the global crisis upon the growth rates of countries become increasingly more pronounced. Projections of international institutions point that the recession periods that started in developed countries in 2008 will live on in 2009, and emerging countries will experience decreases in their growth rates.

İş REIT enjoys the advantage of having completed all of its projects, marketing, sales and leasing activities included, when the first signals of the crisis were being sensed.

The outlook of the Turkish economy

The public sector and the banking sector possess a more resilient structure than before against external shocks; consequently, the Turkish economy was confronted with the global crisis at a time when it was stronger compared to the other economic crisis periods.

An overall assessment of the economic outlook in 2008:

- The sharp downturn in commodity and oil prices in the last quarter of the year in particular positively affected the inflation outlook. The decrease in inflation rate will also be supported by the contracted domestic demand.
- As the bleeding in the manufacturing industry becomes more prominent, industrial manufacturing and employment decrease. Though sustained, growth in GNP is losing pace.
- As a result of the crisis extending its reach to all economies globally, reductions are observed in foreign trade volume particularly in the recent months.
- While narrowed foreign funding opportunities and accelerated capital outflows due to the global crisis are regarded as factors that might lead to difficulties in the financing of Turkey's current deficit, the decrease in energy prices, deceleration in domestic demand and the devaluation of the Turkish lira are expected to bear a positive impact on the current deficit.

Developments in the real estate sector

The real estate sector in Turkey practically boomed since early 2005, making the construction sector the highest-growing industry from 2005 through 2007. Supported by low interest rates, real estate demand has been the key dynamic that drove the strong growth figures of the sector.

In this period, there was a major increase in housing, as well as in office and shopping center projects; significant investments were made and new companies joined the sector. The developments are outlined below with some helpful figures:

- 14 REITs are being traded on the ISE (Istanbul Stock Exchange) as at end-2008. Net asset value of these companies exceeds TRY 3 billion.
- Included in Ernst&Young's Global REIT Report 2007, Turkey ranked among the top ten countries with respect to total return level. Turkey suffers from significant housing shortage in terms of qualified and livable housing units. This shortage nears 600,000 units every year for a variety of reasons including childbirth, immigration, the need for relocating, etc. Only 20% of the 600,000 families with new housing needs have the necessary financial power.
- Accessibility of housing loans became restricted due to the gradual increase in interest rates from 2007 onwards. Housing loan portfolio in Turkey makes up a mere 5% of the GNP, whereas this ratio is around 48% in the EU countries.
- The number of shopping centers in Turkey is drawing near the 200 mark.

- Foreign investors have an intense interest in the real estates covered in the portfolios of the REITs in Turkey. A rapidly rising trend was experienced in shopping center investments that gained increased attractiveness with the entry of foreign investors into the market and with their purchases.

In 2008...

Having captured a 20% expansion in 2005 and 2006 in particular, the construction sector closed 2007 with 5.7% growth that translates into the lowest performance in these three years. Having grown 1.5% in the first quarter of 2008, the construction sector contracted 0.2% and 4.3% in the second and third quarters respectively, and shrank a total of 1.1% in the course of nine months. Total investments in this period amounted to TRY 70.1 billion.

Following the leading indicators of the crisis in 2007, housing and commercial real estate investments adopted a gradually downward trend in 2008. At the end of 2008, many companies were delaying or canceling their investments led by shopping centers, whereas some companies opted for downsizing.

When assessing this picture, it is important to establish the fact that the high increase in the production and sales of housing units targeting A and B socio-economic classes did not apply to C socio-economic class; therefore the sector is facing supply surplus.

Our strong performance continues.

İş REIT enjoys the advantage of having completed all of its projects, marketing, sales and leasing activities included, when the first signals of the crisis were being sensed. Having met the crisis in such a position is certainly a result of the action plan we have developed.

As of year-end 2008, the Company's overall portfolio performance is very high in terms of rental income and occupancy rates, which stands near 100% in all our properties. İş REIT minimizes the investment risk by diversifying the properties in its portfolio in sub-segments such as shopping centers, hypermarkets, offices, hotels, etc.

As of year-end 2008, İş REIT's total market capitalization stood at TRY 315 million, and its net asset value at TRY 1.2 billion. The Company posted TRY 53 million in net profit for the period.

We are getting ready for new projects.

İş REIT keeps up with its preparations for new projects, as well. In this preparatory phase, architectural and technical project designs and details will be completed by our architects, after which investments will be resumed.

İş REIT develops its projects on properties added to its inventory through well-timed and well-directed purchases in areas conducive to development, thus eliminating a major issue of the sector which is "failure to find an appropriate property".

Our approach spelled out as being the architect of change becomes all the more meaningful as our projects have not just an economic, but at the same time a social concept. This claim is clearly endorsed by the role the pioneering projects we have developed in areas with diverse profiles played in the improvement of these areas.

Our current projects that gain the foreground in our agenda are Altunizade and Kartal projects in İstanbul, and Bayraklı Project in İzmir. İş REIT estimates a development cost of approximately USD 600 million for these three major projects.

2008 saw continued efforts for obtaining the necessary permission for the project consisting more heavily of housing units, which is planned to be developed on the property in Altunizade that has been included in our portfolio upon the purchase of one half thereof. Stretching on an area of 32,081 m², the project covers nearly 250 luxury housing units and a 6,000 m² trade center aimed at responding to the needs of the house-owners and the people living in the vicinity.

The large-scale mixed-use project planned on an area of 77,327 m² in Kartal and addressing middle-income group might see modified components depending on the needs of the area.

The housing and shopping center project on an 18,392 m² property located in Bayraklı, İzmir and owned by İşbank marks another major investment activity. In this frame, the agreement for the purchase of the property was concluded during 2008. The project is planned to embody a shopping center with an approximate area of 30,000 m² as well as housing units with a total area of 28,000 m². We believe that the project will attract a lot of interest and attention, and the shopping center to be built within this scope is intended to

integrate with its surroundings in an extent that highly surpasses its peers in Turkey.

The license application has been filed for the complex planned to be co-developed with ECE/GGP on the lands adjacent to Real, for which preparations were carried out at full speed during the reporting period.

2009 and thereafter...

Although Turkey does not suffer from certain problems arising from real estate financing such as high borrowing and property-backed derivative investment instruments that are inflicted on the overseas markets, the impact of the global economic contraction upon the real estate sector will continue to be felt particularly during the first half of 2009. From late 2009, companies engaged in the real estate sector will be able to foresee the future of the markets and position themselves accordingly. We hope that the market will be revived in 2010. Delayed demands will certainly have an important part in this revival.

The research report by the Association of Real Estate Investment Companies (GYODER) states that nearly 600,000 new housing units are needed every year in Turkey - a need estimated to continue for the next fifteen years. Although the housing need specifically stems from the low-income group, residential units addressing higher income groups still pose development potential.

On the commercial properties front, saturation is observed due to the high number of very

closely located shopping centers concentrated in certain areas. However, in a short while, shopping centers built on a higher level of consciousness and know-how are expected to establish themselves in the market, and contribute significant added value to the economy and the employment.

The outlook of office investments points that the investment appetite that has been increasing for new and existing offices particularly in İstanbul since 2006 to date will be postponed through 2009; however, it might regain its former pace in 2010.

The period coming will bring along a testing phase for our sector and the real estate investment trusts. In other words, all companies will be tried for sustainability of their operations. Companies possessing a healthy financial structure, combined with the capability to produce good projects will be able to maintain their presence in the market.

We are working to be the “Architect of Change”.

The real estate sector in general and the housing segment in particular need to be considered not only in respect of the added value created for the national economy, but also of their impact on the social life. In this frame, “housing unit” is not just an economic, but at the same time a social concept. Our approach spelled out as being the architect of change becomes all the more meaningful at this point. This claim is clearly endorsed by the role the pioneering projects we have developed in areas with diverse profiles played in the improvement of these areas.

We are properly equipped to succeed.

İş REIT is the company with the highest net asset value in its sector, and also stands out for its financial strength further reinforced by its sustainable rental income, fiscal discipline, management capability, and expert human resource.

Adeptly managing the expansive real estate portfolio scattered across different areas and segments, our 35-person team blends their professional background, knowledge and experience with their professional approach to business, reflecting this valuable combination on our effective business processes, while also displaying very high productivity.

İş REIT is determined to undersign “pioneering and brand projects” in the period coming, drawing on its corporate values, as well as its competitive superiorities and competencies in the sector.

I would like to extend my gratitude to our shareholders for their unyielding trust and support, to our business partners, and our employees for their commitment.



Turgay Tanes
General Manager

Board of Directors and Board of Auditors



Adnan Bali - Chairman

Term of office: 25.03.2008 - 27.03.2009

After graduating from the Department of Economics at the Middle East Technical University in 1986, Mr. Bali studied Global Leadership at Harvard University Graduate School of Business. He attended many other training programs and seminars both in Turkey and abroad on treasury, markets and risk management offered by the Banks Association of Turkey, Euromoney, FED Training, DC Gardner and International Investment and Commercial Banks. Having started his career as an assistant inspector at İşbank in 1986, he served as assistant manager in Fund Management Department in 1994, where he rose to group manager in 1997 and to manager in 1998. He was appointed the manager of Şişli Branch in 2002 and of Galata Branch in 2004. Mr. Bali has been serving as the Deputy Chief Executive of İşbank since May 2006.



Turgut Sungur - Independent Vice Chairman

Term of office: 25.03.2008 - 27.03.2009

Turgut Sungur graduated from the Faculty of Political Sciences at Ankara University. He worked in the Board of Inspectors of İşbank in 1973, followed by various posts, in order as assistant manager in the Loans Department, Vice Chairman of the Board of Inspectors, regional manager in the I. Loans Department, and manager of the II. Loans Department. He served as the Deputy Chief Executive of İşbank from 1998 to 2004.



Kemal Şahin - Board Member

Term of office: 25.03.2008 - 27.03.2009

Kemal Şahin graduated from the Department of Business Administration at the Middle East Technical University in 1988. He worked as an assistant inspector and inspector for İşbank for a total of ten years. He currently serves as unit manager for Property Development, Food and Healthcare Industry Companies under the Subsidiaries Department of İşbank. He also holds seats on the Boards of Directors or Boards of Auditors in various İşbank subsidiaries. A member of the Board of Auditors from 1999 until 2003 in İş Real Estate Investment Trust Co., he has been serving as a Board Member in our Company since 2004.



Haldun Baydar - Independent Board Member

Term of office: 25.03.2008 - 27.03.2009

Haldun Baydar graduated from the Faculty of Architecture at the Middle East Technical University. He holds a master's degree in urban planning from Université de Paris VIII and a doctorate degree from Paris I. Panthéon Sorbonne. He worked as an architect in various firms in Paris, and in the Planning Directorate of the Ministry of Public Works and Settlement, as Planning Manager for Orta Doğu Şehircilik ve Yatırım A.Ş., and also as the planning and production coordinator for Konteks A.Ş. He is the founder of Form Mimarlık Ltd. Şti. where he is presently involved in project and application activities.



Sezai Sevgin - Board Member

Term of office: 25.03.2008 - 27.03.2009

Sezai Sevgin graduated from the Department of Business Administration at Marmara University, Faculty of Economics and Administrative Sciences in 1990. The same year, he joined İşbank as a trainee inspector on the Board of Inspectors where he rose to inspector in 1995. He was assigned in the setting up of İşbank GmbH Paris Branch in 1997, functioned as assistant manager in this branch in 1998 and promoted to manager in March 2002. He was appointed as group manager of İşbank's Corporate Marketing Department in July 2004. Since 2007, he has been serving as department manager in İşbank's Commercial Banking Marketing Department.



Süleyman H. Özcan - Statutory Auditor

Term of office: 25.03.2008 - 27.03.2009

Süleyman H. Özcan graduated from the Department of Economics at Boğaziçi University in 1993. He started his career in the same year in İşbank as an assistant inspector on the Board of Inspectors. He subsequently worked as assistant manager and group manager in the Accounting Department, and currently serves as unit manager in the bank's Change Management Department.



Nil Sepetçi - Statutory Auditor

Term of office: 25.03.2008 - 27.03.2009

Nil Sepetçi graduated from the School of Press and Publishing at Marmara University in 1982. She joined İşbank in 1983 as a trainee clerk in Yenıcamı-Istanbul Branch, where she later served as assistant branch head and branch service head. She functioned as the II. manager in Zincirlikuyu Branch in 1994 and as assistant manager in Taksim Branch in 1996. She worked as the manager of Acıbadem Branch in 1998, Nişantaşı Branch in 2003 and Kozyatağı Branch in 2006. She has been serving as Maltepe Regional Retail Banking Sales Director in Retail Banking and Sales Department since September 2007.



Burak Sezercan - Statutory Auditor

Term of office: 28.10.2008 - 27.03.2009

Burak Sezercan graduated from the Department of Political Science and International Relations at Boğaziçi University. He started working in the Board of Auditors of İşbank in 1996. He pursued master's studies in banking and international finance at the City University Cass Business School in 2001 and 2002. He served as assistant manager in the Risk Management Department of İşbank from April 2005. He has been appointed a unit manager in the same Department in April 2008.



Engin Topaloğlu - Statutory Auditor

Term of office: 25.03.2008 - 15.10.2008

Engin Topaloğlu graduated from the Department of Industrial Engineering at Bilkent University in 1993. He pursued his MS studies in the same department at the same university from 1993 until 1995, while he concurrently worked as a research assistant. He joined İşbank in 1995 as an inspector on the Board of Inspectors. He functioned as assistant manager at İşbank's Budget Planning Department from 2004 until 2007. Mr. Topaloğlu has been serving as a unit manager in the same department since 2007.



Turgay Tanes - General Manager

Turgay Tanes graduated from the Department of Public Administration from 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 assistant manager in the Subsidiaries Department in 1996, and worked as group manager of Real Estate and Glass Sector Companies from 1999 to 2004 in the same department. Serving as the General Manager of İş Real Estate Investment Trust Co. since 2004, Mr. Tanes also holds the position of the chairman of the Board of Directors in one of the subsidiaries of İşbank.

Senior Management



Turgay Tanes
General Manager



Hülya Demir
Assistant General Manager



T. Aydan Ormancı
Assistant General Manager



Tuğrul Gürdal
Financial and Administrative Affairs Manager



Bülent Otuz
Electrical and Mechanical Project
Application Manager



Atty. Pınar Ersin Kollu, LL.M
Legal Consultant



Ayşegül Şahin Kocameşe
Risk Management and Investor
Relations Manager



Gökhan Temel
Construction and Architecture Project
Application Manager



Ömer Barlas Ülkü
Internal Audit and Control Manager



Gülfem Sena Tandoğan
Corporate Communications and Marketing
Assistant Manager



Kaan Özsoy
Construction and Architecture Project
Application Assistant Manager

An Overview of 2008

Investment Activities

Parcels adjacent to the Real Hypermarket

Unification and separation were finalized for parcels numbered 101, 105, 106 and 107 around Real Hypermarket in August, and parcel no 105 housing Real Hypermarket was reorganized into parcel no 105 with an area of 21,584.15 m² and the others into parcel no 110 with a size of 62,343.69 m².

Güneşli Office Building and Sirkeci Office Building

Sirkeci Office Building located in the Eminönü district in İstanbul and Güneşli Office building in the Küçükçekmece district in İstanbul were purchased from İşbank for a total price of TRY 60 million, and included among the properties covered in İş REIT's portfolio.

New Projects

During 2008, architectural designs in relation to the project covering a shopping center and housing units in Bayraklı, İzmir were completed to a great extent. An investment worth USD 130 million to USD 150 million is estimated according to the preliminary feasibility studies. Marketing activities for the project are in progress.

Rental Activities

- Having completed its second year in service, Kanyon Shopping Center attracts a growing number of visitors. With its shop mix further strengthened by some minor replacements, Kanyon Shopping Center was offering service with 100% occupancy rate at the end of the year.
- 100% occupancy rates were being maintained as of end-2008 at İş Towers (Tower 2, Tower 3 and Kule Çarşı), Ankara Ulus, Ankara Kızılay, Antalya Office Buildings, Ankara İş Tower and Maslak Office Building included in the Company's portfolio.
- Added to the Company's portfolio for a total disbursement of TRY 60 million effected during the year, Güneşli Office Building and Sirkeci Office Building were let to İşbank under 15-year leases. Rental fees for the buildings were started to be collected as of 01 May 2008.

Expectations from 2009

- Construction permission for the project to be developed on Altunizade land has been postponed for another term; the project is expected to be shaped and the presale period therefor to commence during 2009.
- While preliminary work was undertaken for the housing unit and shopping center project to be developed in Bayraklı, İzmir, architectural concept was also created. Presale period is expected to start during the year, depending on the construction permits to be obtained.
- Having undersigned brand projects to date, İş REIT will uninterruptedly continue with its investigations and efforts aimed at developing new real estate projects, keeping a keen eye on the developments in the overall economy and the real estate market in 2009.

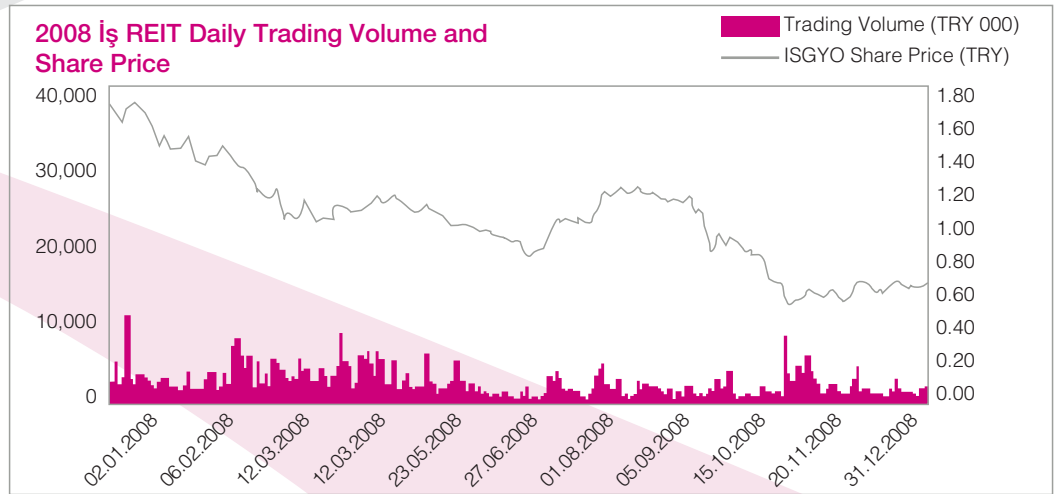
Shareholder Relations Unit

The Risk Management and Investor Relations Department (Shareholder Relations Unit) actively and systematically handled the exercise of shareholders' rights, public disclosure and information provision activities, while placing special emphasis on the procedures regarding General Meetings and capital increases.

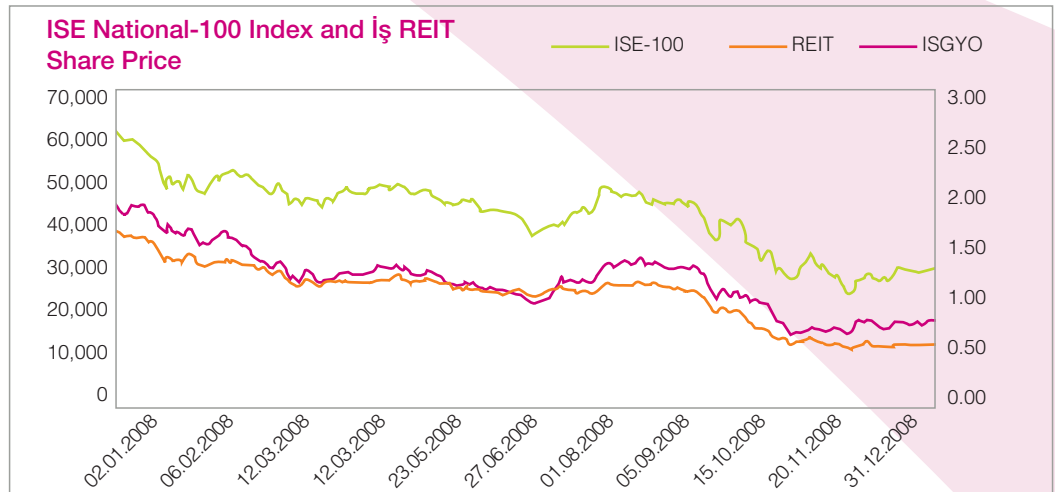
The Annual General Meeting of the Company convened on 25 March 2008 with 55.74% attendance, and all attending shareholders were represented in person. Documents that may be of use to the shareholders were made available at the General Meeting for reviewing by shareholders in hard copy as well as in electronic medium. Furthermore, shareholders' written and verbal information requests relating to the Company were responded to, excluding undisclosed information, confidential information and trade secrets.

Foreign investors' and funds' interest in the Company has been ongoing also in 2008. 30 one-to-one meetings were held during the reporting period with the officials of foreign and domestic investment companies, investment funds and intermediary firms, and meetings were held with 65 people in this context. Furthermore, comprehensive information requests received from a large number of national, international, individual or corporate investors were provided with thorough and detailed answers, giving due consideration to all aspects of public disclosure, including the applicable legislation and the Company's disclosure policy. Records of above-mentioned information requests and responses are maintained by the Shareholder Relations Unit. In addition to those received from the investors, the queries of universities and public institutions directed for research purposes are also responded to by the Unit.

ISE Share Performance



In 2008, the average daily volume of İş REIT shares traded in the ISE National-30 was TRY 2,315,088 in value.



In 2008, ISE National-100 Index, Real Estate Investment Trusts Index and İş REIT share price decreased by 52%, 66% and 59%, respectively, in Turkish Lira terms. The closing price of the İş REIT's share was TRY 0.70 at year-end 2008 and it ended the year with a discount of 73% in comparison with net asset value per share that was TRY 2.61.

Organizational Structure

İş REIT operates under six individual departments and Legal Counseling.

Investment and Project Development Department

The Department is authorized to handle project development, evaluation of new investment offers, technical responsibility for existing properties, maintenance and renewal investments. The Department also closely monitors its field of activity and pursues and evaluates new investment opportunities in the real estate sector.

Project Application Department

The construction-architecture and the mechanical-electrical sections of the Department undertake the management and coordination of projects and constructions; collaborate with all other Departments as necessary with respect to technical, financial, legal and marketing subjects in project development, implementation and marketing phases.

The other tasks the department is assigned with include the following: getting the projects prepared; determination of design criteria; checking the conformity of projects to regulations and standards; preparation of work schedules and budgets; project management and coordination activities; soil survey and land measurement; preparation of tender documents (qualification specifications, contract, technical and administrative specifications, etc.), taking bids, and bringing the tender proceedings to conclusion; making material procurement agreements; quality control; controlling and finalizing progress payments; handling necessary correspondence with project owners, consultants and contractors; following-up and finalizing the procedures carried out before official bodies; getting the investment projects completed and handling provisional and final acceptance procedures; setting up the necessary organization for the operation of the building.

Corporate Communications and Marketing Department

The Department carries out the leasing and sales activities so as to maximize the occupancy rates and income potentials of the Company's existing properties, and also handles post-leasing or after-sales relations, and contributes to the feasibility studies of potential projects by providing and interpreting up-to-date market data. The Department also handles corporate communication activities, public relations, media relations, coordination of advertising activities, protection and management of corporate reputation.

Legal Counseling

The Legal Counseling Department is responsible for offering legal advice on İŞ REIT's activities, carrying out procedures on legal matters, monitoring legal conflicts to which the Company is a party and keeping records for the same, and preparing and reviewing contracts to which the Company is a party. In addition, the Department also resolves disputes concerning the Company's activities through judicial process, prepares the legal infrastructure for projects and follows up on formal notices served.

Financial and Administrative Affairs Department

The Department handles the Company's accounting, budget, balance sheet, financing and insurance-related matters in accordance with the legislation and takes necessary action in a timely manner, manages and follows up on relations with relevant organizations. The Financial and Administrative Affairs Department also fulfills tasks relating to human resource planning and personnel policy; carries out the procedures related to personnel rights, retirement plans and similar procedures.

Risk Management and Investor Relations Department

The Department carries out the necessary activities for the exercise of shareholders' rights within the framework of applicable legislation, the Articles of Incorporation and other in-house arrangements; satisfies all information requests received from domestic and international shareholders, investors, analysts, and institutions within the frame of public disclosure and keeping the parties informed; manages relations with governmental and private institutions within the frame of relations with shareholders and public disclosure. It follows up on analysts' assessments and reports about the Company; conducts researches and analyses regarding the Company and sector that may be associated with the value of the shares; manages relations with rating agencies, manages the rating process, and publicly discloses the rating reports produced. The Department also develops the risk policies pertaining to risks integrated with the Company's activities within the scope of risk management; and monitors risks within the specified limits and reports these to the Company management.

İş REIT's human resources understanding is erected on the awareness that qualified human resource is vital for a productive working environment, stable growth and uninterrupted success.

Internal Audit and Control Department

The Department primarily evaluates the efficiency and effectiveness of internal control, risk management and corporate governance systems and processes. In this scope, the Department conducts audits and controls on compliance with legislation, internal policies and procedures, adherence to limits, and supervision of limit overruns, as well as on information and financial reporting systems and reporting to senior management. The Department also evaluates work processes related to the aforementioned.

Human Resources Management at İş REIT

Its qualified human resource represents the most valuable asset of İş REIT. The Company's human resources understanding is erected on the awareness that qualified human resource is vital for a productive working environment, stable growth and uninterrupted success. In this vein, the key principles of the HR policy at İş REIT are keeping the employees motivated, constant improvement of financial and social benefits, identification and fulfillment of career development and training needs, and creation of a fair and professional working environment.

The Company practices an "open door policy" across the entire organization and pays utmost diligence to ensure effective use of communication channels. The "Human Resources Management" section of the corporate website provides detailed information on various topics such as terms of employment, career guidance, promotion requirements and remuneration.

Portfolio of Properties

31 December 2008

Office Buildings	(TRY)	
İstanbul İş Towers	218,002,380	
Ankara İş Tower	60,054,222	
Maslak Building	25,590,161	
Ankara-Ulus Office Building	14,745,752	
Antalya Office Building	7,981,221	
Ankara-Kızılay Office Building	12,318,984	
Sirkeci Office Building	14,891,225	
Güneşli Office Building	24,737,155	
Sub Total	378,321,100	47%
Hotel		
Seven Seas Hotel	39,390,333	
Sub Total	39,390,333	5%
Shopping Centers & Retail		
Mallmarine Shopping Center (1)	6,261,985	
Kule Çarşı Shopping Center	24,522,251	
Kanyon Shopping Center	167,370,892	
Real Hypermarket and Adjacent Lands (2)	80,737,949	
Sub Total	278,893,077	34%
Projects Under Development	0	0%
Lands		
Land in front of İstanbul İş Towers	479,402	
Üsküdar Land	13,257,951	
Kartal Land (4)	24,509,026	
Sub Total	38,246,380	5%
General Total of Properties	734,850,889	
Participations	33,062	0%
Cash and Marketable Securities	76,826,956	9%
TOTAL PORTFOLIO VALUE	811,710,908	100%
Trade Receivables and Other Assets (3)	10,842,239	
Liabilities	34,872,117	
TOTAL NET ASSET VALUE	787,681,030	
Total Number of Shares	450,000,000	
Net Asset Value per Share	1.75	

The Sources of Our Rental Income

- Tower 2 and Tower 3 housed in the Istanbul İş Towers complex, the Kule Çarşı Shopping Mall on the platform joining these two towers, and the commercial car park
- Ankara İş Tower
- Maslak Building
- Seven Seas Hotel
- Mallmarine Shopping Center
- Ankara-Ulus Office Building
- Ankara-Kızılay Office Building
- Antalya Office Building
- Kanyon Shopping Center
- Real Hypermarket
- Sirkeci Office Building
- Güneşli Office Building



Other properties

- Project-developable land (7,613 m²) in front of İş Towers in 4. Levent
- Üsküdar land (32,081 m²)
- Lands adjacent to Real (parcel no 110 with an area of 62,343.69 m²)
- Kartal land (77,327 m²)



(1) Solaris Plaza Shopping Center in the portfolio was renamed as 'Mallmarine Shopping Center'.

(2) A preliminary right of construction agreement was signed with ECE/GGP Real Estate Development Group for converting the lands excluding the Real Hypermarket use area to a shopping mall. According to the agreement, the contractual promise to transfer the construction rights in favor of ECE/GGP in land register was executed and the first installment of USD 6,500,000 was collected on February 9, 2007. The appraisal value of the Real Hypermarket Building is TRY 62,725,000.

(3) 72% of the other assets consists of the amount of USD 6,000,000, which was paid in accordance with the promise of sale agreement signed with İşbank in order to purchase the Bank's 18,392 m² land in İzmir to develop a mix-use project.

(4) Kartal Land has been purchased depending on the zoning status to be finalized for the purpose of developing a project. The land fee will be paid within the proceeds sharing fee, over the proceeds sharing amounts. Purchase cost, consists of the amount of TRY 36,000,000 for the transfer of title deed and other expenses. The aforementioned amount is also shown in the 'Liabilities' item. The appraisal value of the land has been determined depending on the current zoning status. Since the land has a neighbouring location to Kartal Urban Regeneration Project, an increase is expected in the value of the Kartal Land in case the Kartal Urban Regeneration Project is realized.



Istanbul İş Towers Complex

(Tower 2, Tower 3 and Kule Çarşı)

The complex is comprised of two 34-storey office towers with 27 leasable floors in each, and shopping center, Kule Çarşı, covering 48 independent units.

A hallmark of modern life in the historical city of Istanbul...

For the expectations of the next century...

İş Towers were designed so as to meet not only the requirements of contemporary Istanbul, but also the next century, with its sound infrastructure, modern technology and distinctive architectural style. Quality, durability, safety and comfort were adopted as the main principles in the construction of the towers, designed to be environment-friendly. Responding to the high-quality elite office spaces demand in the region developing into the business center of the city, İş Towers' offices are rented out on leases averaging five years to prestigious and financially sound national and foreign companies with a solid reputation in their respective fields.

Spaces that bring the business world together with cultural and artistic activities...

The İş Towers Complex covers the 52-storey İşbank Head Office, and an auditorium and an art gallery where İş Art & Culture Center's activities are held, in addition to the Tower 2, Tower 3 and Kule Çarşı included in İş REIT's portfolio. The complex brings together culture and art and the business worlds as one of the premier locations of Turkey and the world.

Modern face of Istanbul...

With its world-class architecture and features, Istanbul İş Towers have come to symbolize not just the world of business but also the modern face of Istanbul. Kule Çarşı, a shopping center located in the İş Towers Complex, is a boutique shopping and entertainment center where employees and visitors can enjoy themselves while shopping or having lunch or dinner. The shop mix consists of stores and restaurants operating in 48 independent units.



Location: İstanbul province, Beşiktaş district, 4. Levent quarter

Gross Area: 80,124 m²

Acquisition Date: 1999

Appraised Value (TRY): 366,770,000

2008 Rental Income (TRY, excluding VAT): 22,259,168

LAND-1

Location: İstanbul-4. Levent, in front of İş Towers

Area: 7,613 m²

Acquisition Date: 1999

Appraised Value (TRY): 725,000



Ankara İş Tower

Office building composed of 3 blocks and 29 storeys

Symbol of change in the capital city...

Nostalgic, original and prestigious...

Having initiated the advent of modern buildings in Ankara and a symbol in this sense, Ankara İş Tower possesses a nostalgic value for it has long served as the head office of İşbank. Ankara İş Tower is an original and prestigious building designed with an insightful architectural concept, defying time and space in a unique location.



Location: Ankara province, Çankaya district, Kavaklıdere quarter

Gross Areas: 26,488 m²

Acquisition Date: 1999

Appraised Value (TRY): 90,820,000

2008 Rental Income (TRY, excluding VAT): 5,868,504



Maslak Building

12-storey office building

At the heart of the business world and commerce...

Convenient transportation, high potential...

The building is located at an advantageous spot with convenient access in Maslak, a constantly developing important business center in İstanbul, and offers a tremendous commercial potential. The building is currently leased to Petrol Ofisi and İşbank.



Location: İstanbul province, Şişli district, Ayazağa quarter

Gross Area: 12,904 m²

Acquisition Date: 2001

Appraised Value (TRY): 38,700,000

2008 Rental Income (TRY, excluding VAT): 2,536,289



Seven Seas Hotel

5-star seaside resort hotel with 358 rooms and 861 beds

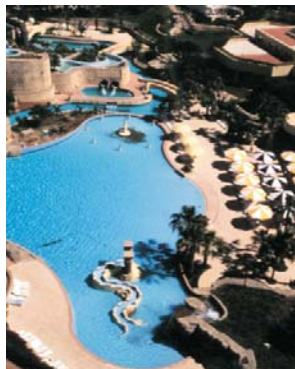
In the midst of lush green nature...

On the bank of Lake Titreyen...

The hotel is situated just beside Lake Titreyen, a spectacular natural wonder, and surrounded by historical sites and natural beauties embraced by the sea and the sun. A magnet for Turkish and foreign tourists, the Seven Seas Hotel is located in an area with a high commercial potential.

A tourist attraction...

Surrounded by some of the top-notch tourism centers in Turkey, the Seven Seas Hotel is a center of attraction for domestic as well as foreign guests. The Hotel is operated by Magic Life, a leading European tour operator.



Location: Antalya province, Manavgat district, Sorgun village, Lake Titreyen locality

Covered Area: 52,699 m²

Acquisition Date: 2001

Appraised Value (TRY): 59,570,000

2008 Rental Income (TRY, excluding VAT): 5,811,958



Mallmarine Shopping Center

A shopping center with 30 independent units

Changing the face of Marmaris...

Mallmarine is the first modern shopping center of Marmaris, one of the most important tourist destinations in Turkey. Mallmarine serves both the local population and visiting tourists with its professionally planned tenant mix.



Location: Muğla province, Marmaris district, Kemeraltı quarter, Atatürk Street
Net Area: 3,172 m²
Acquisition Date: 2001
Appraised Value (TRY): 9,470,000
2008 Rental Income (TRY, excluding VAT): 545,524



Ankara-Ulus Office Building

Office building in a central location with commercial development potential

A symbol carefully preserved from the past to date...

This landmark building formerly served as the second head office of İşbank and is as architecturally exceptional as it is commercially valuable. The building has been rented out to İşbank on a 15-year lease.



Location: Ankara province, Altındağ district, Ulus quarter

Gross Area: 6,194 m²

Acquisition Date: 2004

Appraised Value (TRY): 22,300,000

2008 Rental Income (TRY, excluding VAT): 2,394,253



Antalya Office Building

Office building in a central location with commercial development potential

Located in Antalya, situated at an advantageous spot

Centrally located in an easily accessible area with tremendous commercial development potential in Antalya, one of Turkey's most beautiful southern provinces, Antalya Office Building has been rented out to İşbank on a 15-year lease.



Location: Antalya province, Merkez district

Gross Area: 3,353 m²

Acquisition Date: 2004

Appraised Value (TRY): 12,070,000

2008 Rental Income (TRY, excluding VAT): 1,040,540



Ankara-Kızılay Office Building

Office building in a central location with commercial development potential

In the heart of the capital city...

Located in Kızılay, the business and trade center of Ankara, the office building possessing an extremely high commercial potential has been rented out to İşbank on a 15-year lease.



Location: Ankara province, Çankaya district, Kızılay quarter

Gross Area: 5,175 m²

Acquisition Date: 2004

Appraised Value (TRY): 18,630,000

2008 Rental Income (TRY, excluding VAT): 2,016,253



Kanyon Shopping Center

Shopping center with 152 stores

Kanyon transforms shopping habits...

Targeting to bring together the finest brands in Turkey and the world, and to be the heart of the city, the four-level shopping center is established on an area of 38,940 m². Kanyon is home to 152 stores, one gourmet supermarket, 9 movie theaters, restaurants, cafés, bars, a sports and wellness center, as well as indoor and outdoor swimming pools.

While offering a pleasant shopping experience in open air, making one feel like walking along the streets of the city, Kanyon presents a setting blending water, greenery and natural materials in a sophisticated manner.

Offering a different concept on each level, Kanyon addresses people of every age, from every segment...

A joint project, Kanyon goes beyond a shopping center and represents a living space. Kanyon is where one can take a deep breath in the city, have fun, rejuvenate, meet with friends and spend a pleasant day. The shopping experience gains a whole new dimension with frequent live performances, a wide variety of events and street shows addressing all ages.



Location: İstanbul province, Şişli district, Levent quarter

Net Area: 38,940 m²*

Opening Date: 31 May 2006

Appraised Value (TRY): 253,115,000

2008 Rental Income (TRY, excluding VAT): 17,610,948

* İş REIT has title to 19,470 m² in the shopping center, which forms the basis in the computation of the appraisal value and rental income.



Real Hypermarket

Hypermarket

A breath of fresh air for pleasant shopping...

Spaces that bring quality at affordable prices...

A Metro Group company operating in the retail sector, Real is part of Turkish holdings of SB Warenhaus Holding GmbH. The Project has been opened for service on 15 August 2007 by İş REIT. Subsequently operated by the tenant, Real offers its customers a comfortable and convenient shopping atmosphere with its 6 meter-wide corridors and 8 meter-high ceilings. Real provides approximately 40,000 types of food and non-food products under the same roof and aims at offering quality products at affordable prices.



Location: İstanbul province, Büyükçekmece district, Beylikdüzü locality

Project Area: Parcel no 109

Covered Area: 53,479 m²

Opening Date: 15 August 2007

Appraised Value (TRY): 62,725,000

2008 Rental Income (TRY, excluding VAT): 3,465,175



Sirkeci Office Building

6-storey office building

In the center of commerce...

The office building with an area of 4,170 m² is situated in the old city center of İstanbul, in an area with high commercial potential. The building has been rented out to İşbank on a 15-year lease.



Location: İstanbul province, Fatih district, Sirkeci quarter

Leasable Area: 4,170 m²

Opening Date: 18 April 2008

Appraised Value (TRY): 22,520,000

2008 Rental Income (TRY, excluding VAT): 1,210,985*

* Rental income has started to be collected as of 01 May 2008, which is the inception date of the lease. The rental figure provided above is the total amount of rental fees for eight months.



Güneşli Office Building

5-storey office building

Commercial development potential...

The office building having an area of 20,805 m² is located in one of İstanbul's emerging commercial centers, 6 km to the airport. The building has been rented out to İşbank on a 15-year lease.



Location: İstanbul province, Küçükçekmece district, Halkalı quarter

Leasable Area: 20,805 m²

Acquisition Date: 28 April 2008

Appraised Value (TRY): 37,410,000

2008 Rental Income (TRY, excluding VAT): 2,103,180*

* Rental income has started to be collected as of 01 May 2008, which is the inception date of the lease. The rental figure provided above is the total amount of rental fees for eight months.

Principles Regarding the Operation of Real Estate Investment Trusts

Some of the principles covered in the “Communiqué regarding Real Estate Investment Companies” (Serial: VI, No: 11) are presented below. Further details are available at the Capital Markets Board of Turkey (CMB) website accessible at www.cmb.gov.tr.

- REITs must invest minimum 50% of their portfolio values in real estates, rights backed by real estates, and real estate projects. REITs may invest maximum 50% of their portfolio values in other assets (capital market instruments and cash).
- General-purpose real estate investment companies are required to diversify their portfolios on the basis of industry, region and real estates, and to manage the same with a long term investment purpose.
- When selling, renting out or purchasing real estates from/for the portfolio, REITs must take into account the appraised values determined by real estate appraisal companies authorized by the CMB.
- REITs may not in any way be involved in the construction of real estates and may not recruit personnel and equipment for this purpose.
- REITs can obtain credits up to three folds of their net asset values maximum.

Amendments Made during the Reporting Period to the Communiqué Regarding Real Estate Investment Companies and Other Developments Concerning the Activities

The Capital Markets Board of Turkey published the “Communiqué Amending the Communiqué Regarding Real Estate Investment Companies” (Serial: VI, No: 21) in the Official Gazette dated 27 July 2008. Some of the amendments are presented below.

- With respect to the establishment of, or transformation into, REITs, the concept leader entrepreneur has been redefined as “shareholder(s) single-handedly or jointly controlling at least 20% stake in the company capital”.
- The initial capital required for establishing a REIT has been increased from TRY 7.2 million to TRY 10 million.
- Due to portfolio structure and public disclosure problems, existing publicly-held companies are not allowed to transform into REITs.
- The definition of public offering of shares has been clarified, whereby rather than ownership, floatation of shares was deemed sufficient in achieving the required free-float ratio.
- Transfer of privileged shares was rendered subject to approval by the Board, and it has been stipulated that privileged shares may be acquired only by the leading entrepreneur within two years following incorporation, transformation or sales through public offering.
- The remark “companies offering business operation services” was added among the parties to special decisions, and the phrase “decisions relating to determination of real or legal persons that will offer business operation service to the REIT” was added to special decisions.
- REITs are provided with the chance to lend the securities in their portfolios.
- REITs are prohibited from engaging in short selling, margin trading, and capital market instruments borrowing.
- REITs are prohibited from extending credits and from entering into debtor-creditor relationship with their subsidiaries, which is not based on the trading of any goods or services.
- The scope of the article in relation to acquisition of subsidiaries by REITs has been expanded. Thus, REITs may not participate in companies incorporated in Turkey for rights backed by real estates.
- As per the legal requirements laid out in the applicable legislation, REITs are allowed to participate in existing or future companies incorporated limited to the purpose of the fulfillment of infrastructure services concerning real estates, rights backed by real estates or real estate projects that are already included or planned to be included in their portfolios.
- Processes relating to certain notifications given by REITs within the frame of public disclosure were revised. Accordingly, the period for disclosure of quarterly portfolio tables prepared by REITs has been increased from six business days following the end of the relevant period to one month.

Other Developments Relating to Activities

During 2007, arrangements were made regarding the securitization of housing loans, and clarification was brought to conditions relating to the issuing of securities to be issued against housing units. However, the mortgage crisis originated in the USA has outgrown from a financial crisis into a global economic crisis, and thus, led to contraction in the economies of particularly developed countries, as well as of emerging countries.

Turkey suffered to lesser extent from the financial aspect of the crisis compared to developed countries owing to the fact that the mortgage system had not yet started running. Yet, the effects of the crisis on the manufacturing industry is started to be felt more heavily by the day.

That such a large-scale crisis stemmed from mortgage reveals the necessity of creating a solid infrastructure before running a mortgage system, and of monitoring the same with strict controls and rules. Furthermore, in order for the mortgage system to start operating healthily in Turkey, first of all, the markets must be freed of uncertainties and economic indicators must regain stability.

Changes in

Organization, Capital, Shareholding Structure and Management Structure

during the Reporting Period

Capital and Shareholding Structure

The Company has an issued capital in the amount of TRY 450,000,000, 42.23% of which is held by İşbank. In 2008, no major change occurred in the Company's shareholding structure.

As of 31 December 2008, the Company's free-float ratio, based on ownership is 42%. According to floatation of shares, free float ratio is 54%, and based on the ISE Settlement and Custody Bank data on the same date, foreign investors own nearly 31% of İş REIT shares in circulation (45% as of 31 December 2007). While there was no significant change in the share of foreign investors in the Company's capital in the first three quarters of 2008 (44% as of 30 September 2008), the same declined compared to the past due to the global crisis.

The capital was not increased during the reporting period.

Changes in the Management Structure and Organizational Structure

Names and surnames of the Members of the Board of Directors elected at the Annual General Meeting and served during 2008, and their resumes are presented in this report (pages 20-21). At the General Meeting convened on 25 March 2008, Mr. Sezai Sevgin has been elected to a seat on the Board vacated by Mr. Nejat Yakut Ayözger who had completed his term of office.

During the reporting period, Statutory Auditor Mr. Engin Topaloğlu left his seat on the Company's Board of Auditors, and was succeeded by Mr. Burak Sezercan who has been selected by the Company's other Statutory Auditors as per article 352 of the Turkish Commercial Code.

The Project Application and Construction Manager retired during the reporting period; Gökhan Temel, who was working in the same department, has been appointed to this position.

An Internal Audit and Control Department has been set up at the Company for efficient and effective management of activities and for keeping the risks under control. The Department started carrying out its activities in accordance with the applicable legislation and international audit and control principles from November 2008.

Information on Lawsuits to which the Company is a Party

No warnings, notices or monetary fines were issued by public authorities against the Company in 2008.

Receivable collection has started during the reporting period as a result of the enforcement suits filed against some tenants in relation to their overdue rental payments for certain commercial properties on the Company's portfolio.

Analysis of Substantial Transactions Involving Group Companies or Other Related Individuals and Entities

In 2008, a total of TRY 27,668,863 rental income was generated from the Group companies, and TRY 4,633,201 was derived in interest income. Total cost of services received during the reporting period amounted to TRY 2,695,602.

Statement on Foreseeable Risks Inherent in our Activities

İş REIT invests in real estates as well as money and capital market instruments within the scope of its portfolio management activities. Investments in the real estate sector constituted nearly 92% of the total portfolio investments as of year-end 2008. Such investments may be carried out by means of purchasing completed real estates for selling and/or renting purposes as well as by project development for the same purposes. Task environment can be considered as a main risk integrated with the said activities.

At the end of 2008, money and capital market investments made up 8% of the Company's total portfolio value. These investments are made for utilizing the Company's funds in money and capital markets until they are directed to investment expenditures. The risk integrated with investments made for this purpose constitutes the market risk.

A risk management system has been established at the Company. The Risk Unit carries out risk management activities, and reports to the Company Risk Committee in respect of its activities. The Board of Directors issued the Company Risk Policy and the Risk Catalogue; and established the risk limits in terms of measurable risk types. Risk measurements are periodically conducted by the relevant unit within the framework of the Company Risk Policy, and measurement results are reported to the Company's Senior Management. Thus, the Company endeavors to identify the foreseeable risks concerning the activities, thereby aiming to minimize risks.

Social Responsibility and Environmental Consciousness

İş REIT recognizes that as a corporate citizen it will develop and grow together with the society, and is conscious of its important role with respect to the fulfillment of social, cultural, artistic and economic needs of the society's different segments. True to this consciousness, the Company pays utmost care to support the social responsibility projects in various fields including healthcare, education, culture, law, arts, scientific research, environmental protection and sport. İş REIT has set out the body of rules governing the complimentary support to such projects in its Donation Regulation enforced on 01 January 2007.

During 2008, the Company contributed to "Adım Adım" (Step by Step), a platform targeting to raise funds through sports events and to extend financial and moral support to NGOs, by promoting this organization on the screens placed in İş Towers and by undertaking their media coverage follow-up.

İş REIT opens the doors of the shopping centers in its portfolio to associations working for the benefit of the public, foundations and other NGOs, offering them the chance to set up stands and carry out publicity activities free-of-charge. Extending all kinds of cooperation in this sense, the Company's efforts on this axis continued also in 2008.

İş REIT achieves compliance with the laws and environmental values in all its activities, and exercises due diligence in respect of social responsibility. During the reporting period, no lawsuits were filed against the Company on account of any damage to the environment.

İş Real Estate Investment Trust Co.

Profit Distribution Proposal of the Board of Directors for the Year 2008 (TRY)

The Company's net profit for the period as of December 31, 2008 is TRY 53,095,234.00 in the financial statements prepared in accordance with the "Capital Market Board Communiqué on Capital Market Accounting Standards" and is TRY 54,958,834.09 in the legal records maintained in accordance with Tax Procedures Law.

According to Article 30 concerning "The Distribution of Profits and Reserve Funds" of the Company's Articles of Association, it has been decided to present the distribution of net profit of TRY 22,500,000.00 in cash, as above stated, to the approval of the General Meeting of the shareholders.

1. Paid-in/Issued Capital	450,000,000.00
2. Total Legal Reserves (based on legal records)	10,819,625.07
If there are privileges for distribution of profits according to the Articles of Association, information on such privileges:	There are not any privileges for distribution of profits.

	Based on CMB	Based on Legal Records
3. Period Profit	53,226,232.00	54,958,834.09
4. Taxes Payable (-)	130,998.00	0.00
5. Net Period Profit (=)	53,095,234.00	54,958,834.09
6. Prior Period Losses (-)	0.00	0.00
7. First Legal Reserve (-)	2,747,941.70	2,747,941.70
8/(a) Net Distributable Period Profit including Unrealized Capital Gains (=)	50,347,292.30	52,210,892.39
8/(b) Unrealized Capital Increases (-)	7,873,774.97	
8/(c) Unrealized Capital Decreases (+)	9,258,336.00	
8/(d) Net Distributable Period Profit excluding Unrealized Capital Gains (=)	51,731,853.33	
9. Donations Made during the Year (+)	0.00	
10. Net Distributable Period Profit including Donations from which First Dividend will be Calculated	50,347,292.30	
11. First Dividend to Shareholders	22,500,000.00	
- Cash	22,500,000.00	
- Bonus	0.00	
- Total	22,500,000.00	
12. Dividends for Preferred Shares	0.00	
13. Dividends for Board Members, Employees, etc.	0.00	
14. Dividends for Redeemed Shares	0.00	
15. Second Dividend for Shareholders	0.00	
16. Second Legal Reserves	0.00	
17. Statutory Reserves	0.00	
18. Special Reserves	0.00	
19. EXTRAORDINARY RESERVES	27,847,292.30	29,710,892.39
20. Other Sources for Distribution	0.00	0.00
- Prior Period Profit		
- Extraordinary Reserves		
- Other Reserves Distributable in Accordance with Law and the Articles of Association		

INFORMATION ON DIVIDEND RATIO AND EARNINGS PER SHARE

GROUP	TOTAL DIVIDENDS AMOUNT (TRY)	DIVIDENDS PER SHARES WITH A NOMINAL VALUE OF TRY 1 EACH	
		AMOUNT (TRY)	RATIO (%)
GROSS			
A	32,142.86	0.05000	5.00
B	22,467,857.14	0.05000	5.00
TOTAL	22,500,000.00		
NET (7)			
A	32,142.86	0.05000	5.00
B	22,467,857.14	0.05000	5.00
TOTAL	22,500,000.00		

RATIO OF DIVIDENDS DISTRIBUTED TO NET DISTRIBUTABLE PERIOD PROFIT INCLUDING DONATIONS

DIVIDENDS DISTRIBUTED TO SHAREHOLDERS (TRY)	RATIO OF DIVIDENDS DISTRIBUTED TO SHAREHOLDERS TO NET DISTRIBUTABLE PERIOD PROFIT INCLUDING DONATIONS (%)
22,500,000.00	43.49

İş Real Estate Investment Trust Co.

2008 Statutory Auditors' Report

To the attention of General Meeting of the Shareholders:

Trade name	İş Real Estate Investment Trust Co.
Headquarters	Istanbul
Issued capital	TRY 450,000,000
Principal business activity	The Company was established to invest in real properties, in capital market instruments backed by real estate properties and in real estate projects.
Names, term of office, and partnership status of the statutory auditors	Süleyman Hayrettin Özcan Nil Sepetçi Burak Sezercan Statutory auditors are elected to serve until the date of the next annual general meeting. They are not the partners in the Company.
Number of Board of Directors meetings participated in and number of times the statutory auditors formally convened	12 (twelve)
Scope, date and results of examinations performed on the Company's accounts, books and documents	The Company's legal books of account and documents were examined in the months of June and December and the conclusion reached: they were in accord with the accounts
Number of cash counts performed at the company cashier's office in accordance with the requirements of subparagraph 3 of paragraph 1 of article 353 of the Turkish Commercial Code and the conclusions reached	Cash counts were performed at the Company's cashier office twice in 2008 in accordance with the requirements of law. All cash balances conformed to the books of account.
Dates on which examinations were performed in accordance with the requirements of subparagraph 1 of paragraph 4 of Article 353 of the Turkish Commercial Code and the conclusions that were reached	During our examinations performed each month the presence of negotiable instruments were checked and it was established that they conformed to the records.
Charges or complaints of improprieties received and the action taken were referred to us.	During our term of office as statutory auditors for İş Real Estate Investment Trust Co., no charges or complaints of improprieties

We have examined the accounts and transactions of the firm of İş Real Estate Investment Trust Co., for the period 1 January 2008 to 31 December 2008 for compliance with the requirements of the Turkish Commercial Code, the Company's Articles of Association, relevant laws and regulations and generally accepted accounting principles and standards.

In our opinion: the enclosed balance sheet for the period issued on 31 December 2008, the contents of which we certify, accurately reflects the true financial standing of the Company on this date; the income statement for the period 1 January 2008 to 31 December 2008 accurately and truly reflects the results of business activities during the same period; the proposed distribution of profits is in compliance with the requirements of law and with the Company's Articles of Association.

We hereby recommend that the balance sheet and income statement be approved and that the members of the Board of Directors be acquitted of their fiduciary responsibilities.



Süleyman Hayrettin Özcan



Nil Sepetçi



Burak Sezercan

İş Real Estate Investment Trust Co.

Corporate Governance Principles Compliance Report

1. Statement of Compliance with Corporate Governance Principles

Utmost attention was paid to achieve compliance with Corporate Governance Principles under the main headings of "Shareholders," "Public Disclosure and Transparency," "Stakeholders" and "Board of Directors" at our Company in 2008. Efforts to develop and further improve the application of the foregoing principles in the Company were continued during the reporting period.

Our Company closely monitors the development of the Corporate Governance concept both in the world and in our country, and believes in the necessity of compliance with these rules in order to maintain successful business practices and to generate long-lived added value for the investors.

In this regard, our Company espouses all legal regulations and the Corporate Governance Principles disclosed to the public by the Capital Markets Board of Turkey (CMB); in addition, the Company constantly identifies the improvement areas in order to best serve the interests of investors, shareholders, and all groups with which the Company is involved and it develops and implements new practices to constantly improve the corporate governance system.

PART I-SHAREHOLDERS

2. Investor Relations Unit

The Risk Management and Investors Relations Department (Shareholder Relations Unit) effectively and systematically managed primarily the General Meeting and capital increase activities, as well as shareholders' exercise of their rights, public disclosure and information sharing. Contact details for the Department are presented below:

Department	Phone	Email
Risk Management and Investor Relations	0212-325 23 50 ext. 209	investorrelations@isgyo.com.tr

Investor Relations

In 2008, the interest of the foreign investors and funds towards our Company continued to increase. Throughout the year, 30 one-to-one meetings were held with domestic and international investment companies, investment funds and equity houses, whereby 65 people were contacted. Furthermore, multi-faceted and detailed responses were provided to comprehensive information requests received from numerous domestic, foreign, individual or corporate investors with strict observance of all aspects of public disclosure including the applicable legislation and the Company's Disclosure Policy. The necessary records related to such information requests and the answers provided thereto are kept by Shareholder Relations Unit. Information requests from universities and various government organizations in addition to investors are also fulfilled within the scope of their research.

3. Shareholders' Exercise of Their Right to Obtain Information

During 2008, shareholders, for the most part, sought information usually at the time of or after the public disclosure of the General Meeting of Shareholders, portfolio tables and financial reports. Almost 150 queries were responded to during the reporting period. The information requests received mostly concerned publicly disclosed financial reports and portfolio tables, the General Meeting, real estate projects and rental income. While domestic investors demanded the information they needed mostly via telephone or email, foreign investors preferred to obtain the information they needed by e-mail or by holding one-to-one meetings. The information requests were met based on Company Disclosure Policy that was publicly disclosed previously.

Every development that might affect shareholders' exercise of their rights is announced to shareholders the same day through the Istanbul Stock Exchange (ISE), and also widely communicated to large populations through being forwarded to the Public Disclosure Platform (PDP).

İş Real Estate Investment Trust Co.

Corporate Governance Principles Compliance Report

In the case of announcements relating to the Company's activities that must be made in the press, the Company takes care to publish them in high-circulation national newspapers rather than local ones. In addition, announcements and documents concerning ordinary and extraordinary General Meeting of Shareholders are also posted on the corporate website.

Under a service contract entered into with the firm of Foreks Bilgi İletişim A.Ş., all special circumstance announcements that our Company sends to the ISE and information about our stock price performance are also published on the "Investor Relations" section of our website in the manner and form prescribed by law. In the related section, all the information investors may be interested in is presented in English and in Turkish complying with the Corporate Governance Principles adopted by the Capital Markets Board.

Our Company's articles of association contain no provisions concerning a request for the appointment of a special auditor as a shareholder right. The appointment of a special auditor right is stipulated in 348th article of the Turkish Commercial Code; the article in question encompasses all companies, as well as ours, which were founded as a joint stock company. However, with this article, the right to appoint a special auditor, which was given to shareholders that represent at least one tenth of the capital, can be used by shareholders that represent at least one twentieth of the capital in a publicly held corporation. The aforementioned CMB regulation is to protect small investor's rights for issues that require a special auditor's appointment.

During the period, our Company received no requests for the appointment of a special auditor.

4. Information About General Meetings

The Annual General Meeting of Shareholders convened on 25 March 2008 during the year under review. An invitation for the General Meeting of Shareholders, the meeting's agenda and a specimen of a proxy statement were published in two nationally circulating newspapers; invitations were sent out to registered shareholders by registered mail, return receipt requested; information concerning the meeting was made available on the corporate website; an additional letter concerning the meeting was also sent to corporate shareholders whose names appeared in the attendance roster of the latest General Meeting of Shareholders. The annual report was prepared twenty-one days prior to the meeting date, it was sent to the addresses of the shareholders upon request, and placed on the Internet site and was also made available for the inspection and assessment of shareholders visiting the Company's headquarters and of shareholders attending the General Meeting of Shareholders. While complying with the provisions of the Ministry of Industry and Trade Communiqué concerning the period of time in which entries must be made in the shareholders register, shareholders who applied to obtain their meeting passes after the one-week period stipulated in the Communiqué, were given them as well, so as to achieve maximum participation at the meeting. During the reporting period, the General Meeting of Shareholders was held with 55.74% attendance of the Company's shareholders all of which was represented in person. Excluding Company-related trade secrets and confidential information that are not publicly disclosed, all other oral and written queries of the shareholders about the Company were answered before and after the General Meeting of Shareholders.

At every stage of the meeting, shareholders are allowed to raise questions, advance proposals, and even take the floor. All questions are answered; all proposals are given consideration. Since no questions and no proposals came up at the Annual General Meeting of Shareholders this year, there is no reference to questions or proposals in the meeting minutes.

In as much as our Company is a real estate investment trust and its principal business activity is buying, selling, leasing, and developing real estate properties, decisions pertaining to matters of selling, buying, and renting properties have to be made quite frequently. Therefore, it is impractical to convene a General Meeting on issues that are a part of the Company's routine activities, although so recommended in the Corporate Governance Principles. Furthermore, conducting business in such a way would have a direct impact on the transaction prices involved in buying and selling properties and create other difficulties as well. For this reason, the Company's articles of association contain no provisions requiring decisions of this nature to be made at General Meeting of Shareholders.

İş Real Estate Investment Trust Co.

Corporate Governance Principles Compliance Report

5. Voting Rights and Minority Rights

Class-A shareholders have the right to designate candidates for election to seats on the Board of Directors. One Board Member must be elected among candidates designated by Class-B shareholders and the remaining members must be elected among candidates designated by Class-A shareholders.

At General Meeting, shareholders are informed about the Board of Directors candidates who are designated by our principal shareholder. Candidates are duly appointed at the meeting.

Minority shareholders are not represented in the Company's administration. The articles of association contain no provisions concerning the use of the optional cumulative voting method.

6. Dividend Policy and Timing

Our Company's dividend policy is given below:

The Company's articles of association incorporate the principle that first dividends will be paid out of the distributable profit in the amount and percentage as set by the CMB. In the dividend distribution proposals to be laid down before the General Assembly of Shareholders, the Board of Directors has espoused a dividend policy based on proposing the distribution of minimum 30% of the distributable profit in cash or bonus shares, while taking into consideration:

1. the delicate balance between the expectations of our shareholders and İş REIT's need to grow,
2. as well as İş REIT's profit-earning capacity.

The dividend distribution proposal of the Board of Directors is discussed at the General Meeting of Shareholders and issues such as, distribution method, distribution date and if there will be a distribution, are decided. There are no privileges concerning participation in the Company's profit, and dividend distribution is carried out within the legally prescribed period of time.

7. Transfer of Shares

The Company's articles of association contain no provisions restricting the transfer of shareholding interests.

PART II-PUBLIC DISCLOSURE AND TRANSPARENCY

8. Company Disclosure Policy

In 2008, the information requests that our Company received have been responded to under the Company Disclosure Policy, which aims to provide public disclosure on the principles of being accurate, complete, intelligible, interpretable, conveniently accessible at low cost, and equally available to all.

9. Disclosure of Material Events

Pursuant to CMB regulations, our Company made thirteen (13) material event disclosures in 2008. From out of the material event disclosures, the ISE required additional explanation for the material event disclosure dated 27 March 2008.

During the reporting period, CMB imposed no sanctions on our Company for not having made special circumstance announcements in due time.

İş Real Estate Investment Trust Co.

Corporate Governance Principles Compliance Report

10. The Internet Site and its Content

Our Company has a corporate website located at www.isgyo.com.tr. Constantly kept up-to-date in order to better inform our investors, our website covers the following: Company profile, our portfolio, founding and capital structure, Company Senior Management, mission, trade registry information and shareholder structure, investor information, annual reports, portfolio tables, financial reports, activity reports, stock performance, public disclosures, capital increase tables, explanations and public offering circulars, Capital Market Board forms, dividend policy, the latest version of the Company's articles of association, Corporate Governance Principles Compliance Report, General Meeting of Shareholders information, meeting invitation, meeting minutes, list of attendees, dividend news, capital increase news, REIT sector, Company news, media news about the Company, Company disclosure policy, code of ethics, human resources management and contact information.

"Shareholder" and "Management Structure" sections are regularly updated as to reflect latest aspects. The service provided by Foreks Bilgi İletişim A.Ş. enabled access to the share price performance as well as to material event disclosures instantly as they are published via a link on the home page. All the information requests that Company receive through Internet or e-mail, are fulfilled promptly and carefully.

11. Disclosure of Non-Corporate Ultimate Shareholders Who Have a Controlling Interest

There are no non-corporate ultimate shareholders with a controlling interest in the Company. Information about shareholders who controlled at least a 10% interest in the Company as of 31 December 2008 is presented below:

31.12.2008	Share (TRY)	(%)
İşbank	190,057,270	42.23
Others	259,942,730	57.77
Total	450,000,000	100.00

12. Public Disclosure of Those Who May Have Access to Insider Information

Only members of the Company's Board of Directors and senior management are in a position to have access to insider information about the Company and these individuals are identified below.

Board Members

Adnan Bali, Chairman
Turgut Sungur, Independent Vice Chairman
Kemal Şahin, Board Member
Haldun Baydar, Independent Board Member
Sezai Sevgin, Board Member

Members of the Board of Auditor

Süleyman H. Özcan, Statutory Auditor
Nil Sepetçi, Statutory Auditor
Burak Sezercan, Statutory Auditor

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Corporate Governance Principles Compliance Report

Senior Management

Turgay Tanes, General Manager
Hülya Demir, Assistant General Manager
T. Aydan Ormancı, Assistant General Manager
Tuğrul Gürdal, Financial and Administrative Affairs Manager
Bülent Otuz, Project Application, Electrical and Mechanic Manager
Atty. Pınar Ersin Kollu, LL.M, Legal Consultant
Ayşegül Şahin Kocameşe, Risk Management and Investor Relations Manager
Ömer Barlas Ülkü, Internal Audit and Control Manager
Gökhan Temel, Project Application, Construction and Architecture Manager
Gülfem Sena Tandoğan, Corporate Communications and Marketing Assistant Manager
Kaan Özsoy, Project Application, Construction and Architecture Assistant Manager

PART III-STAKEHOLDERS

13. Keeping Stakeholders Informed

Open and honest channels of communication have been established with Company employees and other stakeholders and maximum attention is given to ensure that they are kept informed about issues that are of concern to them. The rights of all stakeholders are preserved within the framework of the Code of Ethics published by the Board of Directors.

14. Stakeholder Participation in Management

In the participation of stakeholders in the Company's management, it is a fundamental principle that all channels of communication to be kept open and that any barriers to communication be eliminated.

In line with this and as spelled out in the Company's Code of Ethics, the workplace policy is developed and updated through ongoing communication with employees and in light of their wishes as well. Coordination meetings are held which are presided by the General Manager and attended by Company employees. These meetings play an important role in senior management's decision-making process.

No model has been developed concerning the participation of other stakeholders in the Company's management. However, the expectations and the demands of the individuals who are connected to the Company and who have interests are resolved through mutual communications and within Code of Ethics.

15. Human Resources Policy

The main objective of our Company is to ensure employment of qualified personnel in order to realize and maintain the most effective company activity by; providing employee motivation, continual improvement of the financial and social rights of the employees, creating a fair and professional work environment and to determining the training needs of the personnel.

Our Company practices an "open door policy" and uses all necessary platforms in order to create efficient communication forums.

The objectives and strategies spelled out in the Company's Human Resources Policy are designed to ensure that qualified human resources are recruited and hired; that they are put to the best possible use through effective organization with a high level of motivation; that equal opportunities for personal development are given to each individual; and that satisfactory career opportunities are provided for every one.

Within the framework of the Company's Code of Ethics, each employee is respected as an individual, is guaranteed all the rights to which he/she is entitled by law. All the means necessary to ensure a safe and healthy environment in which to work is provided.

İş Real Estate Investment Trust Co.

Corporate Governance Principles Compliance Report

It is expected from the employees that they embrace performance based management, view and understand that their personal contribution will be adding value to customers and shareholders.

Subjects such as employment, career planning and conditions of promotion, monetary compensation, and social benefits are clearly presented in detail to the employees in our Company's Personnel Regulations. The decisions concerning employees are concluded within the framework of Personnel Regulations at the Financial and Administrative Affairs Department.

During the reporting period we received no complaints concerning discriminatory treatment.

16. Relations With Customers and Suppliers

The Company always gives importance to developing business relationships with partners espousing its Code of Ethics. In our professional relationships and dealings, customers are treated honestly and equally. Fidelity to contracts is always a primary concern and commitments are always fulfilled on time. In relationships with suppliers, attention is given to basing them on long-term mutual trust.

17. Social Responsibility

Our company has established Donation Regulations which encompasses all the rules for giving complementary support to the projects related to social responsibilities such as education, health, culture, law, scientific research, environment project, sports, etc. The Regulations came into effect in January 2007.

During the reporting period, the Company contributed to "Adım Adım" (Step by Step), a platform targeting to raise funds through sports events and to extend financial and moral support to NGOs, by promoting this organization on the screens placed in İş Towers and by undertaking their media coverage follow-up.

Furthermore, in all the shopping centers included in its portfolio, our Company offers associations and foundations working for the public good the opportunity to open stands free of charge and enables them to perform publicity activities with full cooperation.

Out of its awareness of its social responsibilities, our Company takes care to comply with the requirements of law and show respect for society's values in all its activities. During the current year, no suits were lodged against our Company on account of any damage caused by it to the environment.

PART IV-THE BOARD OF DIRECTORS

18. Structure and Formation of the Board of Directors, Independent Board Members

Board Members

Adnan Bali Chairman, Non-Executive
Turgut Sungur Vice Chairman, Non-Executive, Independent
Kemal Şahin Board Member, Non-Executive
Haldun Baydar Board Member, Non-Executive, Independent
Sezai Sevgin Board Member, Non-Executive

Senior Management

Turgay Tanes, General Manager

Two of the Board members are independent of any direct or indirect relationship from the standpoint of employment, capital, or commercial interests with the lead entrepreneur and of any persons or entities from which our Company obtains service.

İş Real Estate Investment Trust Co.

Corporate Governance Principles Compliance Report

During the current year, no situations occurred that would impair their independence. Our Company's Articles of Association lay down explicit rules governing the ability of the Board members to undertake other duties and responsibilities outside the Company. According to Article 18 of the Articles of Association, "Board members shall not be involved in any negotiations on issues that are concerned with their own personal interests or with the interests of any persons with whom they or their spouse have any kinship or affinity, whether by blood or marriage, unto the third degree. Board members shall not engage, personally or indirectly, in any business transaction that falls within the Company's object and scope, either on their own behalf or on the behalf of others, even if they have obtained permission to do so from the General Meeting of Shareholders; neither shall they join another company engaged in the same kind of business as a partner with unlimited liability." All of our Company's Board Members adhere strictly to these rules.

19. Qualifications of Board Members

The minimum qualifications required for election to a seat on our Company's Board of Directors are in full compliance with CMB's Corporate Governance Principles. Indeed the CMB recommended principle concerning the professional experience of Board members is embodied even more explicitly in Article 12 of our Articles of Association and in line with CMB's Communiqué on principles pertaining to Real Estate Investment Trusts to which our Company's activities are subject. According to Article 12 of the Company's Articles of Association, "The Board members must have at least three years of experience in matters falling within the Company's field of operation. (CMB, Communiqué on Principles Pertaining to Real Estate Investment Trusts, Article 17)

20. Vision, Mission and Strategic Goals of the Company

The Board of Directors has defined and disclosed to the public the Company's corporate mission. Our mission is to create spaces desirable for contemporary people and contemporary cities, to maximize the collective value of our portfolio for our shareholders through stable growth and high profitability. Our vision is to be a globally exemplary institution by not only the projects we undertake but also with the way we conduct business, by our organizational structure, our corporate values and our management approach. Our vision also encompasses achieving a stable portfolio growth through years and maintaining continuous growth.

The board meets regularly once a month unless warranted by unusual circumstances and during these meetings the degree to which the Company is achieving its objectives, its activities, and its performance are reviewed. A detailed activity report concerning these matters is prepared in advance and made available for Board members to study at least a week before the date of each meeting.

Our Company continues its work in the scope of mission that was disclosed to the public. Since the day it was founded, stable growth has been maintained through its shrewd investments and effective evaluation of its resources.

Since our Company aims to maximize the gains for our shareholders, we have followed the value gaining opportunities in the sector in the past reporting period.

İş Real Estate Investment Trust Co.

Corporate Governance Principles Compliance Report

21. Risk Management and Internal Control Mechanisms

Risk management, internal audit and control systems at the Company are structured in line with international practices, principles and organization framework. Risk management activities are carried out by the risk management unit and staff, while internal control activities are handled by the internal audit and control unit and staff.

The "Risk Management and Investor Relations Department" has been operating in the Company since 2005. The Department reports to the Company senior management, Company Risk Committee and the Board of Directors, with respect to the management of risks inherent in the Company's activities within the framework of the Company Risk Policy and relevant internal arrangements.

"Company Risk Catalogue" covering the risks inherent in the Company's activities is updated, new risk types are defined, potential risks are identified and efforts are taken on in relation to actions to prevent risks. Thus, the aim is to ensure that necessary measures are taken by the Company senior management, and that control mechanisms are established for managing these risks.

The Internal Audit and Control Department set up during the reporting period handles the audit and control function for all the activities of the Company. The Department is assigned with internal audit and control of the risks related to the Company's activities within the frame of applicable legislation and international standards. The Department also evaluates the adequacy and effectiveness of the Company's activities and the control in relation thereto, and reports the outcomes.

Planning and conducting its activities with a focus on risks, the Department works to ensure that high-risk areas are controlled on an ongoing basis and issues are resolved quickly.

Internal audit and control activities are organized to keep under control all financial and operational risks identified in relation to the activities at all times. Work flows, job descriptions, authority and limits regarding the activities are documented, and constantly reviewed in parallel with the risks. Work flows for activities cover the necessary controls that are able to respond to the risks on the basis of a particular activity. Functional job distinctions on the basis of activities serve to constant, effective, accurate, regular and safe conduct of transaction and approval authorities, post-transaction and other controls specific to a particular transaction, as well as the activities and transactions themselves.

22. Authorities and Responsibilities of Board Members and Executives

The authorities and responsibilities of the Board Members are governed by Article 16 of the Company's Articles of Association. According to this article, the Company is supervised and represented by the Board. The Board of Directors fulfills all duties defined by General Meeting of Shareholders, incumbent upon it under the Turkish Commercial Code, the Capital Market Law, and related regulations.

23. Operating Principles of the Board of Directors

Board Meeting agendas are determined on the basis of recommendations made by General Manager and with the knowledge of Chairman of the Board. The Chairman or Vice Chairman calls upon the other members to convene. According to Company's Articles of Association Article 13, all members have the right to call the Board for a meeting. Audit Board members are also invited to Board meetings and receive the same meeting reports as the Board members. General Manager's Assistant is assigned to inform and maintain communication with Board members and auditors. During the year under review, the Board of Directors held twelve (12) meetings and took thirty-five (35) decisions.

According to Article 21 of the CMB Communiqué on Principles Regarding REITs, the Board of Directors' decisions must, as a rule, be unanimous. In situations where unanimity cannot be achieved, a special circumstance announcement must be sent to the ISE, as to make a public disclosure. To date there has never been a situation where such a public disclosure was necessary.

İş Real Estate Investment Trust Co.

Corporate Governance Principles Compliance Report

The Company is in full compliance with all the matters in Article 2.17.4 of section IV of CMB's Corporate Governance Principles. Board members do not have preferential voting rights or the right to veto board decisions.

24. Prohibition on Doing Business or Competing with the Company

Article 18 of the Company's articles of association stipulates that members of the Board of Directors may not engage in a commercial transaction that falls under the Company's scope either in their own capacity or on behalf of others, directly or indirectly, with the Company even if permission shall have been obtained from the General Assembly of Shareholders, nor may they carry out a commercial transaction under the Company's scope on their own or others' behalf or participate in any company engaged in the same kind of commercial transactions as a partner with unlimited liability.

During the reporting period, there were no instances of Board members acting in contravention of the prohibition on doing business or competing with the Company.

25. Code of Ethics

In 2003, Code of Ethics under the headings "Shareholders," "Operating Standards," "Employees" and "Customers-Suppliers-Business Partners" were developed by the Board of Directors and were published on the corporate website and publicly disclosed. The Company is in full compliance with the Code of Ethics.

26. Numbers, Structures, and Independence of Committees within the Board of Directors

As required by CMB Communiqué X:19, an Audit Committee consisting of two non-executive Board members has been set up. Neither of these committee members are independent Board members.

During the current year, in accordance with Corporate Governance Principles, with the aim to manage risks that our Company's face systematically, "Risk Committee" was established as the highest administrative organ in risk management and to represent the Risk Management System to the Board of Directors.

"Corporate Governance Committee" was established to monitor our Company's compliance with Corporate Governance Principles and to present suggestions to the Board of Directors.

27. Financial Rights Provided to the Board of Directors

The General Meeting of Shareholders determines the salaries of the Board members. At the General Meeting of Shareholders held on 25 March 2008, the decision was taken to pay the Board members a monthly salary of TRY 1,850 (net) and statutory auditors a monthly salary of TRY 1,100 (net).

During the current year, the Company engaged in no transactions such as lending, granting loans, providing guarantees, etc. involving Board members and managers.

İş Gayrimenkul Yatırım Ortaklığı A.Ş.
Consolidated Financial Statements
as of 31 December 2008

(Translated into English from the Original Turkish Report)

İş Gayrimenkul Yatırım Ortaklığı A.Ş. Independent Auditors' Report for the Period 1 January - 31 December 2008

İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

To the Board of Directors
İstanbul

Independent Auditors' Report For The Period 1 January - 31 December 2008

We have audited the accompanying consolidated financial statements prepared using the proportionate consolidation method of İş Gayrimenkul Yatırım Ortaklığı A.Ş. ("the Company") and its joint venture (together "the Group") which comprise the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting standards published by the Capital Markets Board. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards published by Capital Markets Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the consolidated financial position of İş Gayrimenkul Yatırım Ortaklığı A.Ş. and its joint venture as of 31 December 2008, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with legislation and generally accepted accounting principles published by the Capital Markets Board.

İstanbul, 13 February 2009

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of DELOITTE TOUCHE TOHMATSU



Hasan Kılıç
Partner

İş Gayrimenkul Yatırım Ortaklığı A.Ş.

Audited Consolidated Balance Sheet as of 31 December 2008

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated)

	Notes	Current Period 31 December 2008	Previous period 31 December 2007
Assets			
Current assets		119.421.368	133.280.045
Cash and cash equivalents	6	86.203.958	102.410.854
Financial assets	7	16.179.941	18.004.592
Trade receivables		13.910.409	10.231.312
Related party trade receivables	37	9.635.012	7.076.816
Other trade receivables	10	4.275.397	3.154.496
Other receivables	11	91.932	405.925
Other current assets	26	3.035.128	2.227.362
Long term assets		848.162.589	765.824.146
Investment properties	17	785.154.566	741.505.566
Tangible assets	18	62.766.985	24.249.031
Intangible assets	19	238.162	68.053
Other long term assets	26	2.876	1.496
Deferred tax assets	35	-	-
TOTAL ASSETS		967.583.957	899.104.191

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

İş Gayrimenkul Yatırım Ortaklığı A.Ş.

Audited Consolidated Balance Sheet as of 31 December 2008

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated)

	Notes	Current Period 31 December 2008	Previous period 31 December 2007
Liabilities			
Short term liabilities		17.420.507	15.543.816
Trade payables		2.277.135	2.800.443
Related party trade payables	37	989.418	591.350
Other trade payables	10	1.287.717	2.209.093
Other payables	11	47.458	39.211
Corporate tax liability	35	22.192	27.125
Accruals and provisions	22	224.156	30.668
Other short term liabilities	26	14.849.566	12.646.369
Long term liabilities		36.359.944	352.103
Other liabilities	11	36.155.499	162.964
Employee related liabilities	24	193.641	185.879
Deferred tax liabilities	35	10.804	3.260
EQUITY		913.803.506	883.208.272
Share capital	27	450.000.000	450.000.000
Shareholders' equity inflation restatement differences		240.146.090	240.146.090
Share premium		423.981	423.981
Restricted reserves	27	5.831.268	3.024.728
Retained earnings	27	164.306.933	134.671.237
Net profit for the period		53.095.234	54.942.236
TOTAL EQUITY AND LIABILITIES		967.583.957	899.104.191

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

İş Gayrimenkul Yatırım Ortaklığı A.Ş.

Audited Consolidated Income Statement for the Year Ended 31 December 2008

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated)

	Notes	1 January - 31 December 2008	1 January - 31 December 2007
INCOME FROM CONTINUING OPERATIONS			
Sales revenue (net)	28	80.883.839	212.826.714
Cost of sales (-)	28	(46.578.535)	(136.163.680)
GROSS PROFIT		34.305.304	76.663.034
Operating expenses (-)	29	(5.066.383)	(4.183.709)
Other operating income	31	153.686	1.352.639
Other operating expenses (-)	31	(444.699)	(10.070.364)
OPERATING PROFIT		28.947.908	63.761.600
Finance income	32	27.519.660	6.106.723
Finance expense (-)	32	(3.241.336)	(14.801.193)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		53.226.232	55.067.130
Tax expense on continuing operations	35	(130.998)	(124.894)
- Corporate tax charge		(117.578)	(123.671)
- Deferred tax charge		(13.420)	(1.223)
NET PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		53.095.234	54.942.236
NET PROFIT FOR THE PERIOD		53.095.234	54.942.236
Net profit for the period attributable to:			
Minority interests		-	-
Equity holders of the parent		53.095.234	54.942.236
Earnings per share	36	0,1180	0,1221

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

İş Gayrimenkul Yatırım Ortaklığı A.Ş.

Audited Shareholders' Equity Movement Table for the Year Ended 31 December 2008

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated)

	Notes	Share capital	Shareholders' equity inflation restatement differences	Share premium	Restricted reserves	Net profit for the period	Retained earnings	Total
1 January 2007 balances		329.966.000	343.681.790	423.981	1.965.386	48.750.382	103.478.497	828.266.036
Capital increase	27	103.535.700	(103.535.700)	-	-	-	-	-
Transfer to retained earnings	27	16.498.300	-	-	-	(48.750.382)	32.252.082	-
Transfer to reserves	27	-	-	-	1.059.342	-	(1.059.342)	-
Net profit for the period	27	-	-	-	-	54.942.236	-	54.942.236
31 December 2007 balances		450.000.000	240.146.090	423.981	3.024.728	54.942.236	134.671.237	883.208.272
1 January 2008 balances		450.000.000	240.146.090	423.981	3.024.728	54.942.236	134.671.237	883.208.272
Transfer to retained earnings	27	-	-	-	-	(54.942.236)	54.942.236	-
Transfer to reserves	27	-	-	-	2.806.540	-	(2.806.540)	-
Dividends paid	27	-	-	-	-	-	(22.500.000)	(22.500.000)
Net profit for the period	27	-	-	-	-	53.095.234	-	53.095.234
31 December 2008 balances		450.000.000	240.146.090	423.981	5.831.268	53.095.234	164.306.933	913.803.506

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

İş Gayrimenkul Yatırım Ortaklığı A.Ş.

Audited Cash Flow Statement for the Year Ended 31 December 2008

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated)

	Notes	1 January- 31 December 2008	1 January- 31 December 2007
Net profit for the period before tax		53.226.232	55.067.130
Adjustments to reconcile net profit before tax and minority interest to net cash provided by operating activities:			
Depreciation and amortization	17,18,19	22.266.627	20.930.195
Increase in retirement pay provision	24	115.215	45.886
Provisions released in relation to investment properties and other tangible assets	28	(6.911.970)	(11.821.744)
Impairment provision on investment properties and other tangible assets	28	9.258.336	22.210.504
Profit from the sale of investment properties	28	-	(56.181.055)
Profit from the sale of tangible fixed assets	31	(7.650)	(588.024)
Loss from the sale of tangible fixed assets	32	-	9.455.944
Provision for bad debts	10	221.671	9.864
Fair value increase on financial assets	32	(962.830)	(939.024)
Cash provided by operating activities before changes in working capital		77.205.631	38.189.676
Increase in trade receivables		(3.900.768)	(5.665.698)
Decrease in other receivables		313.993	1.371.655
Increase in other current assets		(807.766)	(15.782)
Increase in other long term assets		(1.381)	(867)
Decrease in trade payables		(515.061)	(3.264.335)
Increase / (decrease) in other liabilities		2.389.220	(39.132.293)
Retirement provision paid during the period	24	(107.453)	-
Taxes paid		(128.387)	(132.752)
Net cash provided by / (used in) operating activities		74.448.028	(8.650.396)
Investing activities			
Purchases of financial assets		-	(17.065.567)
Proceeds from the sale of financial assets		2.787.482	-
Purchases of investment property, tangible assets and intangible assets	17,18,19	(70.968.743)	(36.243.825)
Proceeds from the sale of investment property, tangible assets and intangible assets		26.337	140.190.989
Net cash (used in) / provided by investing activities		(68.154.924)	86.881.597
Dividends paid		(22.500.000)	-
Net cash used in financing activities		(22.500.000)	-
Net (decrease) / increase in cash and cash equivalents		(16.206.896)	78.231.201
Cash and cash equivalents at the beginning of the year		102.410.854	24.179.653
Cash and cash equivalents at the end of the year	6	86.203.958	102.410.854

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

İş Gayrimenkul Yatırım Ortaklığı A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2008

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated)

1. ORGANIZATION AND OPERATIONS OF THE GROUP

İş Gayrimenkul Yatırım Ortaklığı A.Ş. ("the Company") was established on 6 August 1999 by İş Gayrimenkul Yatırım ve Proje Değerlendirme A.Ş. taking over all assets and liabilities of İş Gayrimenkul Yatırım ve Proje Değerlendirme A.Ş. and Merkez Gayrimenkul Yatırım ve Proje Değerlendirme A.Ş. both of which operated separately and were established in 1998. The Company is a subsidiary of Türkiye İş Bankası. The Company's registered address is at İş Kuleleri Kule 2 Kat 9 4.Levent İstanbul/Turkey.

The main objective and operations of the Company are to apply the regulations of the Capital Markets Board ("the CMB") related with the Real Estate Investment Corporation such as; properties, property oriented capital market instruments, real estate projects and investment to 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 are traded on the İstanbul Stock Exchange since 1999.

The Company has 35 employees as of 31 December 2008 (32 employees as of 31 December 2007).

Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti. ("Kanyon") was established on 6 October 2004 by both 50% equal participations of İş Gayrimenkul Yatırım Ortaklığı A.Ş. and Eczacıbaşı Holding A.Ş. The main objective and operations of the subsidiary are the management of Kanyon Complex, which includes residences, offices and shops; providing maintenance, security, basic environmental set up and similar activities as well as acting as an agent in the introduction and marketing of the projects belonging to the complex, including property letting and sale. The financial statements of Kanyon are included in the accompanying financial statements using the proportional consolidation method according to the principles of accounting for entities under common control.

In the notes to the consolidated financial statements, İş Gayrimenkul Yatırım Ortaklığı A.Ş. and its joint venture, Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti., will be referred to as "the Group".

Approval of financial statements:

Financial statements are approved for issue by the Board of Directors on 13 February 2009. General Assembly has the authority to amend these financial statements.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of the presentation

Accounting principles applied and preparation methods of financial statements

The Company maintains its books of account and prepares its statutory financial statements in accordance with accounting principles in the Turkish Commercial Code ("TCC") and tax legislation.

Capital Markets Board (CMB) Communiqué Serial: XI, No: 29 "Capital Markets Financial Reporting Standards" provides principles and standards regarding the preparation and presentation of financial statements. This Communiqué became effective for periods beginning after 1 January 2008 and with its issuance Communiqué Serial: XI, No: 25 "Capital Markets Accounting Standards" was annulled. Based on this Communiqué, the companies are required to prepare their financial statements based on International Financial Reporting Standards ("IFRS") as endorsed by the European Union. However during the period in which the differences between the standards endorsed by the European Union and the standards issued by International Accounting Standards Board ("IASB") are announced by Turkish Accounting Standards Board ("TASB"), IAS/ IFRS will be applied. In this context, Turkish Accounting/ Financial Reporting Standards issued by TASB which do not contradict to the standards accepted will be adopted.

İş Gayrimenkul Yatırım Ortaklığı A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2008

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated)

The accompanying consolidated financial statements have been prepared in accordance with IFRS and comply with CMB's Communiqué announced on 14 April 2008 regarding the format of the financial statements and footnotes since at the date of the issuance of these financial statements the differences of IAS/ IFRS endorsed by the European Union are not declared by the TASB. In this regard, certain reclassifications have been made in the prior year financial statements.

Functional and presentation currency

The financial statements of the Company have been expressed in the currency of the primary economic environment ("functional currency"). The financial statements has been expressed in Turkish Lira ("TL" or "TRY") which is the presentation currency of the financial statements and which represents the financial position and the results of its operations.

"Law on the currency of the Republic of Turkey" no: 5083 ("Law 5083") have defined New Turkish Lira and as the currency of the Republic of Turkey. Effective from 1 January 2009, Council of Ministers legislated for the removal of "New" from the definition of the currency. Consequently, the functional and reporting currency of the financial statements as of 31 December 2008 and the comparative figures are presented in Turkish Lira

Preparation of Financial Statements in Hyperinflationary Periods

CMB, with its resolution dated 17 March 2005 declared that companies operating in Turkey which prepare their financial statements in accordance with CMB Accounting Standards, effective January 1, 2005, will not be subject to the application of inflation accounting. Consequently, in the accompanying financial statements IAS 29 "Financial Reporting in Hyperinflationary Economies" was not applied since January 1, 2005.

2.2 Changes in Accounting Policies

The Company has not changed any accounting policies during the period.

2.3 Changes in Accounting Estimates and Errors

The Company has not changed any accounting estimates during the period.

2.4 Adoption of new and revised standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("the IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2008.

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but they are not relevant to the Group's operations:

- UMS 39, "Financial Instruments: Recognition and Measurement"
- IFRIC 11, "IFRS 2 - Group and treasury share transactions",
- IFRIC 12, "Service concession arrangements",
- IFRIC 14, "IAS 19- The limit on a defined benefit asset, minimum funding requirements and their interaction".

İş Gayrimenkul Yatırım Ortaklığı A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2008

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

• IFRS 8, "Operating segments"	Effective for annual periods beginning on or after 1 January 2009
• IFRIC 15 "Agreements for the construction of real estate"	Effective for annual periods beginning on or after 1 January 2009
• IFRIC 16, "Hedges of a net investment in a foreign operation"	Effective for annual periods beginning on or after 1 November 2008
• IFRS 2 "Share-based Payment" Amendment relating to vesting conditions and cancellations"	Effective for annual periods beginning on or after 1 January 2009
• IFRS 1 "First-time Adoption of International Financial Reporting Standards"	Amendment relating to cost of an investment on first-time adoption Effective for annual periods beginning on or after 1 January 2009
• IFRS 3 "Business Combinations"	Effective for annual periods beginning on or after 1 July 2009
• IAS 27 "Consolidated and Separate Financial Statements"	
• IAS 31 "Interests in Joint Ventures" Comprehensive revision on applying the acquisition method	
• IAS 23 "(Amendment) Borrowing costs"	Comprehensive revision to prohibit immediate expensing Effective for annual periods beginning on or after 1 January 2009
• IAS 27 "Consolidated and Separate Financial Statements"	Amendment relating to cost of an investment on first-time adoption Effective for annual periods beginning on or after 1 January 2009
• IAS 1 "Presentation of Financial Statements"	Effective for annual periods beginning on or after 1 January 2009
• IAS 32 "Financial Instruments: Presentation" Amendments relating to disclosure of puttable instruments and obligations arising on liquidation	
• IAS 1 "Presentation of Financial Statements" Comprehensive revision including requiring a statement of comprehensive income	Effective for annual periods beginning on or after 1 January 2009
• IAS 39 "Financial Instruments: Recognition and Measurement" Amendments for eligible hedged items	Effective for annual periods beginning on or after 1 January 2009

The Company directors anticipate that the application of the above Standards and Interpretations in future periods will have no material impact on the financial statements of the Company.

2.5 Summary of Significant Accounting Policies

The accounting policies used to prepare the accompanying consolidated financial statements are as follows:

2.5.1 Revenue:

Revenue is recognized on accrual basis at the fair value of the amount obtained or to be obtained based on the assumptions that delivery is realized, the income can be reliably determined and the inflow of the economic benefits related with the transaction to the Company is probable. Net sales are calculated after VAT, the sales returns and sales discounts. Revenue from sale of goods is recognized when all the following conditions are satisfied:

Rent Income from Investment Property Lease Contracts

Rent income generated during the period from investment properties are recognized on an accrual basis. Revenue can only be realized if the amount is reliably determined and the inflow of the economic benefits related with the transaction to the Company is probable.

İş Gayrimenkul Yatırım Ortaklığı A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2008

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated)

Revenue from the 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 determined.

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 will be recognized on financial statements once the sales contracts of the projects are in line with the above stated criteria.

2.5.2 Tangible Fixed Assets:

Property, plant and equipment and intangible assets purchased before 1 January 2005 are carried at indexed historical cost as of 31 December 2004 and subsequent purchases are carried at cost, less accumulated depreciation and impairment.

Property, plant and equipment are depreciated principally on a straight-line basis considering expected useful lives, acquisition and assembly dates. Expected useful lives are summarized below:

Buildings	50 years
Machinery and equipment	4-5 years
Motor vehicles, furniture and fixtures	4-5 years
Leasehold improvements, rights	4-5 years

2.5.3 Intangible Assets:

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

Intangible assets are amortized principally on a straight-line basis considering the expected useful lives. Related intangible assets are amortized when they are ready to use. The amortization rate used for intangible assets is 20%.

2.5.4 Impairment of Assets:

At each balance sheet date, assets other than deferred tax and financial assets are reviewed to determine whether there is any indication of impairment. If there is such an indication, recoverable amount of that asset is estimated. If the carrying amount of an asset exceeds its recoverable amount, allowance for impairment should be provided. Recoverable amount of an asset is the higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flow expected to arise from the continuing use of an asset and from its disposal at the end of its life.

2.5.5 Borrowing Costs:

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset such as; investment properties are capitalized as part of the cost of that asset. All other borrowing costs are recorded in the income statement in the period in which they are incurred.

İş Gayrimenkul Yatırım Ortaklığı A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2008

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated)

2.5.6 Financial Instruments:

Financial Assets

Financial assets are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. Investments are recognized and derecognized on a trade date where the purchase or sale of an investment under a contract whose terms require delivery of the investment within the timeframe established by the market concerned,

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', 'available-for-sale' (AFS) financial assets and 'loans and receivables'.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Financial assets at 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-to-maturity investments

Investments in debt securities with fixed or determinable payments and fixed maturity dates that the Group 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.

Available-for-sale financial assets

Investments other than held-to-maturity debt securities, held for trading securities and loans and receivables are classified as available-for-sale, and are measured at subsequent reporting dates at fair value except available-for-sale investments that do not have quoted prices in active markets and whose fair values cannot be reliably measured are stated at cost. Gains and losses on available for sale financial assets at amortized cost are recognized in the income statement. Gains and losses arising from changes in fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period. Impairment losses recognized in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognized in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Repurchase agreements

Marketable securities sold for reacquisition are accounted as a financial liability on the financial statements. Marketable securities acquired for resale ("reverse repo") have been accounted under cash and cash equivalents based on the difference between sales and purchase prices accrued in the appropriate period using the effective interest method

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Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortized cost using the effective interest method less any impairment.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet 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. Subsequent recoveries of amounts previously written off are credited 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.

In respect of AFS equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities

Financial liabilities and equity instruments issued by the Group 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 Group 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.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

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2.5.7 Foreign currency transactions

In the statutory accounts of the Group, transactions in foreign currencies (currencies other than the Turkish Lira) are translated into the Turkish Lira at the exchange rate ruling at the transaction dates. Assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the balance sheet date. Gains and losses arising on settlement and translation of foreign currency items are included in the statement of income.

2.5.8 Earnings per Share

Earnings per share disclosed in the accompanying consolidated statement of income is determined by dividing net income by the weighted average number of shares in existence during the year concerned.

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.

2.5.9 Subsequent events

An explanation for any event between the balance sheet date and the publication date of the balance sheet, which has positive or negative effects on the Group (should any evidence come about events that were prior to the balance sheet date or should new events come about) will be explained in the relevant note.

The Group; restates its financial statements if such subsequent events arise.

2.5.10 Provisions, contingent liabilities, contingent assets

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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.

2.5.11 Change in accounting policies, accounting estimates and errors

Changes in accounting policies or accounting errors noted are applied retrospectively and the financial statements of the previous period are restated. If changes in accounting estimates are for only one period, changes are applied on the current period but if the changes in accounting estimates are for the following periods, changes are applied both on the current and the following periods prospectively.

2.5.12 Investment Properties:

Investment properties are held to earn rentals and/or held for capital appreciation and they are carried at cost less accumulated depreciation and any accumulated impairment losses in the consolidated financial statements as at the balance sheet date.

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As the Ankara İş Kule Building, İstanbul İş Kuleleri Complex, the Seven Seas Hotel, Maslak Petrol Ofisi Building, Kanyon Shopping Mall, Real Hipermarket Building and the surrounding land, Mallmarine Shopping Mall, Ankara Merkez, Kızılay, Antalya Merkez, Güneşli and Sirkeci Branch buildings of İş Bank, owned by the Company are held to earn rentals and/or capital appreciation and these are included as investment properties as of the balance sheet date. Other properties under the Group's own use and properties under construction for use as investment property in the future are included in tangible assets.

2.5.13 Taxation and Deferred Tax:

The income earned from real estate investment trust activities of the Company, having acquired the status of the real estate investment trust, is exempt from Corporate Tax according to Article 5/(1) 4-d of the Corporate Tax Law No: 5520 ("CTL"). Based on Article 15 (3) of the CTL, 15% withholding tax is deducted against the portfolio management income of the securities investment funds and associates in Turkey, which is exempt from tax, whether it is distributed or not. The Council of Ministers are authorized to reduce the deduction rates referred in Article 15 of the CTL to nil or to increase it up to the corporate tax rate and differentiate the related deduction according to fund and associate types or the nature and distribution of the fund and associate portfolio assets within the related limits. The Council of Ministers have not issued a new decision within the context of CTL Article 15/ (3) on withholding tax. Accordingly, the effective tax rate for real estate investment trusts is 0% on portfolio management income exempt from corporate tax based on the Council of Ministers decision No: 2003/6577 and paragraph 1 6/(a) (i) in Article 94 of Income Tax Law. Based on Article 15 (2) of the CTL, the dividend withholding tax is not permitted to be applied on such taxed income.

2.5.14 Employment Benefits / Retirement pay provision

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard No. 19 (revised) "Employee Benefits" ("IAS 19").

The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses.

2.5.15 Statement of cash flows

In statement of cash flow, cash flows are classified according to operating, investment and finance activities.

Cash flows from operating activities express cash provided by Group's operations in investment properties.

Cash flows from investment activities express cash used in investment activities (direct investments and financial investments) and cash flows generated from investment activities of the Group.

Cash flows relating to finance activities express sources of financial activities and payment schedules of the Group.

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

2.5.16 Share capital and dividends

Common shares are classified as equity. Dividends on common shares are recognized in equity in the period in which they are approved and declared.

2.6 Critical accounting judgments and estimates

There are no significant accounting estimates and judgments other than the ones stated in the summary of the significant accounting policies stated above.

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3. BUSINESS COMBINATIONS

None.

4. JOINT VENTURES

Joint ventures are accounted using the proportionate consolidation method in the Group's financial statements. Proportionate consolidation method principally has similar procedures as the line by line consolidation method. However, before commencing the consolidation transactions of entities under common control, balance sheet and income statement amounts of the participations subject to common control are gathered with similar accounts in the financial statements of the Company considering the share of the Company acquired directly and/or via its subsidiaries. Subsequent to such transactions, capital and profit-loss amounts, of the shares of other venturers, are excluded from the consolidated financial statements. Financial information on the joint ventures presented below refers to all financial information in the financial statements of the afore-mentioned joint ventures.

The summarized financial information of joint ventures accounted for under the proportionate consolidation method are listed below:

Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.	31 December 2008	31 December 2007
Total assets	5.115.472	6.399.581
Total liabilities	2.801.536	4.629.571
Net assets	2.313.936	1.770.010

	1 January- 31 December 2008	1 January- 31 December 2007
Sales	36.351.936	33.108.556
Cost of sales (-)	33.236.060	31.061.030
Net income for the period	943.908	972.784

5. SEGMENTAL REPORTING

Since the Group predominantly operates in the real estate investment trust sector, the accompanying financial statements do not include segmental information.

6. CASH AND CASH EQUIVALENTS

	31 December 2008 TRY	31 December 2007 TRY
Cash	7.116	6.191
Demand deposits	435.251	130.185
Time deposits	84.100.851	97.912.091
Mutual funds	1.591.081	4.233.915
Receivables from reverse repo transactions	69.659	128.472
	86.203.958	102.410.854

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Time deposits			31 December 2008
Currency	Interest rate	Maturity	TRY
US Dollars	3,60% - 4,00%	Jan-Feb-March 2009	27.340.294
Euro	5,00%	Jan-Feb-March 2009	26.961.481
TRY	16,00% - 19,08%	Jan-March 2009	29.799.076
			84.100.851

Time deposits			31 December 2007
Currency	Interest rate	Maturity	TRY
US Dollars	4,20% - 4,45%	Jan-March 2008	75.319.067
Euro	3,75%	Jan-March 2008	22.593.024
			97.912.091

	31 December 2008		31 December 2007	
	Cost TRY	Fair value TRY	Cost TRY	Fair value TRY
Mutual funds	1.577.167	1.591.081	4.148.752	4.233.914
	1.577.167	1.591.081	4.148.752	4.233.914

Receivables from reverse repo transactions

			31 December 2008
Currency	Interest rate	Maturity	TRY
TRY	14,11%	January 2009	69.569
			69.569

Receivables from reverse repo transactions

			31 December 2007
Currency	Interest rate	Maturity	TRY
TRY	16,12%	January 2008	128.472
			128.472

7. FINANCIAL ASSETS

Short-term financial assets	31 December 2008	31 December 2007
Fair value through profit or loss financial assets	16.179.941	18.004.592
	16.179.941	18.004.592

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The financial assets are held for trading and measured using the fair value. The fair value is derived using the highest purchase order for the respective financial asset in the Istanbul Stock Exchange as of 31 December 2008. If there is no such order, the latest transaction price and even if that is not available, such assets are measured at cost.

Fair value through profit or loss financial assets	Cost	Fair value	31 December 2008 Carrying value
Held for trading financial assets			
Government bonds	15.223.228	16.179.941	16.179.941
	15.223.228	16.179.941	16.179.941

Fair value through profit or loss financial assets	Cost	Fair value	31 December 2007 Carrying value
Held for trading financial assets			
Government bonds	17.086.449	18.004.592	18.004.592
	17.086.449	18.004.592	18.004.592

Interest rates of treasury bills and government bonds held-for-trading at 31 December 2008 are in-between 15,86% - 17,05%. (2007: 23,29% -15,55%).

8. FINANCIAL BORROWINGS

As of 31 December 2008 and 31 December 2007, there are no financial borrowings.

9. OTHER FINANCIAL LIABILITIES

As of 31 December 2008 and 31 December 2007, there are no other financial liabilities.

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10. TRADE RECEIVABLES AND PAYABLES

	31 December 2008	31 December 2007
	TRY	TRY
Trade receivables		
Receivables from customers	3.852.872	3.154.496
Notes receivable	422.525	-
Doubtful receivables	231.535	9.864
Provisions for doubtful receivables	(231.535)	(9.864)
	4.275.397	3.154.496
Trade payables		
Payables to suppliers	1.287.717	2.209.093
	1.287.717	2.209.093

Provision for doubtful receivables movement for the period is as follows:

	31 December 2008	31 December 2007
Opening balance, 1 January	9.864	9.864
Charge for the period	221.671	-
Closing balance, 31 December	231.535	9.864

The credit risk and related information for trade receivables and payables is disclosed in Credit Risk section of Note 38.

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11. OTHER RECEIVABLES AND PAYABLES

	31 December 2008 TRY	31 December 2007 TRY
Other receivables		
Other short term receivables	91.932	405.925
	91.932	405.925
Other payables - short term		
Deposits received	47.458	39.211
	47.458	39.211
Other payables -long term		
Deposits received	155.499	162.964
Other long term payables(*)	36.000.000	-
	36.155.499	162.964

(*) The TRY 36.000.000 is the amount 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 of a revenue sharing agreement based on the project development to be performed on the acquired land.

12. RECEIVABLES AND PAYABLES FROM FINANCIAL SECTOR OPERATIONS

As of 31 December 2008 and 31 December 2007, there are no receivables and payables from financial sector operations.

13. INVENTORIES

As of 31 December 2008 and 31 December 2007, there are no inventories.

14. BIOLOGICAL ASSETS

As of 31 December 2008 and 31 December 2007, there are no biological assets.

15. RECEIVABLES FROM ONGOING CONSTRUCTION CONTRACTS

As of 31 December 2008 and 31 December 2007, there are no receivables from ongoing construction contracts.

16. INVESTMENTS VALUED BY EQUITY METHOD

As of 31 December 2008 and 31 December 2007, there are no investments valued by equity method.

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17. INVESTMENT PROPERTIES

	Ankara İş Kule Building TRY	İstanbul İş Kuleleri Complex TRY	Seven Seas Hotel TRY	Maslak Petrol Ofisi Building TRY	Tatilya Complex TRY
Cost					
Opening balance as of 1 January 2008	126.660.808	339.599.731	90.130.658	46.196.451	15.599.781
Purchases	1.273.539	126.043	833.564	77.744	-
Impairment / Provision reversal	(5.890.983)	-	3.458.792	1.050.585	-
Transfers	-	-	-	-	-
Closing balance as of 31 December 2008	122.043.364	339.725.774	94.423.014	47.324.780	15.599.781
Accumulated depreciation					
Opening balance as of 1 January 2008	27.895.808	48.445.635	31.870.658	7.496.451	15.599.781
Charge for the year	3.327.556	6.890.665	2.982.356	1.128.329	-
Transfers	-	-	-	-	-
Closing balance as of 31 December 2008	31.223.364	55.336.300	34.853.014	8.624.780	15.599.781
Net book value as of 31 December 2007	98.765.000	291.154.096	58.260.000	38.700.000	-
Net book value as of 31 December 2008	90.820.000	284.389.474	59.570.000	38.700.000	-
Appraisal value as of 31 December 2008	90.820.000	366.770.000	59.570.000	38.700.000	-

	Ankara İş Kule Building TRY	İstanbul İş Kuleleri Complex TRY	Seven Seas Hotel TRY	Maslak Petrol Ofisi Building TRY	Tatilya Complex (Real Project) TRY
Cost					
Opening balance as of 1 January 2007	120.830.780	339.522.713	85.223.326	43.988.505	108.862.837
Purchases	1.042.426	77.018	578.470	4.247	24.387
Disposals	-	-	-	-	-(15.216.789)
Transfers	-	-	-	-	-(59.127.273)
Transfers from other tangible assets	-	-	-	-	-
Impairment / Provision reversal	4.787.602	-	4.328.862	2.203.699	(18.943.381)
Ending balance as of 31 December 2007	126.660.808	339.599.731	90.130.658	46.196.451	15.599.781
Accumulated depreciation					
Opening balance as of 1 January 2007	24.710.780	41.566.627	29.093.326	6.368.505	17.462.837
Charge for the year	3.185.028	6.879.008	2.777.332	1.127.946	2.575.174
Disposals	-	-	-	-	-(4.438.230)
Ending balance as of 31 December 2007	27.895.808	48.445.635	31.870.658	7.496.451	15.599.781
Carrying value as of 31 December 2006	96.120.000	297.956.086	56.130.000	37.620.000	91.400.000
Carrying value as of 31 December 2007	98.765.000	291.154.096	58.260.000	38.700.000	-
Appraisal value as of 31 December 2007	98.765.000	370.840.000	58.260.000	38.700.000	-

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	İş Bankası Ankara Merkez Branch TRY	İş Bankası Ankara Kızılay Branch TRY	İş Bankası Antalya Merkez Branch TRY	Kanyon Shopping Mall TRY	Real Hipermerket - Cura/CCP Project TRY	İş Bankası Güneşli Building TRY	İş Bankası Sirkeci Building TRY	Total TRY
13.378.797 600	19.000.000 -	16.240.000 -	8.013.357 56.635	113.366.638 937.720	93.089.367 1.523.500	- 38.062.500	- 22.837.500	881.275.588 65.729.345
(1.551.228)	-	-	-	-	2.377.289	(81.563)	-	637.108
-	-	-	-	804.155	-	-	-	804.155
11.828.169	19.000.000	16.240.000	8.069.992	115.108.513	96.990.156	37.980.937	22.837.500	947.171.980
2.003.797	1.171.667	1.001.467	494.066	3.509.306	281.386	-	-	139.770.022
354.372	380.000	324.800	160.888	2.408.567	3.072.982	570.937	342.563	21.944.015
-	-	-	-	303.377	-	-	-	303.377
2.358.169	1.551.667	1.326.267	654.954	6.221.250	3.354.368	570.937	342.563	162.017.414
11.375.000	17.828.333	15.238.533	7.519.291	109.857.332	92.807.981	-	-	741.505.566
9.470.000	17.448.333	14.913.733	7.415.038	108.887.263	93.635.788	37.410.000	22.494.937	785.154.566
9.470.000	22.300.000	18.630.000	12.070.000	253.115.000	122.100.000	37.410.000	22.520.000	1.053.475.000
	İş Bankası Ankara Merkez Branch TRY	İş Bankası Ankara Kızılay Branch TRY	İş Bankası Antalya Merkez Branch TRY	Kanyon Shopping Mall TRY	Kanyon Ofis Bloc TRY	Hipermerket- Cura /CCP Project TRY	Real Total TRY	
12.837.615 61.685	19.000.000 -	16.240.000 -	8.013.357 -	110.587.081 2.779.557	41.936.227 1.037.794	- 489.533	907.042.441 6.095.117	
-	-	-	-	-	(42.974.021)	-	(58.190.810)	
-	-	-	-	-	-	59.127.273	-	
-	-	-	-	-	-	33.472.561	33.472.561	
479.497	-	-	-	-	-	-	(7.143.721)	
13.378.797	19.000.000	16.240.000	8.013.357	113.366.638	-	93.089.367	881.275.588	
1.657.615 346.182	791.667 380.000	676.667 324.800	333.793 160.273	1.279.789 2.229.517	486.045 416.207	- 281.386	124.427.651 20.682.853	
-	-	-	-	-	(902.252)	-	(5.340.482)	
2.003.797	1.171.667	1.001.467	494.066	3.509.306	-	281.386	139.770.022	
11.180.000	18.208.333	15.563.333	7.679.564	109.307.292	41.450.182	-	782.614.790	
11.375.000	17.828.333	15.238.533	7.519.291	109.857.332	-	92.807.981	741.505.566	
11.375.000	22.300.000	18.630.000	12.070.000	259.925.000	-	105.000.000	995.865.000	

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The fair value of the Group's investment property at 31 December 2008 has been arrived at on the basis of valuations carried out at December 2008 by independent appraisers not in relation with the Group. Appraisal firm is one of the in accredited independent firms licensed by the Capital Markets Board of Turkey, and has appropriate qualifications and recent experience in appraising properties in the relevant locations. Appraisal studies are in compliance with International Valuation Standards and are arrived at by reference to market evidence of transaction prices for similar properties.

As of the balance sheet date, there are no restrictions on the sale of investment properties and no liabilities incurred from agreements related to the purchase, construction, development, and maintenance.

The property rental income earned by the Company from its investment properties amounts to TRY 62.573.973 (31 December 2007: TRY 57.661.509). Direct operating expenses arising on the investment properties in the current period amounts to TRY 41.954.669 (31 December 2007: TRY 57.661.509). There are no pledges or mortgages on the investment properties held as of the balance sheet date.

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18. TANGIBLE FIXED ASSETS

	Machinery and Equipment TRY	Vehicles TRY	Fixtures TRY	Construction in progress TRY	Other tangible assets (*) TRY	Total TRY
Cost						
Opening balance as of 1 January 2008	114.584	138.736	1.378.759	10.308	23.203.418	24.845.805
Purchases	214.774	-	270.392	7.522	40.648.426	41.141.114
Disposals	-	(53.099)	(11.641)	-	(119.218)	(183.958)
Transfers	-	-	(804.155)	-	-	(804.155)
Impairment / Provision reversal	-	-	-	-	(1.709.260)	(1.709.260)
Closing balance as of 31 December 2008	329.358	85.637	833.355	17.830	62.023.366	63.289.546
Accumulated depreciation:						
Opening balance as of 1 January 2008	84.776	42.929	467.018	2.051	-	596.774
Charge for the period	22.628	22.563	226.513	3.515	-	275.219
Disposals	-	(43.364)	(2.691)	-	-	(46.055)
Transfers	-	-	(303.377)	-	-	(303.377)
Closing balance as of 31 December 2008	107.404	22.128	387.463	5.566	-	522.561
Net book value as of 31 December 2007	29.808	95.807	911.741	8.257	23.203.418	24.249.031
Net book value as of 31 December 2008	221.954	63.509	445.892	12.264	62.023.366	62.766.985
Cost						
Opening balance as of 1 January 2007	91.046	49.809	1.080.814	22.515	70.231.724	71.475.908
Purchases	26.756	88.927	300.658	27.286	29.677.328	30.120.955
Disposals	(3.218)	-	(2.713)	(39.493)	(39.988.032)	(40.033.456)
Transfers	-	-	-	-	(33.472.561)	(33.472.561)
Impairment / Provision reversal	-	-	-	-	(3.245.041)	(3.245.041)
Closing balance as of 31 December 2007	114.584	138.736	1.378.759	10.308	23.203.418	24.845.805
Accumulated depreciation:						
1 January 2007 opening balance	83.652	25.383	276.698	343	-	386.076
Charge for the period	4.342	17.546	193.033	1.708	-	216.629
Disposals	(3.218)	-	(2.713)	-	-	(5.931)
Closing balance as of 31 December 2008	84.776	42.929	467.018	2.051	-	596.774
Net book value as of 31 December 2006	7.394	24.426	804.116	22.172	70.231.724	71.089.832
Net book value as of 31 December 2007	29.808	95.807	911.741	8.257	23.203.418	24.249.031

(*) Other tangible assets are those being constructed and developed in order to be used as an investment property as described in IAS 40. They are disclosed under the Tangible Assets column until construction and development procedure is completed. The details of other tangible assets are disclosed below:

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	31 December 2008	31 December 2007
	TRY	TRY
Other tangible fixed assets		
İstanbul, Beşiktaş, I. Region 81, 981,572-629-630-631 numbered plot of land	18.687.546	18.687.546
İş Kulesi Expenses	873.109	868.415
Üsküdar project cost	21.735.311	19.701.656
Büyükçekmece Beylikdüzü 21, 106 plot of land	5.772.090	5.722.840
İzmir project expenses	1.437.456	231.830
Kartal project expenses	37.085.198	-
Other	270.000	119.216
	85.860.710	45.331.503
Impairment losses (-)	(23.837.344)	(22.128.085)
Total	62.023.366	23.203.418

Movement of Impairment Losses

Opening balance as of 1 January	(22.128.085)	(18.883.044)
Charge for the year	(1.709.260)	(3.267.125)
Impairment loss reversed during the period	-	22.084
Closing balance as of 31 December	(23.837.345)	(22.128.085)

19. INTANGIBLE FIXED ASSETS

	Computer Programs	Total
	TRY	TRY
Cost Value		
Opening balance as of 1 January 2008	245.576	245.576
Additions	217.502	217.502
Closing balance as of 31 December 2008	463.078	463.078
Accumulated Amortization		
Opening balance as of 1 January 2008	177.523	177.523
Charge for the Year	47.393	47.393
Closing balance as of 31 December 2008	224.916	224.916
Net book value as of 31 December 2007	68.053	68.053
Net book value as of 31 December 2008	238.162	238.162

Cost Value

Opening balance as of 1 January 2007	217.823	217.823
Additions	27.753	27.753
Closing balance as of 31 December 2007	245.576	245.576

Accumulated Amortization

Opening balance as of 1 January 2008	146.810	146.810
Charge for the Year	30.713	30.713
Closing balance as of 31 December 2008	177.523	177.523
Net book value as of 31 December 2006	71.013	71.013
Net book value as of 31 December 2007	68.053	68.053

20. GOODWILL

As of 31 December 2008 and 31 December 2007, there is no goodwill.

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21. GOVERNMENT GRANTS AND INCENTIVES

As of 31 December 2008 and 31 December 2007, there are no government grants and incentives.

22. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2008 TRY	31 December 2007 TRY
Accruals	116.503	30.668
Legal case provisions	107.653	
	224.156	30.668
Letter of guarantees given	10.136.769	7.764.379
	10.136.769	7.764.379

Majority of the guarantee letters given is related to US Dollar 6.500.000 which was given to CURA/GGP Gayrimenkul İnşaat ve Geliştirme A.Ş. in relation to the agreement of right to construction over the Company's land.

23. COMMITMENTS

As of 31 December 2008 and 31 December 2007, there are no commitments

24. EMPLOYMENT BENEFITS

Under Turkish Labor Law, the Group 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 6 March 1981 dated, 2422 numbered and 25 August 1999 dated, 4447 numbered with 60th article that has been changed. Some transition provisions related to the pre-retirement service term was excluded from the law since the related law was changed as of 23 May 2002

The amount payable consists of one month's salary limited to a maximum of TL 2.173,18 for each period of service as at December 31, 2008 (December 31, 2007: TL 2.030,19).

The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees. IAS 19 requires actuarial valuation methods to be developed to estimate the entity's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

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 at 31 December 2008, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 5,40% and a discount rate of 12%, resulting in a real discount rate of approximately 6,26% (31 December 2007: 5,71% real discount rate). The anticipated rate of forfeitures is considered. As the maximum liability is revised semi annually, the maximum amount of TL 2.260,05 effective from 1 January 2009 has been taken into consideration in calculation of provision from employment termination benefits.

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(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated)

	1 January- 31 December 2008	1 January- 31 December 2007
January 1 opening balance	185.879	139.993
Service cost	104.565	37.892
Interest cost	10.650	7.994
Payments	(107.453)	-
31 December closing balance	193.641	185.879

25. RETIREMENT BENEFITS

As of 31 December 2008 and 31 December 2007, there are no retirement benefits.

26. OTHER SHORT/LONG TERM ASSETS AND LIABILITIES

Other current assets	31 December 2008	31 December 2007
Prepaid expenses	1.409.538	1.152.001
Business advances	323.941	297.406
Prepaid taxes and surcharges	940.346	377.108
Income accruals	361.303	305.821
VAT carried forward	-	-
Other current assets	-	95.026
	3.035.128	2.227.362
Other long term assets	2.876	1.496
	2.876	1.496
Other short term liabilities	31 December 2008	31 December 2007
Advances received (*)	9.907.835	7.764.379
Deferred revenue (**)	4.487.481	4.154.193
Taxes and dues payable	454.250	727.452
Other	-	345
	14.849.566	12.646.369

(*) The procedures in relation to a right of construction agreement in favor of CURA/GPP Gayrimenkul İnşaat ve Geliştirme A.Ş. over the Company's land located at Beylikdüzü Mahallesi Plot 243DN2B, and 244DN3C, Block 21, Plots 101, 106, 107 in Büyükçekmece District No: 2, İstanbul is completed and 6.500.000 US Dollars is paid in consideration of the first installment of the right of construction agreement. This amount is recognized under the advances received account.

(**) The Company's deferred revenue relates to the project contributions received during the period for the Real Project received from Real Hipermarketler Zinciri A.Ş. and other received prepaid rents.

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27. SHAREHOLDERS' EQUITY

Share capital

The composition of the Company's paid-in share capital as of 31 December 2008 and 31 December 2007 is as follows:

	31 December 2008		31 December 2007	
İş Gayrimenkul Yat. Ort. A.Ş.	(%)	TRY	(%)	TRY
Türkiye İş Bankası A.Ş.	42,23	190.057.270	42,23	190.057.270
Anadolu Hayat Emeklilik A.Ş.	7,11	31.987.767	7,11	31.987.767
Anadolu Anonim Türk Sigorta A.Ş.	4,77	21.477.366	4,77	21.477.366
İş Net Elektronik Hizm. A.Ş.	1,33	5.965.424	1,33	5.965.424
Other	2,60	11.684.844	2,60	11.684.844
Publicly traded	41,96	188.827.329	41,96	188.827.329
Historic share capital	100	450.000.000	100	450.000.000

Kanyon Yön. İşl. Paz. Ltd. Şti.

İş Gayrimenkul Yat. Ort. A.Ş.	50	50.000	50	50.000
Eczacıbaşı Holding A.Ş.	50	50.000	50	50.000
Historic share capital	100	100.000	100	100.000

The total number of ordinary shares consists of 450 million shares with a par value of TRY 1 per share. All of the shares are issued to name and TRY 642.857,14 of the total amount is Group A and TRY 449.357.142,86 of the total amount is Group B shares. Group A share holders 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.

The total number of ordinary shares of Kanyon consists of 100.000 shares with a par value of TRY 1 per share. 50.000 shares are Group A shares pertaining to Eczacıbaşı Holding A.Ş. The other 50.000 are Group B shares belonging to İş Gayrimenkul Yatırım Ortaklığı A.Ş. Three members of Management Committee are selected among the candidates nominated by Group A shareholders while the remaining three are selected among the candidates of Group B shareholders. The capital amounting to TRY 50.000 in Kanyon that belongs to the Company has been eliminated from the accompanying consolidated financial statements during investment-capital elimination.

Restricted reserves

	31 December 2008	31 December 2007
Legal reserves	5.831.268	3.024.728
	5.831.268	3.024.728

Article 446 of the Turkish Commercial Code stipulates that 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.

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Retained earnings	31 December 2008	31 December 2007
Extraordinary reserves	3.818.515	3.818.515
Special reserves - Unrealized capital gains	939.024	1.255
Previous years' income	159.549.394	130.851.467
	164.306.933	134.671.237

Special reserves consist of unrealized gains coming from the year 2007 classified to reserves amounting to TRY 939.024 in accordance with the CMB Communiqué No: IV-27.

Funds available for profit distribution

As per the statutory books of account, the net profit for the period available for distribution as at the balance sheet date is TRY 51.731.853 (31 December 2007: TRY 50.710.280). The total amount of other reserves available for distribution is TRY 164.306.933 (31 December 2007: TRY 134.671.237)

28. SALES AND COST OF SALES

	1 January- 31 December 2008	1 January- 31 December 2007
(a) Sales income		
Rent income	62.573.973	57.661.509
Tenant contribution and service income	18.123.545	16.518.793
Investment properties sales income	-	138.522.477
Other income	186.321	123.935
	80.883.839	212.826.714
(b) Cost of sales		
Depreciation charges	(22.099.577)	(20.762.184)
Insurance expenses	(1.692.365)	(1.676.157)
Administrative expenses	(17.824.492)	(17.012.372)
Taxes and dues	(1.952.172)	(3.634.086)
Cost of investment properties sold	-	(82.341.422)
Impairment on investment properties	(9.258.336)	(22.210.504)
Reversal of impairment provision on investment properties	6.911.970	11.821.744
Other	(663.563)	(348.699)
	(46.578.535)	(136.163.680)

29. RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SALES AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

General administrative expenses	(5.066.383)	(4.183.709)
	(5.066.383)	(4.183.709)

İş Gayrimenkul Yatırım Ortaklığı A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2008

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated)

30. EXPENSES BY NATURE

	1 January- 31 December 2008	1 January- 31 December 2007
General administrative expenses (-)		
Personnel expenses	(3.000.981)	(2.061.886)
Depreciation and amortization	(167.050)	(168.011)
Outsourced service expenses	(1.144.900)	(690.845)
Capital increase expenses	-	(311.158)
Taxes and dues	(278.467)	(103.255)
Other	(474.985)	(848.554)
	(5.066.383)	(4.183.709)

31. OTHER OPERATING INCOME/EXPENSES

Other operating income for the periods ended 31 December 2008 and 2007 are as follows:

	1 January- 31 December 2008	1 January- 31 December 2007
Other operating income		
Gain on sale of fixed assets	7.650	588.024
Other	146.036	764.615
	153.686	1.352.639

Other operating expenses for the periods ended 31 December 2008 and 2007 are as follows:

Other operating expense (-)

Loss on disposal of Tatilya project	-	(9.455.944)
Other	(444.699)	(614.420)
	(444.699)	(10.070.364)

32. FINANCE INCOME

Finance income

Interest income on bank deposits	4.110.829	2.386.456
Profit from the sale of financial assets held for trading	2.978.379	615.074
Foreign exchange gains	19.467.622	2.166.169
Fair value income from financial assets	962.830	939.024
	27.519.660	6.106.723

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(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated)

33. FINANCE EXPENSES

	1 January- 31 December 2008	1 January- 31 December 2007
Finance expense		
Foreign exchange losses	(3.240.418)	(14.801.193)
Loss from the sale of financial assets held for trading	(918)	-
	(3.241.336)	(14.801.193)

34. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

As of 31 December 2008 and 31 December 2007, there are no assets held for sale and discontinued operations.

35. TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX)

Tax provision	31 December 2008	31 December 2007
Corporate tax provision	117.578	123.671
Prepaid taxes and surcharges	(95.386)	(96.546)
	22.192	27.125

Tax expense	1 January - 31 December 2008	1 January - 31 December 2007
Corporate tax provision	117.578	123.671
Deferred tax charge	13.420	1.223
	130.998	124.894

Deferred tax (assets) / liabilities	31 December 2008	31 December 2007
Difference between tax base and carrying amount of tangible fixed assets and intangibles	10.298	5.448
Provision for employee termination benefits	(2.705)	(5.988)
Discount on trade receivables / payables	3.211	3.800
Deferred tax liability	10.804	3.260

The income earned from real estate investment trust activities of the Company, having acquired the status of the real estate investment trust, is exempt from Corporate Tax according to Article 5/(1) 4-d of the Corporate Tax Law No: 5520 ("CTL"). Based on Article 15 (3) of the CTL, 15% withholding tax is deducted against the portfolio management income of the securities investment funds and associates in Turkey, which is exempt from tax, whether it is distributed or not. The Council of Ministers are authorized to reduce the deduction rates referred in Article 15 of the CTL to nil or to increase it up to the corporate tax rate and differentiate the related deduction according to fund and associate types or the nature and distribution of the fund and associate portfolio assets within the related limits. The Council of Ministers have not issued a new decision within the context of CTL Article 15/ (3) on withholding tax. Accordingly, the effective tax rate for real estate investment trusts is 0% on portfolio management income exempt from corporate tax based on the Council of Ministers decision No: 2003/6577 and paragraph 1 6/(a) (i) in Article 94 of Income Tax Law. Based on Article 15 (2) of the CTL, such taxed income is exempt from the dividend withholding tax.

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Although the Company has no tax liability due to its real estate investment trust status, the tax liability of the Company's joint venture under common control has been presented as tax provision in the accompanying consolidated financial statements.

	1 January - 31 December 2008	1 January - 31 December 2007
Tax reconciliation:		
Company's share on profit before tax balance of the joint venture	602.952	611.288
Tax at the effective rate: 20% (2007:20%)	120.590	122.258
Tax effect of non - deductible expenses	5.229	2.636
Tax effect of exempt income	5.179	-
Tax charge	130.998	124.894

36. EARNINGS PER SHARE

	1 January - 31 December 2008 TRY	1 January - 31 December 2007 TRY
Number of shares in circulation as of 1 January (total)	450.000.000	450.000.000
Number of shares in circulation as of 31 December (total)	450.000.000	450.000.000
Weighted average number of shares in circulation	450.000.000	450.000.000
Net profit attributable to the equity holders of the parent	53.095.234	54.942.236
Earnings per share	0,1180	0,1221
Diluted earnings per share	0,1180	0,1221

37. RELATED PARTY TRANSACTIONS

The receivables from related parties are mainly due to sales operations and the average credit period is one month. By nature no interest is calculated on these receivables and no guarantees have been received.

The payables due to related parties are mainly due to purchase operations and the average credit period is one month. No interest is calculated on these payables.

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The details of related party transactions are as follows:

	31 December 2008	31 December 2007
Bank deposits in Türkiye İş Bankası A.Ş.		
Demand deposits	433.264	126.607
Time deposits	84.100.851	97.912.091
	84.534.115	98.038.698

The Group has received letters of credit of USD 6.500.000 (31 December 2007: USD 6.500.000) and TRY 291.168 (31 December 2007: TRY 225.620) from Türkiye İş Bankası A.Ş.

	31 December 2008			
	Receivables Short term		Payables Short term	
Balances with related parties	Trade	Non trade	Trade	Non trade
İş Merkezleri Yönetim ve İşletim A.Ş.	64.045	-	60.858	-
Soft Tech Araştırma Geliştirme A.Ş.	389.019	-	-	-
T İş Bankası A.Ş.	9.073.800	-	-	-
Anadolu Anonim Türk Sigorta A.Ş.	-	-	862.045	-
İş Portföy Yönetimi A.Ş.	-	-	1.216	-
Avea İletişim Hizmetleri A.Ş.	-	-	32.634	-
İş Net Elektronik Hizmetler A.Ş.	-	-	1.445	-
Payables to shareholders (dividends)	-	-	27.646	-
Other	566	107.582	3.574	-
	9.527.430	107.582	989.418	-

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1 January - 31 December 2008

Transactions with related parties	Purchases	Interest received	Rent income	Other expenses
Türkiye İş Bankası A.Ş.	-	4.610.500	9.536.588	225.614
Anadolu Anonim Türk Sigorta A.Ş.	1.415.438	-	2.830.969	-
Anadolu Hayat Emeklilik A.Ş.	-	-	1.888.223	-
İş Faktoring A.Ş.	-	-	140.795	-
İş Finansal Kiralama A.Ş.	-	-	689.695	-
İş Merkezleri Yönetim ve İşletim A.Ş.	983.372	-	1.132.502	-
İş Yatırım Menkul Değerler A.Ş.	-	-	1.328.148	-
T. Şişe ve Cam Fabrikaları A.Ş.	-	-	9.075.791	-
İş Yatırım Ortaklığı A.Ş.	-	-	52.840	-
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	-	-	106.140	-
İş Net Elektronik Hizmetler A.Ş.	-	-	4.608	16.258
İş Portföy Yönetimi A.Ş.	-	22.701	301.692	54.920
Soft Tech Araştırma Geliştirme A.Ş.	-	-	-	-
Camiş Menkul Değerler A.Ş.	-	-	127.680	-
Paşabahçe Mağazacılık A.Ş.	-	-	412.761	-
Avea İletişim Hizmetleri A.Ş.	-	-	40.431	-
	2.398.810	4.633.201	27.668.863	296.792

31 December 2007

Balances with related parties	Receivables Short term		Payables Short term	
	Trade	Non trade	Trade	Non trade
İş Merkezleri Yönetim ve İşletim A.Ş.	67.661	-	-	-
Soft Tech Araştırma Geliştirme A.Ş.	20.955	-	-	-
T İş Bankası A.Ş.	6.988.200	-	-	-
İş Net A.Ş.	-	-	1.754	-
Anadolu Anonim Türk Sigorta A.Ş.	-	-	516.059	-
İş Merkezleri Yönetim ve İşletim A.Ş.	-	-	29.381	-
T. İş Bankası Kültür Yayınları Ltd. Şti.	-	-	15.930	-
Payables to shareholders (dividends)	-	-	27.717	-
Other	-	-	509	-
	7.076.816	-	591.350	-

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1 January - 31 December 2007				
Transactions with related parties	Purchases	Interest received	Rent income	Other expenses
Türkiye İş Bankası A.Ş.	-	2.666.308	5.686.847	202.588
Anadolu Anonim Türk Sigorta A.Ş.	1.318.878	-	2.584.278	-
Anadolu Hayat Emeklilik A.Ş.	-	-	1.743.206	-
İş Faktoring A.Ş.	-	-	138.412	-
İş Finansal Kiralama A.Ş.	-	-	678.616	-
İş Merkezleri Yönetim ve İşletim A.Ş.	901.337	-	1.167.250	-
İş Yatırım Menkul Değerler A.Ş.	-	-	1.311.870	13.125
T. Şişe ve Cam Fabrikaları A.Ş.	-	-	9.125.999	-
İş Yatırım Ortaklığı A.Ş.	-	-	52.367	-
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	-	-	104.513	-
İş Net Elektronik Hizmetler A.Ş.	-	-	4.717	42.709
İş Portföy Yönetimi A.Ş.	-	13.365	296.502	11.294
Camiş Menkul Değerler A.Ş.	-	-	123.366	-
Paşabahçe Mağazacılık A.Ş.	-	-	428.012	-
Avea İletişim Hizmetleri A.Ş.	-	-	15.484	-
	2.220.215	2.679.673	23.461.439	269.716

Benefits provided to key management personnel:

Benefits provided to board of directors, general manager and other key management is as follows:

	1 January- 31 December 2008	1 January- 31 December 2007
Wages and other short-term benefits	827.292	583.783
Employment termination benefits	46.041	36.904
	873.333	620.687

38. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders and corporate partners and at the same time, provide consistent application of the most efficient capital structure to minimize the cost of capital.

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

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

b) Financial risk factors

The risks of the Group, resulted 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 Group's risk management program generally seeks to minimize the effects of uncertainty in financial markets on the financial performance of the Group.

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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. Board of Directors is in charge of forming written procedures in order to manage the foreign currency risk, interest risk, credit risk, use of derivative and non-derivative financial instruments and the assessment of excess liquidity.

Credit Risk of Financial Instruments

	Receivables					
	Trade Receivables		Other Receivables		Deposits in Banks	Others
	Related Party	Third Party	Related Party	Third Party		
31 December 2008						
Maximum net credit risk as of the balance sheet date (*)	9.635.012	4.275.397	-	91.932	84.536.102	1.660.740
- The part of maximum risk under guarantee with collateral etc.	-	723.511	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	9.634.446	2.444.665	-	461	84.536.102	1.660.740
B. Net book value of financial assets that are renegotiated, otherwise accepted as past due or impaired	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	566	1.830.732	-	91.471	-	-
- The part under guarantee with collateral etc.	-	615.445	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- 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.	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-

(*) Items such as guarantees received which increase the credit reliability are not included in the determination of the balance.

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(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated)

Credit Risk of Financial Instruments	Receivables					
	Trade Receivables		Other Receivables		Deposits in Banks	Others
	Related Party	Third Party	Related Party	Third Party		
31 December 2007						
Maximum net credit risk as of the balance sheet date (*)	7.076.816	3.154.496	-	405.925	98.042.276	4.362.386
- The part of maximum risk under guarantee with collateral etc.	-	249.056	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	7.076.816	2.145.379	-	-	98.042.276	4.362.386
B. Net book value of financial assets that are renegotiated, otherwise accepted as past due or impaired	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	1.009.117	-	405.925	-	-
- The part under guarantee with collateral etc.	-	120.895	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
-	-	-	-	-	-	-
- 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.	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-

(*) Items such as guarantees received which increase the credit reliability are not included in the determination of the balance.

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Credit risks refer to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group 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 Group's exposure to credit risks is monitored on a consistent basis.

Trade receivables consists a large number of customer operating in different sectors and geographical locations. The Group's constantly evaluates its credit risk on its receivables.

The aging of the past due receivables are as follows

31 December 2008	Receivables		Total
	Trade Receivables	Other Receivables	
Past due 1-30 days	1.028.573	918	1.029.491
Past due 1-3 months	790.783	-	790.783
Past due 3-12 months	11.376	-	11.376
Past due 1-5 years	-	90.553	90.553
Past due more than 5 years	-	-	-
Total past due receivables	1.830.732	91.471	1.922.203
The part under guarantee with collateral etc.	615.445	-	615.445

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(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated)

31 December 2007	Receivables		Total
	Trade Receivables	Other Receivables	
Past due 1-30 days	887.176	3.519	212.470
Past due 1-3 months	79.805	-	79.805
Past due 3-12 months	31.218	402.405	433.624
Past due 1-5 years	10.918	-	10.918
Past due more than 5 years	-	-	-
Total past due receivables	1.009.117	405.925	736.817
The part under guarantee with collateral etc.	120.895	-	120.895

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

	31 December 2008		31 December 2007	
	Nominal Value	Fair Value	Nominal Value	Fair Value
Letters of credit	553.942	553.942	95.274	95.274
Blocked deposits	19.950	19.950	12.568	12.568
Cash collaterals	41.553	41.553	13.053	13.053
	615.445	615.445	120.895	120.895

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 Group's short, medium and long-term funding and liquidity management requirements. The Group 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.

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The following tables detail the Group'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 Group can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial liability on the balance sheet. 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. The Group does not have any derivative instruments.

31 December 2008 Contractual Maturity Analysis	Carrying Value	Total cash outflow 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						
Bank borrowings	-	-	-	-	-	-
Issued corporate bonds	-	-	-	-	-	-
Finance lease liabilities	-	-	-	-	-	-
Trade payables	2.277.135	2.277.135	2.277.135	-	-	-
Other financial liabilities	36.155.499	36.155.499	-	-	36.155.499	-
Total liabilities	38.432.634	38.432.634	2.277.135	-	36.155.499	-

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(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated)

31 December 2007 Contractual Maturity Analysis	Carrying Value	Total cash outflow 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						
Bank borrowings	-	-	-	-	-	-
Issued corporate bonds	-	-	-	-	-	-
Finance lease liabilities	-	-	-	-	-	-
Trade payables	2.800.443	2.800.443	2.800.443	-	-	-
Other financial liabilities	162.964	162.964	-	-	162.904	-
Total liabilities	2.963.407	2.963.407	2.800.443	-	162.904	-

The Group performs its payments based on contractual maturities.

b.3) Market risk management

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

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

Foreign currency transactions lead to currency risk.

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Notes to the Consolidated Financial Statements for the Year Ended 31 December 2008

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated)

The foreign currency denominated monetary and non-monetary assets and liabilities of the Group as of the balance sheet date are as follows:

	31 December 2008					
	TL Equivalent (Functional currency)	US Dollar	Euro	Yen	GBP	Other
1. Trade Receivables	18.243	12.063	-	-	-	-
2a. Monetary Financial Assets (Cash, Banks included)	54.684.673	18.317.703	12.604.078	-	-	-
2b. Non-monetary Financial Assets	-	-	-	-	-	-
3. Other	9.347.990	6.161.339	14.105	-	-	-
4. Current Assets	64.050.906	24.491.105	12.618.183	-	-	-
5. Trade Receivables	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-	-	-
7. Other	-	-	-	-	-	-
8. Non-current assets	-	-	-	-	-	-
9. Total Assets	64.050.906	24.491.105	12.618.183	-	-	-
10. Trade Receivables	971.615	598.581	30.680	-	320	-
11. Financial Liabilities	-	-	-	-	-	-
12a. Other Monetary Financial Liabilities	13.854.937	6.524.960	1.862.500	-	-	-
12b. Other Non-monetary Financial Liabilities	-	-	-	-	-	-
13. Current Liabilities	14.826.552	7.123.541	1.893.182	-	320	-
14. Trade Payables	-	-	-	-	-	-
15. Financial Liabilities	-	-	-	-	-	-
16a. Other Monetary Financial Liabilities	-	-	-	-	-	-
16b. Other Non-monetary Financial Liabilities	-	-	-	-	-	-
17. Non-current Liabilities	-	-	-	-	-	-
18. Total Liabilities	14.826.552	7.123.541	1.893.182	-	320	-
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	49.224.354	17.367.565	10.725.003	-	(320)	-
21. Net foreign currency asset / liability position of monetary Items (1+2a+5+6a-10-11-12a-14-15-16a)	39.876.364	11.206.226	10.710.898	-	(320)	-
22. Fair value of foreign currency hedged financial assets	-	-	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-	-	-

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(Amounts are expressed in Turkish Lira ("TRY") unless otherwise indicated)

31 December 2007

	TL Equivalent (Functional currency)	US Dollar	Euro	Yen	GBP	Other
1. Trade Receivables	-	-	-	-	-	-
2a. Monetary Financial Assets (Cash, Banks included)	97.986.847	64.732.396	13.210.750	-	-	-
2b. Non-monetary Financial Assets	-	-	-	-	-	-
3. Other	7.210.414	6.228.900	9.130	-	-	-
4. Current Assets	105.257.261	70.961.296	13.219.880	-	-	-
5. Trade Receivables	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-	-	-
7. Other	-	-	-	-	-	-
8. Non-current assets	-	-	-	-	-	-
9. Total Assets	105.257.261	70.961.296	13.219.880	-	-	-
10. Trade Receivables	6.687	-	-	-	2.875	-
11. Financial Liabilities	-	-	-	-	-	-
12a. Other Monetary Financial Liabilities	7.621.706	6.530.185	-	-	6.879	-
12b. Other Non-monetary Financial Liabilities	-	-	-	-	-	-
13. Current Liabilities	7.628.393	6.530.185	-	-	9.754	-
14. Trade Payables	-	-	-	-	-	-
15. Financial Liabilities	-	-	-	-	-	-
16a. Other Monetary Financial Liabilities	-	-	-	-	-	-
16b. Other Non-monetary Financial Liabilities	-	-	-	-	-	-
17. Non-current Liabilities	-	-	-	-	-	-
18. Total Liabilities	7.628.393	6.530.185	-	-	9.754	-
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	97.628.868	64.431.111	13.219.880	-	(9.754)	-
21. Net foreign currency asset / liability position of monetary Items (1+2a+5+6a-10-11-12a-14-15-16a)	90.358.454	58.202.211	13.210.750	-	(9.754)	-
22. Fair value of foreign currency hedged financial assets	-	-	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-	-	-

Foreign currency sensitivity

The Group is mainly exposed to Euro and US Dollars risks.

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The following table details the Group's sensitivity to 10% increase in the currency of Euro and US Dollars. 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 negative amount indicates the revaluation of Euro and US Dollars against TRY.

	31 December 2008	
	Appreciation of foreign currency	Devaluation of foreign currency
If US Dollar appreciated against TRY by 10%		
US Dollar net asset / liability	2.626.497	(2.626.497)
Part of hedged from US Dollar risk (-)	-	-
US Dollar net effect	2.626.497	(2.626.497)
If Euro appreciated against TRY by 10%		
Euro net asset / liability	2.296.009	(2.296.009)
Part of hedged from Euro risk (-)	-	-
Euro net effect	2.296.009	(2.296.009)

	31 December 2008	
	Appreciation of foreign currency	Devaluation of foreign currency
If US Dollar appreciated against TRY by 10%		
US Dollar net asset / liability	7.504.292	(7.504.292)
Part of hedged from US Dollar risk (-)	-	-
US Dollar net effect	7.504.292	(7.504.292)
If Euro appreciated against TRY by 10%		
Euro net asset / liability	2.260.864	(2.260.864)
Part of hedged from Euro risk (-)	-	-
Euro net effect	2.260.864	(2.260.864)

b.3.2) Interest rate risk management

Interest rate risk represents the risk of fair value decrease in the Group's interest rate sensitive assets due to market fluctuations. The Group does not have interest rate sensitive financial liabilities.

As of 31 December 2008 the maturity of the Group's assets and liabilities for refinancing is in line with the maturity analysis provided in the liquidity risk management section stated above. Hence, the notes to the financial statements do not include a separate interest rate risk table.

The government bonds classified as fair value through profit or loss financial assets in the accompanying financial statements is subject to interest rate risk. The sensitivity analyses have been determined based on the exposure to interest rates at the balance sheet 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 at 31 December 2008, the net profit will decrease by TRY 140.862, increase by TRY 151.596 respectively. (31 December 2007 TRY 92.578 decrease, TRY 109.633 increase)

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Interest Rate Position Table

		31 December 2008	31 December 2007
Fixed Interest Rate			
Financial Instruments			
Financial assets	Fair value through profit and loss	17.840.681	22.366.979
	Available for sale financial assets	-	-
Financial liabilities		-	-
Floating Interest Rate			
Financial Instruments			
Financial assets		-	-
Financial liabilities		-	-

39. FINANCIAL INSTRUMENTS

31 December 2008	Fair value through profit and loss financial assets	Financial assets at amortized cost	Loans and receivables	Financial liabilities at amortized cost	Carrying value	Fair value	Note
Financial assets							
Cash and cash equivalents	-	86.203.668	-	-	86.203.668	6.203.668	6
Fair value through profit or loss financial assets	16.179.941	-	-	-	16.179.941	16.179.941	7
Trade receivables	-	-	4.275.397	-	4.275.397	4.275.397	10
Related party receivables	-	-	9.635.012	-	9.635.012	9.635.012	37
Other financial assets	-	-	91.932	-	91.932	91.932	11
Financial liabilities							
Trade payables	-	-	-	1.287.717	1.287.717	1.287.717	10
Related party payables	-	-	-	989.418	989.418	989.418	37
31 December 2007							
Financial assets							
Cash and cash equivalents	-	102.410.854	-	-	102.410.854	102.410.854	6
Fair value through profit or loss financial assets	18.004.592	-	-	-	18.004.592	18.004.592	7
Trade receivables	-	-	3.154.496	-	3.154.496	3.154.496	10
Related party receivables	-	-	7.076.816	-	7.076.816	7.076.816	37
Other financial assets	-	-	405.925	-	405.925	405.925	11
Financial liabilities							
Trade payables	-	-	-	2.209.093	2.209.093	2.209.093	10
Related party payables	-	-	-	591.350	591.350	591.350	37

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Fair value of financial assets

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- except for derivatives, the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

40. SUBSEQUENT EVENTS

None.

41. OTHER ISSUES THAT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS OR OTHER ISSUES REQUIRED FOR THE CLEAR UNDERSTANDING OF FINANCIAL STATEMENTS

Restatement of prior period financial statements

The Group has applied the requirements of Communiqué Serial: XI, No: 29 for all periods starting with 1 January 2008. In order to comply with the Communiqué Serial: XI, No: 29 the Group has changed its accounting policies as of 1 January 2007.

Since the presentation or classification of the financial statements have been changed during the preparation of the in accordance with the Communiqué Serial: XI, No: 29, prior period financial statements and footnotes are reclassified by the Group in order to maintain consistency and comparability. The following table summarizes the reclassifications made to the prior year financial statements

A Reclassification of highly liquid mutual funds to cash and cash equivalents	4.233.915
B Reclassification of prepaid taxes and advances paid to other assets	(769.540)
C Reclassification of other financial liabilities and advances received to other liabilities	8.461.334
D Reclassification of special reserves and extraordinary reserves to retained earnings	3.872.610

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31 December 2007

	Prepared in accordance with Communiqué Serial: XI, No: 25	Notes	Reclassifications	Prepared in accordance with Communiqué Serial: XI, No: 25
ASSETS				
Current Assets	133.280.045		-	133.280.045
Cash and cash equivalents	98.176.939	A	4.233.915	102.410.854
Financial assets	22.238.507	A	(4.233.915)	18.004.592
Trade receivables	10.231.312		-	10.231.312
Other receivables	1.175.465	B	(769.540)	405.925
Other current assets	1.457.822	B	769.540	2.227.362
Non-current Assets	765.824.146		-	765.824.146
Investment properties	741.505.566		-	741.505.566
Tangible fixed assets	24.249.031		-	24.249.031
Intangible fixed assets	68.053		-	68.053
Other non-current assets	1.496		-	1.496
TOTAL ASSETS	899.104.191		-	899.104.191
LIABILITIES				
Current Liabilities	15.543.816		-	15.543.816
Other financial liabilities	727.623	C	(727.623)	
Trade payables	2.839.654	C	(39.211)	2.800.443
Other payables	7.764.379	C	(7.725.168)	39.211
Provisions	27.125	C	3.543	30.668
Current tax payable	-	C	27.125	27.125
Other current liabilities	4.185.035	C	8.461.334	12.646.369
Non-current Liabilities	352.103		-	352.103
Other payables	162.964		-	162.964
Provisions for employee termination benefits	185.879		-	185.879
Deferred tax liabilities	3.260		-	3.260
SHAREHOLDERS' EQUITY	883.208.272		-	883.208.272
Total Equity Attributable To Equity Holders' of the Parent	883.208.272		-	883.208.272
Share capital	450.000.000		-	450.000.000
Inflation adjustments to share capital	240.188.930	D	(42.840)	240.146.090
Premium in excess of par	423.981		-	423.981
Restricted reserves appropriated from profits	6.854.498	D	(3.829.770)	3.024.728
Retained earnings	130.798.627	D	3.872.610	134.671.237
Net profit for the period	54.942.236		-	54.942.236
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	899.104.191		-	899.104.191

	Prepared in accordance with Communiqué Serial: XI, No: 25	Reclassification of highly liquid mutual funds to cash and cash equivalents	Prepared in accordance with Communiqué Serial: XI, No: 29
Net (decrease) / increase in cash and cash equivalents	74.498.124	3.733.077	78.231.201
Cash and cash equivalents at the beginning of the year	23.678.815	500.838	24.179.653
Cash and cash equivalents at the end of the year	98.176.949	4.233.915	102.410.854

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