



İş REIT: Turkey's leading real estate investment trust

With a corporate identity that is synonymous with experience, strength, and esteem, İş REIT is Turkey's leading real estate investment trust with net assets worth YTL 765 million and a market capitalization of YTL 633 million.

Achieving a high degree of profitability from a steady stream of rental income on a superior-quality portfolio of properties, İş REIT's goal is to provide investors with the highest possible returns with minimum levels of risk.

In all its activities, İş REIT strives to contribute to the creation of a dynamic, sound, and professional real estate market in Turkey.



in this report 



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ANNUAL GENERAL MEETING OF SHAREHOLDERS 18 APRIL 2005 AGENDA

1. Opening, formation of the chairing council and authorization of the council members to sign the minutes of the meeting.
2. Reading, deliberation, and approval of the Board of Directors' report; the statutory auditors' report, and the balance sheet and profit & loss statement for 2004.
3. Individual acquittal of each of the members of the Board of Directors and the statutory auditors of their fiduciary responsibilities for 2004.
4. Deliberation and decision on the Board of Directors' proposal concerning the distribution of 2004 profits.
5. Approval, pursuant to Capital Market Board Communique IV:27, to transfer the entire amount of YTL 352,009 that was booked as a special reserve for unrealized capital gains when calculating 2003-year profits to the "Prior-year profits" account since they were realized in 2004.
6. Submission, for approval by the general assembly of shareholders pursuant to CMB Communique X:16, of the independent auditors chosen by the Board of Directors for one-year terms of office.
7. Election of Board of Directors members and of statutory auditors pursuant to articles 11 and 19 of the articles of incorporation.
8. Determination of the fees to be paid to members of the Board of Directors and to the statutory auditors.
9. Petitions and suggestions.

GENERAL MEETING OF SHAREHOLDERS AND PARTICIPATION

General meetings of shareholders are convened in ordinary and extraordinary sessions. Ordinary 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 come to a decision on the agenda prepared by the Board of Directors taking the provisions of article 369 of the Turkish Commercial Law into account.

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. No decision taken at a general meeting in the absence of a ministry representative is 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 may exercise the voting rights of the shares they are representing as well as of those of their own. The Board of Directors determines the form of proxy statements within the framework of rules 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 him on condition that such a stipulation is made in the assigning shareholder's proxy statement. CMB regulations concerning 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 rules. When proxies cast their votes they must also show their proxy statements. However votes may also be cast by secret ballot at the request of those controlling at least one-tenth of the capital represented by 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.

Shareholders who intend to participate in a general meeting personally or by sending a proxy must submit the following documents as appropriate and obtain an entry pass or complete a proxy statement at the Company's headquarters before the close of business hours at least one week before the date of the meeting:

- Identity documents and evidence of the shares they own
- In the case of shareholders whose shares are held in the custody of banks or brokerages, custody statements
- In the case of shareholders who are corporate entities, documents authorizing an individual to represent them.

The balance sheet, profit & loss statement, and reports by the Board of Directors and statutory auditors for the most recent fiscal year are available for the inspection of our shareholders at the Company's headquarters at least twenty-one days before the date of the general meeting.

In 2004 İş REIT once again maintained a sound balance sheet structure while registering a 24% rate of growth in its assets.

Financial highlights

USD 570 million
portfolio net asset value

USD 472 million
market capitalization

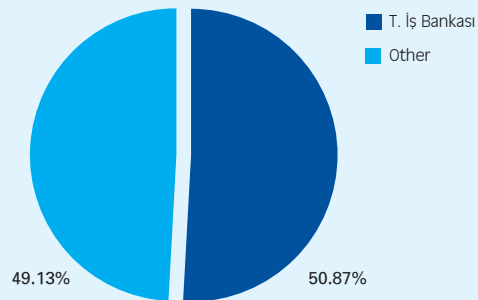
USD million	2003	2004	Change (%)
Total Assets	462.2	596.9	29
Total Equity	450.2	580.3	29
Net Profit	23.4	78.3	234
Portfolio Net Asset Value	395.3	570.0	44
Net Asset Value per Share (YTL)	2.34	2.32	(1)
ISGYO Share Price (YTL) (*)	1.30	1.92	48
Market Capitalization (USD million)	219.5	472.0	115

(*) In order to enable a comparison with 2004, the 2003 year-end price is adjusted with respect to the capital increase made in 2004.

In 2004, İş REIT sustained its solid asset structure and achieved an increase of 24% in its total assets.

Shareholder Structure

SHAREHOLDER	SHARE	PERCENT (%)
Türkiye İş Bankası	167,867,885	50.87
Other	162,098,115	49.13
TOTAL	329,966,000	100.00





Company profile

Name: İş Real Estate Investment Trust Co.

Date of incorporation: 6 August 1999

Issued capital: YTL 329,966,000

Registered capital ceiling: YTL 500,000,000

Date of initial public offering: 1-3 December 1999

IPO price: YTL 1,4

Company headquarters: Istanbul

History

After İş Gayrimenkul Yatırım ve Proje Değerlendirme A.Ş. took over all the assets and liabilities of Merkez Gayrimenkul Yatırım ve Proje Değerlendirme A.Ş., both of which firms had been established in 1998 and were engaged in different lines of business, the surviving Company was then transformed into a real estate investment trust and reincorporated as İş Real Estate Investment Co. on 6 August 1999.

Field of Business

The Company engages in activities subject to the object and scope stipulated in regulations issued by the Capital Market Board concerning real estate investment trusts. The Company acts in accordance with Capital Market Board regulations and with the requirements of law with respect to its portfolio investment policies and restrictions on management.

Our Company is a portfolio management company that invests in real estate properties, in capital market instruments backed by real estate properties, in rights backed by real estate properties, and in other capital market instruments.

Our Mission

To maximize the collective value of our portfolio for our shareholders through stable growth and high profitability. In this respect:

- İş REIT has pursued steady growth since the day it was established by means of well-placed investments and through the effective use of its resources.
- İş REIT maintains a close lookout for value-enhancing opportunities in the sector in line with its goal of securing the highest possible returns for its shareholders.
- The confidence inspired by the ethical values to which it subscribes and abides by in the conduct of its business and by its openness and transparency in keeping investors informed have strengthened İş REIT's position in the sector.

Management

board of directors



Gürman Tevfik: Chairman of the Board of Directors

Dr Tevfik holds a bachelor's degree from the Eskişehir Academy of Economic and Commercial Sciences, a master's degree in business management from the University of Colorado, and a doctorate in international management from Istanbul University. He began his career as an assistant inspector for Türkiye İş Bankası and subsequently served as an assistant manager in the bank's Investment Securities Department and then as a group manager. He has been general manager of İş Portföy Yönetimi A.Ş., the bank's portfolio management subsidiary, since 14 December 2000. Dr Tevfik has collaborated on five books on banking and financial subjects and is also the author of a six as well as of numerous published articles. Dr Gürman Tevfik has been chairman of the Turkish Institutional Investment Manager's Association since 2002.

12 April 2004-18 April 2005



Buket Himmetoğlu: Vice Chairman

Ms Himmetoğlu holds a bachelor's and master's degree from the Faculty of Law of Ankara University. She began her career as in Türkiye İş Bankası's Legal Affairs Department, where she served consecutively as consulting attorney, assistant legal consultant; and regional legal consultant. She has been Türkiye İş Bankası's chief legal consultant since July 2002.

12 April 2004-18 April 2005



İrfan Tufan Karaoğlu: Independent Board Member

Mr Karaoğlu graduated from the Department of Civil Engineering of Istanbul Technical University in 1953 and began his career as a construction site manager. For nearly 33 years from 1964 to 1997 he took part in major construction projects, first as a partner and later as general manager, board member, and chairman of Yüksel İnşaat A.Ş., a building contractor. He has had a hand in many important works including the Altınkaya Dam and Hydroelectric Powerplant, the Sultansuyu Dam, projects for Turkish port facilities, and the restoration of Çırağan Palace. He is now putting his extensive experience in the construction industry to work for İş Real Estate Investment Trust Co. as an independent board member.

12 April 2004-18 April 2005



Haldun Baydar: Independent Board Member

Dr. Baydar graduated from the Faculty of Architecture of Middle East Technical University in 1969 and holds a master's degree (Université de Paris VIII) and doctorate (Paris I. Panthéon, Sorbonne) in urban planning. After serving as an architect for a number of firms in Paris and then in the Planning Department of the Ministry of Public Works and Settlement in Turkey, he became planning manager for Orta Doğu Şehircilik ve Yatırım A.Ş., an urban planning and investment company, and then planning and production coordination manager for Konteks A.Ş. He is currently involved in project development and application for Form Mimarlık Ltd Şti, and architectural company of which he is the founder.

12 April 2004-18 April 2005



Kemal Şahin: Board Member

Kemal Şahin holds a bachelor's degree in business administration from Middle East Technical University. He began his career at T.C. Turizm Bankası and subsequently entered Türkiye İş Bankası, where he served for ten years first as an assistant inspector and then inspector. Mr Şahin is currently an assistant manager in TIB's Subsidiaries Department, where he is responsible for the bank's real estate property and construction group companies. In addition, he is also a board member and/or statutory auditor in a number of other TIB subsidiaries.

12 April 2004-18 April 2005



committee responsible for audit



Buket Himmetoğlu
21 April 2004-18 April 2005



Kemal Şahin
21 April 2004-18 April 2005

audit board



Mukadder Gündem
12 April 2004-18 April 2005



Tuncay Güler
12 April 2004-18 April 2005



Ertuğrul Senem
12 April 2004-18 April 2005

Management

senior management



Turgay Tanes
General Manager



Hülya Demir
Assistant General Manager



Tuğrul Gürdal
Manager, Financial and
Administrative Affairs



T. Aydan Ormancı
Manager, Investments and
Project Development



Pınar Ersin Kollu
Assistant Legal Consultant



Şenol Baban
Assistant Coordinator



Bülent Otuz
Assistant Coordinator

TAX CONSULTANT, INDEPENDENT AUDITORS AND APPRAISAL FIRM FROM WHICH OUR COMPANY OBTAINS SERVICE:

Tax Consultant

DRT Denetim Revizyon Tasdik Yeminli Mali Müşavirlik A.Ş.

Independent Auditors

Denetim Serbest Mali Müşavirlik A.Ş.
(A member firm of Deloitte & Touche Tohmatsu)

Independent Appraisal Firm

Vakıf Gayrimenkul Ekspertiz ve Değerlendirme A.Ş.
Gayrimenkul Ekspertiz ve Değerlendirme A.Ş.
TSKB Gayrimenkul Değerleme A.Ş.

DECLARATION OF INTEREST BY THE INDEPENDENT DIRECTORS

I declare that, within the last two years, neither I nor any persons, including my spouse, with whom I have any kinship whether by blood or marriage unto the third degree, have had any direct or indirect relationship from the standpoint of employment, capital, or commercial interests with the lead entrepreneur Türkiye İş Bankası A.Ş.; or with any company in which the lead entrepreneur owns more than a 10% share or possesses voting rights in that percentage; or with any shareholder in the Company that owns more than a 10% share or possesses voting rights in that percentage; or with any shareholder that owns a shareholding interest incorporating a right to designate a candidate for a seat on the board of directors; or with any company in which a property manager or any person cited in subparagraphs (c) and (d) of article 18 of the Communique on Principles concerning Real Estate Investment Trusts owns more than a 10% share or possesses voting rights in that percentage.

İrfan Tufan Karaoğlu



Haldun Baydar



CHANGES IN THE COMPANY'S ORGANIZATION, CAPITAL, SHAREHOLDER STRUCTURE, OR MANAGEMENT STRUCTURE THAT TOOK PLACE DURING THE YEAR

Changes in the Company's Capital and Shareholder Structure:

As a result of a sale of shares made by Türkiye İş Bankası AŞ on 24 August 2004, its shareholding interest in our Company's capital decreased to 50.87% as of year-end.¹

At the meeting of the Board of Directors held on 29 September 2004, it was voted to increase the Company's issued capital by the amount of YTL 94,276,000 from YTL 235,690,000 to YTL 329,966,000, of which YTL 47,138,000 (20%) was to be paid in cash and YTL 47,138,000 was to be financed by capitalizing the results of having adjusted balance sheet equity items for inflation. On 19 October 2004 an application for this was made to the Capital Market Board. Shareholders were allowed to exercise their stock options for two weeks (15-29 December 2004) after which the par value of the outstanding share warrants was set at YTL 351,366. Capital registration formalities are currently in progress as of the date of this report.

Changes in Organizational Structure:

In keeping with corporate governance principles, work has begun on creating an in-house risk management mechanism for the purpose of minimizing company-related risks that could have an impact on company shareholders in particular and stakeholders in general and also on setting up an independent unit that will be responsible for relations with investors.²

Changes in the structure of Management Team:

On 8 March 2004 the Board of Directors voted to replace Türkövün Koç, the Company's general manager who retired during the year, with Turgay Tanes, who has been serving as a member of the Board of Directors since the Company was founded. İnci Yılmaz was elected to fill the seat on the board vacated by this appointment until the date of the next annual general meeting of the Company. The names and brief CVs of the board members who were elected at the last general meeting of the Company and who served in that capacity during 2004 are presented on page 6 of this report.

¹ As a result of a sale of shares made by Türkiye İş Bankası to foreign corporate investors on 24 January 2005, the bank's shareholding interest in İş Real Estate Investment Trust Co. declined to 42.19%.

² The Risk Management and Investor Relations Department was established on 28 January 2005. Two people, a manager and a specialist, are employed in this department.

Economic review

2004 was a year of generally positive developments in the national economy thanks to results in inflation and growth that exceeded year-end targets



ECONOMIC REVIEW

2004 was a year of generally positive developments in the national economy thanks to ongoing improvements in macroeconomic indicators, to the formation of a climate of stability in which the foundations for sustainable growth have been laid, and to results in inflation and growth that exceeded year-end targets.

The resolution of the Turkish economy's structural problems appears to be on track, as is economic growth nourished by a climate of confidence resulting from the application of tight fiscal and monetary policies despite less than favorable global conditions. Low rates of inflation and continued economic growth are encouraging fostering positive expectations for the period immediately ahead. Inasmuch as the impact of supply and demand on inflation is expected to be even more limited in 2005 than it was last year, the outlook for the new year is that inflation will continue on its downward course.

Along with the structural changes experienced in the national economy, significant progress was also made on a number of other risk-fraught fronts during 2004. Throughout the year, solution-focused policies were developed and implemented on a variety of issues that are important to Turkey, particularly so in the case of the country's EU accession. Steadfastness in adhering to the economic program and widespread public recognition that this resolve is the most important means whereby stability can be achieved have further increased the ability of the Turkish economy to withstand external shocks. Only so long as this resolve persists in the period immediately ahead will it be possible to continue adhering to low-inflation/rapid-growth policies.

SECTORAL ANALYSIS

Despite the generally positive outlook in the economy in 2004 however the construction industry did not achieve the rates of growth expected of it. Because of its status as an engine of economic growth and as a creator of employment, the construction industry is of vital importance to a national economy. Since 2001 however, the construction industry in Turkey as been undergoing a steady contraction even while the economy has been growing. Even in the face of the strong economic growth of recent years, chronically high unemployment rates remain the most crucial economic problem that Turkey faces and this unemployment is directly related to the persistent contraction from which the construction industry has been suffering.

Public-sector mass-housing projects, preparations launched by local governments to create new settlement areas, plans to introduce a mortgage-financing system of a sort that is widely used around the world in our country this year, and an increase in private-sector investment are all hopeful signs that the outlook in the real estate sector is that of an imminent and much-needed recovery. It is thought that the mortgage system will have a favorable impact on the real estate sector. The foundations for the system will be laid in 2005; however the functionality—indeed the viability—of the system depends on there being no unexpected negative developments in the economy and that the current declines in both inflation and interest rates will continue and become permanent. The prospects are far from gloomy; after experiencing a steady attrition in production and sales since 1998, the real estate sector regained strength in 2004 and it looks like this trend will continue in 2005 as well. This recovery of course is having a significant impact

GNP GROWTH (%)

Period	2000	2001	2002	2003	2004
1st quarter	4.2	(3.3)	0.6	7.4	13.9
2nd quarter	5.4	(12.3)	10.4	3.6	15.7
3rd quarter	7.2	(9.1)	8.0	5.6	5.7
4th quarter	7.8	(12.3)	11.8	7.2	6.6
Annual average	6.3	(9.5)	7.9	5.9	9.9

Source: State Institute of Statistics



on real estate investment trusts (REITs), whose activities are closely linked to the construction industry.

As of year-end 2004, the real estate investment trusts quoted on the Istanbul Stock Exchange had an aggregate market capitalization of USD 752 million and total assets worth USD 995 million. Our Company has a market capitalization of about USD 472 million, which corresponds to some 63% of the sector's market capitalization, while at USD 570 million, its net assets represent about 57% of the sector's.

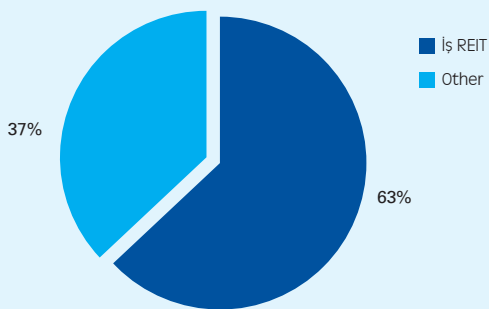
REITs are required to maintain investment portfolios at least 50% of which consists of real estate properties, rights over real estate properties, and real estate property-related projects. Furthermore they must also diversify their portfolios in terms of sector, region, and type of property. Chart A shows the distribution of the portfolio investments of the REITs traded on ISE as of 31 December 2004 by value. Properties such as office buildings, shopping centers, car parks, hotels, entertainment centers, etc are all lumped together under the category of

"Buildings". Investments in such properties make up about 71% of the total investment portfolio. Investments in money and capital market instruments on the other hand account for 11% of total portfolios while ongoing projects make up 10%. Assuming that the current improvement in the national economy continues, the percentage of ongoing real estate projects in the overall portfolio may be expected to rise.

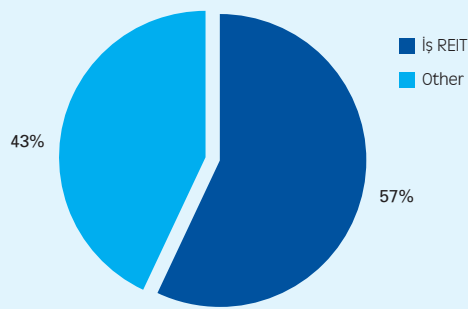
Looking at our own portfolio as of 31 December 2004, 57% of its value was in office buildings, 17% was in hotels and entertainment centers, 11% was in ongoing projects (specifically the "Kanyon" project), 8% was in shopping centers, and 7% was in money and capital market instruments. As required by law, ongoing projects are shown in terms of the realized cost of investment outlays incurred as of the portfolio valuation date. 93% of our Company's portfolio investments are in the real estate sector and concentrated on its core business.

With the completion of the Kanyon project, the share of shopping center investments in our overall portfolio will increase in terms of both value and gross leasable area (GLA).

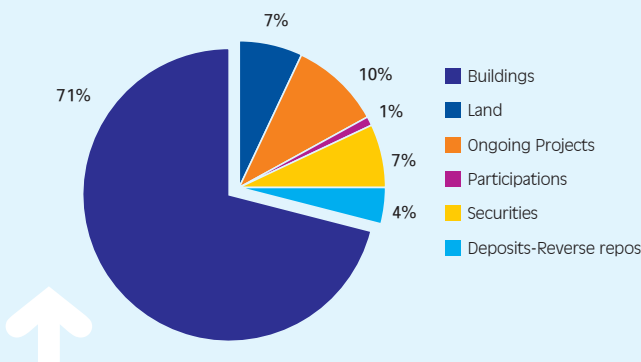
31.12.2004 Distribution of the market capitalization of the REITs traded on ISE



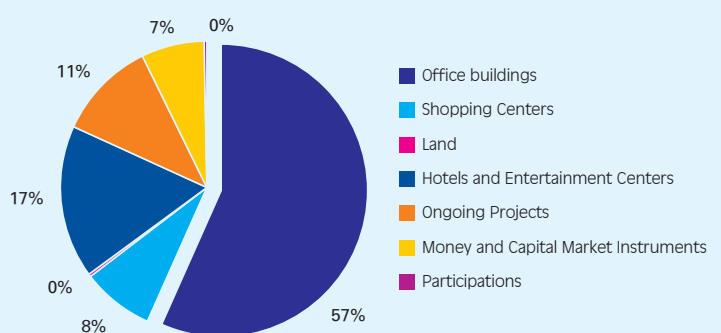
31.12.2004 Distribution of the net asset value of the REITs traded on ISE



Distribution of the portfolio investments of the REITs traded on ISE (A) 31.12.2004



Distribution of the portfolio investments of İş REIT (B) 31.12.2004



CHANGES IN THE LEGAL FRAMEWORK

CMB Communiqué VI: 17, which made changes in the principles governing real estate investment trusts, went into effect with its publication in issue 25466 of the official gazette on 18 May 2004. This communiqué made substantial changes in many issues related to real estate investment trusts such as who may establish them and how, a registration requirement for REIT shares and rules governing their public offerings, the qualifications required of REIT managers, rules pertaining to the management of REITs, areas of activity, limitations on portfolio exposures, and regular public disclosures of information. Some of the most important of these changes are discussed below. Further details may be found at www.spk.gov.tr

- According to new rules governing their portfolio investments, REITs are required to hold investment portfolios at least 50% of which consists of real estate properties, rights over real estate properties, and real estate property-related projects. By the same token, no more than 50% (by value) of their portfolios may be invested in other types of assets such as capital market instruments or cash assets.
- REITs may now provide cleaning, security, general management, and marketing services for the properties from which they derive rental income.
- REITs have been allowed to invest in demand and fixed-term deposits but such investments cannot account for more than 10% of the value of their portfolio.
- REITs have been allowed to invest in revenue-sharing projects provided that the projects are properly licensed.
- Prior to the publication of this communiqué, the value of land on which project development did not begin within one year of the date on which the land was acquired could not exceed 10% of the total portfolio value. This period has been increased to three years.
- The limitation of borrowing up to twice a REIT's shareholders' equity has been changed to three times its net-asset value.
- REITs are allowed to acquire stakes in property management companies, in other REITs, in companies that have been set up outside Turkey

for the purpose of acquiring a particular real estate property and whose principal business activity is only real estate properties, and in Turkish-based companies if such properties account for at least 75% of the value of their portfolio. However the total value of such stakes cannot exceed 10% of the total portfolio value.

- The monthly portfolio value statements that are published by REITs must be sent every three months to the Capital Market Board along with a report prepared by the board of directors summarizing developments during the most recent quarter.
- REITs have been allowed to sell and lease real estate properties in their portfolios at less than their appraised value and to buy them for their portfolios at more than their appraised value but they must do so taking existing market conditions into account. Such transactions must also be publicly disclosed and reported to shareholders at the very next general meeting.

Besides these changes in the legal framework, another development last year that is of importance to REITs is the work that is in progress to introduce a mortgage-financing system in Turkey such as exists in other countries.

Mortgage financing makes it possible for people to buy their own homes on terms of between 15 and 20 years while paying monthly installments that are comparable to what they would pay as rent. The introduction of this system is expected to greatly invigorate the construction industry. A number of concrete steps were taken towards launching mortgage financing last year. A bill that amends a number of laws so as to provide the legal framework for this system was prepared and sent to parliament in December. It is expected that it will be enacted into law in 2005.

When the mortgage financing system goes into operation, it will contribute to the creation of a natural pool of buyers who will be ready and able to buy into housing projects that REITs develop and for this reason, REITs can be expected to become more involved in the housing sector in the future. In addition, the efforts that are being made to set up a mortgage financing system are likely to increase the interest that foreign investors take in investing in real estate properties in our country, both directly on their own and indirectly through REITs.

Activities in 2004

The Kanyon project continued on schedule in 2004 while other investments were undertaken to further increase the yields on the Company's portfolio.

INVESTMENT ACTIVITIES

The Kanyon project continued on schedule in 2004 while other investments were undertaken to further increase the yields on the Company's portfolio.

The Kanyon Project

Located on approximately 250,000 m² of land under construction, the Kanyon project consists of a 27-story office building, a housing block of 179 units, and a four-story shopping center that will contain about 198 independent sections and a cinema. The Kanyon project is being undertaken as a joint venture with Eczacıbaşı İlaç Sanayi ve Ticaret A.Ş. (Eczacıbaşı Pharmaceuticals) in which costs and proceeds are to be shared 50-50. It is being financed entirely out of our Company's own equity resources. The last installment on the land for the Kanyon project was paid on 1 July 2004 and the project land is now owned free and clear.

At year-end 2004, the rough construction work was ready for its certificate of substantial completion. Total concrete poured: 148,276 m³; total rebars used: 26,702 tons; total walls manufactured: 41,179 m²; total plastering: 46,958 m².

Tenders for infrastructure, mechanical and installation works, elevators and escalators, electrical installation, aluminium siding, phase I architectural and finishing construction works, and stone facading were requested in 2004 and contracts for these works have been signed. Manufacturing has begun in line with the project's schedule. As of the date of this report, the business of tendering the architectural and finishing construction works of the housing block was still in progress. The entire project is scheduled for completion in the spring of 2006.

During the year, the firm of Kanyon Management, Operations and Marketing Ltd. Co. was set up to manage and market the Kanyon complex within the framework of the Condominium Ownership Law (Statute 634). This company's startup capitalization was YTL 100,000 in which İş Real Estate Investment Trust Co. and Eczacıbaşı Holding Co. each control a 50% stake. Kanyon Limited was registered on 6 October 2004 and the Company's staffing was completed in December of the same year.

Sales of the project's residential units began in June and half of them were sold by October without any active advertising efforts having to

be made. As of year-end 2004, 70% of the 179 units had been sold from which our Company collected about YTL 24.2 as its share. These sales are about 20% more than had been expected in 2004.

The most serious risks faced by the Kanyon project's construction work and marketing activities are all directly associated with macroeconomic developments that have an impact on the construction industry. 2004 was a year in which the ongoing improvement in the national economy was sustained, interest rates continued to fall, and credit maturities grew longer. These trends fueled the Kanyon project's construction and marketing activities with the result that sales exceeded targets.

An agreement has been entered into with Türkiye İş Bankası to finance up to 90% of the selling price of Kanyon project residential apartments by means of loans from that bank. Under the terms of this agreement, if the bank decides to extend a home-purchase loan, Eczacıbaşı Pharmaceuticals Co. and İş REIT guarantee its repayment to Türkiye İş Bankası only until a mortgage has been established over the property in favor of the bank.

During 2004 a total of approximately YTL 32 million (not including VAT) was incurred as project-related outlays including the YTL 12.9 million that was paid as the final installment on the project's land.

Other Activities

As indicated in our mission statement, our Company seeks to provide its shareholders with the highest possible return on their investments. In line with this, İş REIT remained on the lookout for other opportunities in the sector that would enhance shareholder value. Three properties were purchased from TIB for a total of YTL 43,000,000. The acquisition of these properties not only resulted in significant growth in our net assets but also has substantially increased our ability to generate cash flow. The properties have been leased back to the bank at their appraised value on a fifteen-year lease. Detailed information about the properties is given in the "Real estate properties portfolio" section of this report.

Work is currently in progress to construct a Real Hypermarket on lot 105, one of the 50,309 m² in lots near the Tatilya Entertainment Center. The building will be rented to Real Hipermarketler Zinciri A.Ş., a member of the Metro Group, under a twenty-year lease.

RENTAL ACTIVITIES

There were no substantial changes in the occupancy rates of the real estate properties in the Company's portfolio during 2004 and the high rates of occupancy achieved in our rental activities were maintained. The occupancy rate at the Marmaris Solaris Shopping Center reached 95%.

The Outlook for 2005

Infrastructure, mechanical and installation works, elevators and escalators, electrical installation, aluminium siding, phase I architectural and finishing construction works, and stone facading for the Kanyon project are slated for completion in 2005. Our goals in 2005 are to sell all of the remaining unsold residential units and collect our USD 12.5 million share of the proceeds from the sales and to achieve a 90% occupancy rate in the shopping center and office space. Renovation work at the Seven Seas Hotel that was planned and tendered during 2004 is on schedule for completion before the hotel opens for the new season.

Because of the impact of the three properties that were acquired in December and rented out on fifteen-year leases, our rental income in 2005 will increase approximately USD 3 million and reach USD 28 million. Inasmuch as both the properties generating the rental income and the tenants occupying them are of high quality and because the leases under which the properties are held are quite diversified from the standpoints of denominated currency, type of property, and geographical location, we do not expect to see any adverse changes in our rental income in the long term.

During 2005 our Company will again be keeping a close lookout for new investment opportunities that will enhance the returns on its portfolio.

OTHER ISSUES

Analysis of substantial transactions involving group companies or other related individuals and entities

As a real estate investment trust that manages a portfolio within the framework of Capital Market Board regulations, our Company only makes use of values appraised by expert appraisers officially authorized as such by CMB whenever selling or renting properties in its portfolio or acquiring them for its portfolio. It does so without regard for the other party's status as a group company or not or as an individual or entity with which it has or does not have a relationship of any nature

whatsoever. Information concerning transactions involving group companies is provided in footnote five of the income statement on page 69.

Statement concerning foreseeable risks inherent in our activities

The Company's basic function is that of portfolio management for which purpose it invests in completed real estate properties or in real estate projects in order to secure rental income.

In the broadest sense, the risks inherent in securing rental income from real estate properties are attritions in tenants' ability to pay due to general economic difficulties, oversupply where properties are located, and natural disasters. Taking into account the risks to which it may be exposed, our Company leases the properties in its portfolio primarily to private individuals and to national and international firms and organizations that have a solid reputation in their areas of activity and are financially sound. To ensure stability in our portfolio revenues, special care is given to diversifying the types of real estate properties in the portfolio and the currencies in which the leases are denominated. When making investment decisions, the quality of the property to be invested in and the immediate availability of tenants for it are our foremost priorities. For this reason, oversupplies that may occur in the places where our properties are located do not have a significant impact on the occupancy rates of our portfolio.

All of the properties in our portfolio are insured at their current market value against all risks. In addition, according to their nature and associated use not only our properties but also their tenants and visitors are covered against foreseeable risks.

Besides the unforeseeable risks that might arise in the general economic situation, mention should also be made of the risks stemming from the financial circumstances of contractors or of our Company in the case of ongoing projects. Our Company lets out all the contracts for its real estate projects only to firms that are knowledgeably experienced, financially strong, and technically competent. In order to ensure that the cash resources needed for projects will be fully available when they are required, our cash assets are carefully structured according to currency type and maturity structure; in addition, positions are also continuously being taken as market conditions change. The rental income from our existing real estate portfolio significantly strengthens our cash-flow creation ability and for that reason our Company does not need to have recourse to borrowing in order to finance ongoing projects.

FINANCIAL STANDING

The total value of all the money and capital market instruments shown in our portfolio value table dated 31 December 2004 is USD 40.3 million, which corresponds to about 7% of the portfolio's value. 68% of these instruments are fixed-term and demand foreign currency deposit accounts, 25% are government bonds and T-bills, and the remainder are shares in "Type B" liquid mutual funds.

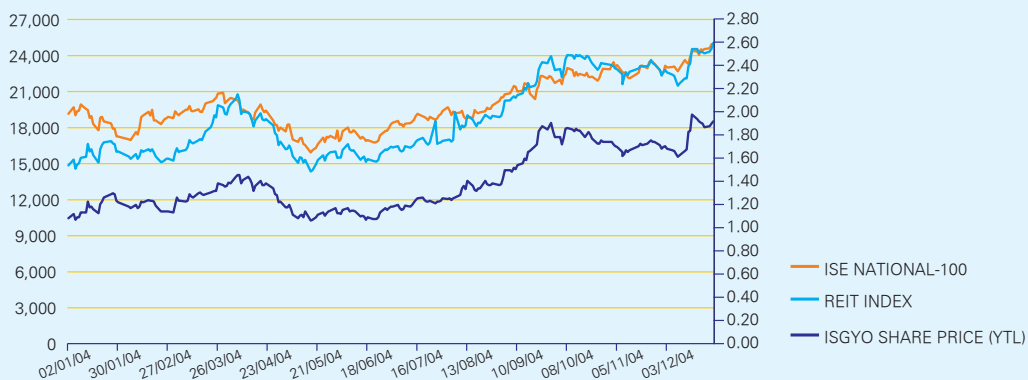
ISE PERFORMANCE

While the Istanbul Stock Exchange's (ISE) Ulusal-100 (National-100) index rose 34% on a Turkish lira basis in 2004, the index based on all REITs traded on the exchange was up 73%. The year-on increase in our Company's share price was about 80%, which therefore outperformed both the national and the sectoral indexes.

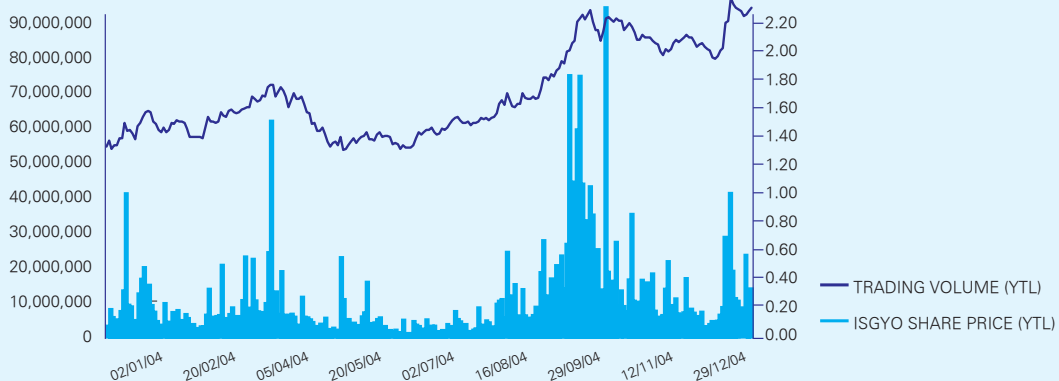
Our Company's stock is included in the ISE's National-30 index. Average daily trading volumes in our Company's shares in 2004 were worth USD 6 million, about four times the previous year's average.

The year-end 2004 closing price of our stock was YTL 1.92 or about 17% below the YTL 2.32 per-share value of our Company's net assets, which increased approximately 39% year-on on a Turkish-lira basis to YTL 765 million. Assuming no significant changes take place in other variables, we can expect to see a substantial increase in our net asset value with the completion of the Canyon project next year.

2004 - ISE National-100, REIT Index and ISGYO Share Price



2004 - ISGYO Daily Trading Volume and Share Price



Properties portfolio



Turkey's most prestigious real estate properties

→ The sources of our rental income

- Tower 2 and Tower 3 and the Kule Çarşı shopping mall on the platform joining these two towers in the Istanbul İş Complex
- Ankara İş Tower
- Maslak Building
- Tatilya Entertainment Center
- Seven Seas Hotel
- Solaris Shopping Center
- Ankara-Ulus office building
- Ankara-Kızılay office building
- Antalya office building

→ Properties under development

- Kanyon Project (shopping center with cinema & entertainment block, office block, housing block)

→ Other properties

- Project-developable land (7,613 m²) adjacent to İş Towers in 4. Levent
- 50,309 m² of land in the vicinity of the Tatilya Entertainment Center

Properties portfolio



Istanbul İş Complex

(Tower-2, Tower-3 and Kule Çarşı Shopping Center)

- **Location:** İstanbul-4. Levent, on Büyükdere Street, the main thoroughfare of the Levent-Maslak axis, İstanbul's most important business district
- **Gross Leasable Area (GLA):** 60.213 m². Two 34-story office towers each containing leasable stories and the Kule Çarşı shopping center containing thirty stores.
- **Portfolio entry date:** 2000
- **Appraised value:** USD 235.5 million
- **Rental income in 2004 (not including VAT):** USD 16.6 million
- **Other information:** İş Towers was designed and built with the infrastructure and technology needed to satisfy all the requirements of 21st century living and in keeping with the principle of maximizing construction quality, durability, security, comfort, and economy.

İş Towers has made a significant contribution to the supply of class-A office space at its location. The offices have been rented out, on leases averaging five years, to national and international firms that have a solid reputation in their areas of activity and are financially sound.

The İş Complex shares the same location with the 52-story headquarters building of Türkiye İş Bankası and the auditorium and art gallery in which the activities of the bank's center for culture and the arts take place, making it one of the premier venues where the worlds of business and of culture and the arts come together.

With its awe-inspiring architecture, İstanbul İş Towers has come to symbolize not just the world of business but the modern face of İstanbul as well.

Kule Çarşı, a shopping center located in the İş Complex in 4. Levent, is an elegant shopping and entertainment center where employees and visitors can enjoy themselves while doing their shopping or having lunch or dinner. The mall contains 30 stores and restaurants that offer a huge variety of goods and services 365 days a year. The range of products on offer has also recently been diversified with the addition of the Kuledibi stand area inside the mall. There is parking space for 491 vehicles.

Kule Çarşı serves tenants, their personnel, and visitors alike providing them a comfortable and secure environment all year long.

Land adjacent to İş Towers

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

Gross Leasable Area (GLA): 7.613 m²

Description: Land

Portfolio entry date: 1999

Appraised value: USD 2.3 million

Properties portfolio



Ankara İş Tower

- **Location:** Ankara-Çankaya, in Kavaklıdere, the heart of Turkey's diplomatic and political center
- **Gross Leasable Area (GLA):** 26,488 m²
- **Description:** Office building consisting of three blocks and a total of 29 stories
- **Portfolio entry date:** 1999
- **Appraised value:** USD 66.2 million
- **Rental income in 2004 (not including VAT):** USD 3.2 million
- **Other information:** Ankara İş Tower formerly served as the headquarters of Türkiye İş Bankası. The building has a great deal of prestige and nostalgic value as a structure that initiated the transition to modern buildings in Ankara and significantly influenced people's value-judgements.

Ankara İş Tower is a unique building and prestigious business address whose insightful architectural concepts are timeless in value.



Properties portfolio



Maslak Building

- **Location:** İstanbul-Şişli, on Büyükdere Street, the main thoroughfare between Levent and Maslak
- **Gross Leasable Area (GLA):** 12,901 m²
- **Description:** Twelve-story office building
- **Portfolio entry date:** 2001
- **Appraised value:** USD 24.5 million
- **Rental income in 2004 (not including VAT):** USD 2 million
- **Other information:** Due to its location, the building offers great advantages from the standpoint of convenient transportation access and therefore has tremendous commercial potential. The structure is currently on lease to Petrol Ofisi A.Ş. and Türkiye İş Bankası A.Ş.



Properties portfolio



Tatilya

- **Location:** İstanbul-Büyükçekmece, Beylikdüzü district
- **Gross Leasable Area (GLA):** 39,867 m² (Tatilya Theme Park and indoor parking facility); 50,309 m² of project-developable land
- **Description:** Tatilya containing the indoor theme park, indoor parking facility, studio building, and four adjacent developable sites
- **Portfolio entry date:** 2001
- **Appraised value:** USD 38.4 million (Tatilya building and parking facility); USD 21.9 million (project-developable land)
- **Rental income in 2004 (not including VAT):** USD 0.34 million
- **Other information:** Located in an area whose population density is increasing steadily, the Tatilya indoor theme park is the first example of its kind and still the biggest and most original complex of this nature in Turkey. It has attracted visitors of every age and description since opening its doors in 1996. Tatilya is the first and only indoor theme park in Turkey, the biggest in Europe and the fourth biggest one in the world.

With its superior architectural, aesthetic, and construction quality, its fully-installed infrastructure, its convenient accessibility, and its location in a fast-growing part of the city, the Tatilya indoor theme park offers a wide range of entertainment opportunities. In addition to the existing entertainment units, Tatilya-organized shows, extensive food court options, a studio building, and ample parking facilities all make Tatilya an important center of attraction for the entertainment industry.

Work is currently in progress to construct a Real Hypermarket on lot 105, one of the 50,309 m² in lots near the Tatilya Indoor Theme Park. The building will be rented to Real Hipermarketler Zinciri A.Ş., a member of the Metro Group, under a twenty-year lease.



Properties portfolio



Seven Seas Hotel

- **Location:** Antalya-Manavgat, Sorgun village, Titreyen Göl district
- **Gross Leasable Area (GLA):** 52,699 m²
- **Description:** 5-star seaside hotel with 358 rooms and a bed capacity of 782
- **Operators:** Magic Life, a leading European tour operator
- **Portfolio entry date:** 2001
- **Appraised value:** USD 33.7 million
- **Rental income in 2004 (not including VAT):** USD 4.1 million
- **Other information:** Historical sites, beautiful surroundings, a pristine sea, and never-failing sunshine make the region in which the Seven Seas Hotel is located a magnet for domestic and international tourists and give it tremendous commercial potential. The hotel is situated beside Titreyen Göl (Quivering Lake), a spectacular natural wonder in its own right. Surrounded by some of the most important excursion points popular with tourists in Turkey, the Seven Seas Hotel is an attractive destination for Turkish and foreign guests alike.



Properties portfolio



Solaris Plaza Shopping Center

- **Location:** Muğla-Marmaris, Kemeraltı district on Atatürk Caddesi
- **Gross Leasable Area (GLA):** 3,172 m²
- **Description:** Shopping center with 30 independent units
- **Portfolio entry date:** 2001
- **Appraised value:** USD 7.5 million
- **Rental income in 2004 (not including VAT):** USD 0.3 million
- **Other information:** Solaris Plaza is the first modern shopping center in Marmaris, one of the country's most important tourist destinations. With its professionally planned tenant mix, Solaris Plaza attracts both the local population and visiting tourists with its services.



Properties portfolio

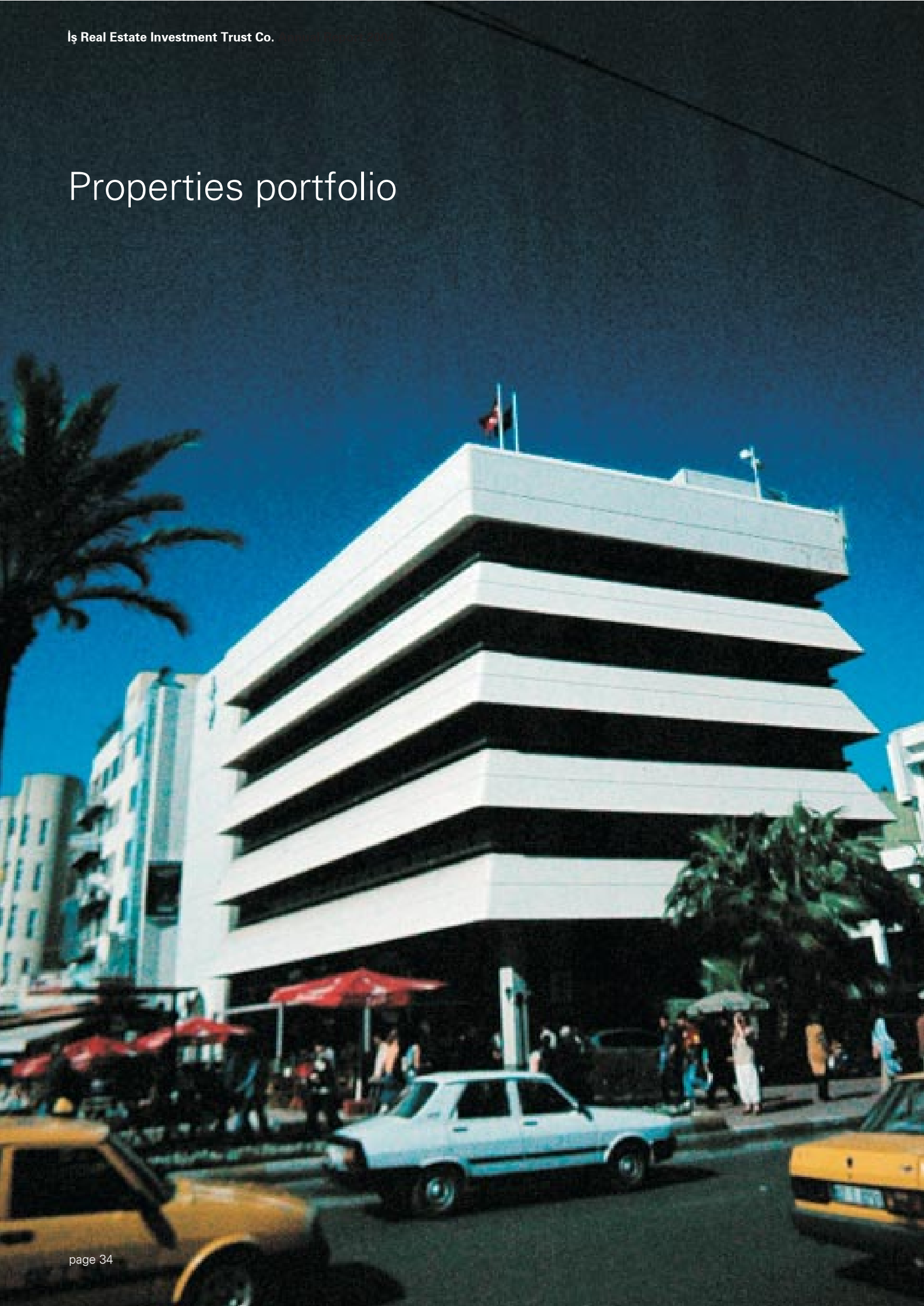


Ankara-Ulus office building

- **Location:** Ankara-Altındağ, Ulus district
- **Gross Leasable Area (GLA):** 6,418 m²
- **Description:** Office building in a central location with commercial development potential
- **Portfolio entry date:** December 2004
- **Appraised value:** USD 14.2 million
- **Rental income in 2004 (not including VAT):** USD 1.4 million (beginning on 1 January 2005)
- **Other information:** This landmark building served as Türkiye İş Bankası's second headquarters and is as architecturally important as it is commercially valuable. It has been rented out to Türkiye İş Bankası A.Ş. on a 15-year lease.



Properties portfolio



Antalya office building

- **Location:** Antalya-Central
- **Gross Leasable Area (GLA):** 3,353 m²
- **Description:** Office building in a central location with commercial development potential
- **Portfolio entry date:** 2004
- **Appraised value:** USD 6 million
- **Rental income in 2004 (not including VAT):** USD 0.6 million (beginning on 1 January 2005)
- **Other information:** Centrally located in an easily accessible area with tremendous commercial development potential in Antalya, one of the most beautiful of Turkey's southern provinces. This office building has been rented out to Türkiye İş Bankası A.Ş. on a 15-year lease.



Properties portfolio



Ankara-Kızılay office building

- **Location:** Ankara-Kızılay
- **Gross Leasable Area (GLA):** 5,193 m²
- **Description:** Office building in a central location with commercial development potential
- **Portfolio entry date:** 2004
- **Appraised value:** USD 11.9 million
- **Rental income in 2004 (not including VAT):** USD 1.2 million (beginning on 1 January 2005)
- **Other information:** This office building is located in Kızılay the heart of Ankara's commercial and business district. The building has been rented out to Türkiye İş Bankası A.Ş. on a 15-year lease.



Properties portfolio



Kanyon project

- **Location:** Complex consisting of a shopping center with cinema & entertainment block, office block, and housing block
- **Project scope:** The office block has 29,903 m² of usable space located on 25 stories averaging 1,167 m² each. The shopping center occupies 50,841 m² of grounds and is laid out according to a unique design concept incorporating outdoor circulation and performance spaces. The housing block contains 179 units ranging from 75 m² to 210 m² in area. The cinema complex contains 9 film theaters and can accommodate 1,579 people at the same time.
- **Project area:** Approximately 250,000 m² of construction on grounds measuring 29,427 m², half of which belongs to our Company.
- **Anticipated opening date for the project:** End of 1st quarter 2006
- **Other information:** Commissioned by İş REIT, the Kanyon project was shaped by Jerde Partnership International, a trend-setting architectural firm with a worldwide reputation for excellence, and Tabanlıoğlu Mimarlık. It is being realized with the global engineering knowledge and skills of Arup. The Kanyon project's design concept of integrating everything into the surrounding environment makes it unique among all other Istanbul development projects.

The Kanyon project brings the three most important dimensions of modern life—home, work, and shopping & entertainment— together in Istanbul's prestigious Levent district in a harmoniously balanced design.



İŞ REAL ESTATE INVESTMENT TRUST CO. Portfolio Table as of 31.12.2004

	USD Million	%
Office Buildings		59
Istanbul İş Towers	210.1	
Ankara İş Tower	66.2	
Maslak Building	24.5	
Ankara Ulus Office Building	14.2	
Antalya Office Building	6.0	
Ankara Kızılay Office Building	11.9	
Sub Total	332.9	
Hotel&Entertainment		17
Seven Seas Hotel	33.7	
Tatilya Entertainment Center	38.4	
Tatilya Project-Developable Land	21.9	
Sub Total	94.0	
Shopping Centers		6
Solaris Plaza Shopping Center	7.5	
Kule Çarşı Shopping Center	25.5	
Sub Total	33.0	
Project Under Development		11
Kanyon Project (*)	63.4	
Shopping Center with 198 independent units, 9 film theaters		
Residential Block with 179 Apartments		
Office Block (GLA: 29.903 m2)		
Land (In front of İstanbul İş Towers)	2.3	0
General Total of Properties	525.6	93
Participations	0.04	0
Cash and Marketable Securities	40.3	7
TOTAL PORTFOLIO VALUE	565.9	100
Trade Receivables and other assets	5.75	
Liabilities	(1.65)	
TOTAL NET ASSET VALUE	570.0	

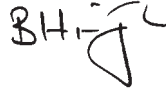
(*) For ongoing projects, cost is used instead of appraisal value.

STATEMENT BY BOARD MEMBERS RESPONSIBLE FROM AUDIT

We hereby declare (1) that the books of account concerning the Company's activities for the period 1 January 2004 to 31 December 2004 inclusive have been maintained in accordance with the provisions of the Tax Procedures Law concerning inflation accounting; (2) that the publicly disclosed financial statements for the same period have been prepared in accordance with Capital Market Board communiques XI:1, XI:3, and XI:20 as well as with generally accepted accounting principles and standards.

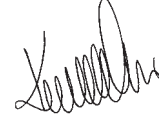
MEMBER

Buket Himmetođlu



MEMBER

Kemal Şahin



BOARD OF DIRECTORS RECOMMENDATION CONCERNING THE DISTRIBUTION OF 2004 YEAR PROFITS OF İŞ REAL ESTATE INVESTMENT TRUST CO. (Values in YTL)

A. DISTRIBUTION OF CURRENT-YEAR PROFIT

1- CURRENT-YEAR PROFIT	19,229,600
2- PRIOR-YEAR LOSSES	-
3- TAXES DUE	-
Corporation Tax	-
Withholding For Income Tax	-
Other Taxes And The Like	-
4- FIRST LEGAL RESERVE	961,480
5- UNREALIZED CAPITAL GAINS	451,661
<hr/>	
NET DISTRIBUTABLE PROFIT FOR THE YEAR:	17,816,459
6- FIRST SHAREHOLDERS' DIVIDEND	16,480,732
- For Common Shareholders	-
- For Preferred Shareholders	-
7- DIVIDEND FOR BLUE & WHITE COLLAR EMPLOYEES	-
8- DIVIDEND FOR COMPANY DIRECTORS	-
9- SECOND SHAREHOLDERS' DIVIDEND	1,202,155
- For Common Shareholders	-
- For Preferred Shareholders	-
10- SECOND LEGAL RESERVE	133,573
11- STATUTORY RESERVES	-
12- SPECIAL RESERVES	-
EXTRAORDINARY RESERVES	-

B-DIVIDENDS PAID FROM RESERVES

1- Shareholders	-
- To Common Shareholders	-
- To Preferred Shareholders	-
2- To Blue & White Collar Employees	-
3- To Company Directors	-

C-PROFIT PER SHARE (YTL / %)

1- Common shareholders	YTL 0.0583 / 5.83%
2- Preferred shareholders	-

D-DIVIDEND PER SHARE (YTL / %)

1- Common shareholders	YTL 0.0536 / 5.36%
2- Preferred shareholders	-

2004 STATUTORY AUDITORS' REPORT FOR İŞ REAL ESTATE INVESTMENT TRUST CO.

Company Name	İş Real Estate Investment Trust Co.
Headquarters	Istanbul
Issued Capital	YTL 329,966,000
Principal Business Activity	The Company was established to invest in real estate properties, in capital market instruments backed by real estate properties, and in real estate projects.
Name, Term of Office, and Partnership Status of the Statutory Auditors	Mukadder Gündem Tuncay Güler Ertuğrul Senem The statutory auditors are elected to serve until the date of the next ordinary general meeting. They are not partners in the Company
Number of Board of Directors Meetings Participated in and Number of Times the Statutory Auditors Formally Convened	12
Scope, Dates, 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 was that they were in accord with records.
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 Law and The Conclusions Reached	Cash counts were performed at the Company cashier's office twice in 2004 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 Law and the Conclusions That Were Reached	During our examinations performed each month the presence of all negotiable instruments was checked and it was established that they conformed to the records.
Charges or Complaints of Improprieties Received and the Action Taken	During our term of office as statutory auditors for İş Real Estate Investment Trust Co., no charges or complaints of improprieties were referred to us.

We have examined the accounts and transactions of the firm of İş Real Estate Investment Trust Co. for the period 1 January 2004 to 31 December 2004 for compliance with the requirements of the Turkish Commercial Law, the Company's articles of incorporation, relevant laws and regulations, and generally accepted accounting principles and standards.

In our opinion: the enclosed balance sheet for the period 1 January 2004-31 December 2004, the contents of which we certify, accurately reflects the true financial standing of the Company on the latter date; the income statement for the period 1 January 2004-31 December 2004 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 incorporation.

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.

THE STATUTORY AUDITORS

Mukadder Gündem



Tuncay Güler



Ertuğrul Senem



Auditors' report



İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2004

1 We have examined the inflation adjusted consolidated balance sheet of İş Gayrimenkul Yatırım Ortaklığı A.Ş. and its subsidiary (together "the Group") as of 31 December 2004 and the related inflation adjusted consolidated statement of income for the period then ended in accordance with Communiqué No: XI/1 "Communiqué on the Financial Statements and Reporting on Capital Market Standards" and Communiqué No: XI/21 "Communiqué on the Preparation of Consolidated Financial Statements and Accounting of Subsidiaries" published by the Capital Market Board ("CMB"). The accompanying financial statements are expressed in the equivalent purchasing power of Turkish Lira as of 31 December 2004. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

2 In our opinion, the attached inflation adjusted consolidated financial statements present fairly the financial position of the Group as of 31 December 2004 and the results of its operations for the period then ended, in conformity with legislation and generally accepted accounting principles defined in the Communiqués No: XI/1 and XI/21 published by the CMB.

3 Without qualifying our opinion we draw attention to the following:

The Company increased its share capital during 2004 from its internal sources which is based on lower of positive shareholders' equity inflation adjustment differences as per the statutory records and positive shareholders' equity inflation adjustment differences calculated as per the generally accepted accounting principles set out by CMB.

4 Additional paragraph for English translation:

The accompanying financial statements are not intended to present the financial position and the results of the operations and the cash flows in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than those in Turkey. The standards, procedures and practices to audit the accompanying financial statements are those generally accepted and applied in Turkey.

DENETİM SERBEST MALİ MÜŞAVİRLİK A.Ş.
Member of DELOITTE TOUCHE TOHMATSU



Hasan KILIÇ
Partner
İstanbul, 9 March 2005

İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

INFLATION ADJUSTED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2004
(NEW TURKISH LIRA "NTL")

	Audited Current Year 31 December 2004	Audited Previous Year 31 December 2003
ASSETS		
I- CURRENT ASSETS	183,486,774	131,911,541
A- Liquid Assets	37,020,398	15,584,718
1- Cash	3	18
2- Banks	37,020,395	15,584,700
3- Other Liquid Assets	-	-
B- Marketable Securities	22,916,212	27,872,636
1- Private Sector Shares	-	229,439
2- Private Sector Bills and Bonds	-	-
3- Treasury Bills and Bonds	19,027,026	27,283,024
4- Other Marketable Securities	3,988,672	360,173
5- Provision for Diminution in Value of Marketable Securities (-)	(99,486)	-
C- Short Term Trade Receivables	826,564	695,795
1- Trade Debtors	730,413	684,338
2- Notes Receivables	98,275	10,963
3- Deposits and guarantees given	593	641
4- Other Short-Term Trade Receivables	-	-
5- Discount on Receivables (-)	(2,717)	(147)
6- Provision for Doubtful Receivables (-)	-	-
D- Other Short Term Receivables	5,737	60,093
1- Receivables from Shareholders	-	-
2- Receivable from Associates	-	-
3- Receivables from Subsidiaries	-	-
4- Other Short-Term Receivables	5,737	60,093
5- Discount on Receivables (-)	-	-
6- Provision for Doubtful Receivables (-)	-	-
E- Inventories	116,047,798	85,180,956
1- Raw Materials	-	-
2- Work in Process	-	-
3- Intermediary Goods	-	-
4- Finished Goods	-	-
5- Merchandises	132,387,698	110,703,805
6- Other Inventories	-	-
7- Provision for Diminution in Value of Inventories (-)	(16,339,900)	(25,522,849)
8- Order Advances Given	-	-
F- Other Current Assets	6,670,065	2,517,343
II- LONG TERM ASSETS	617,559,258	513,226,064
A- Long Term Trade Receivables	-	-
B- Other Long Term Receivables	-	-
C- Long Term Financial Assets	-	-
D- Tangible Fixed Assets	593,279,591	488,055,594
1- Land	-	-
2- Infrastructure and Land Improvements	-	-
3- Buildings	766,044,948	722,050,005
4- Property, Plant and Equipment	87,841	82,854
5- Vehicles	81,242	61,879
6- Furniture and Fixtures	339,205	318,144
7- Other Tangible Fixed Assets	37,296,030	36,832,944
8- Accumulated Depreciation (-)	(69,832,593)	(53,190,452)
9- Construction in Progress	-	-
10- Advances Given	-	-
11-Provision for Diminution in Value of Tangible Fixed Assets (-)	(140,737,082)	(218,099,780)
E- Intangible Fixed Assets	24,260,794	25,084,532
1- Establishment Costs	588	-
2- Rights	24,116,028	24,994,267
3- Research and Development Costs	-	-
4- Other intangible Fixed Assets	144,178	90,265
5- Advances Given	-	-
F- Other Non- Current Assets	18,873	85,938
TOTAL ASSETS	801,046,032	645,137,605

İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.INFLATION ADJUSTED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2004
(NEW TURKISH LIRA "NTL")

	Audited Current Year 31 December 2004	Audited Previous Year 31 December 2003
LIABILITIES		
I- SHORT TERM LIABILITIES	2,163,877	16,655,411
A- Financial Liabilities	-	-
B- Trade Payables	973,184	757,385
1- Trade Creditors	973,184	757,385
2- Notes Payables	-	-
3- Deposits and Guarantees Received	-	-
4- Other Trade Payables	-	-
5- Discount on Notes Payable(-)	-	-
C- Other Short Term Liabilities	1,190,389	15,898,026
1- Payables to Shareholders	-	-
2- Payables to Associates	-	-
3- Payables to Subsidiaries	-	-
4- Expense Accruals	159	162,138
5- Taxes and Dues Payable	344,086	98,692
6- Deferred Payables to Government Offices	-	-
7- Other Short Term Payables	846,144	15,637,196
8- Discount on Notes Payables (-)	-	-
D- Order Advances Received	-	-
E- Provisions	304	-
II- LONG TERM LIABILITIES	20,042,511	128,913
A- Financial Liabilities	-	-
B- Trade Payables	-	-
C- Other Long Term Payables	-	-
D- Order Advances Received	19,893,597	-
E- Provisions	148,914	128,913
1- Retirement Pay Provision	148,914	128,913
2- Other Provisions	-	-
III- SHAREHOLDERS' EQUITY	778,839,644	628,353,281
A- Capital	329,614,634	235,690,000
B- Capital Commitments (-)	-	-
C- Premium in Excess of Par	19,839	19,839
D- Revaluation Surplus	-	-
E- Reserves	371,190	51,722,904
1- Legal Reserves	-	2,742,522
2- Statutory Reserves	-	-
3- Special Reserves	371,190	1,210,483
4- Extraordinary Reserves	-	47,769,899
5- Cost Increase Fund	-	-
6- Gain on Sale of Fixed Assets and Participations Which Will Be Incorporated in Capital"	-	-
F- Net Profit For The Period	105,109,351	32,705,196
G- Loss For The Period (-)	-	-
H- Prior Years' Losses (-)	-	(250,563,264)
I- Shareholders' Equity Inflation Adjustment Differences	343,724,630	558,778,606
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	801,046,032	645,137,605

İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.INFLATION ADJUSTED CONSOLIDATED INCOME STATEMENT
(NEW TURKISH LIRA "NTL")

	Audited Current Year 1 January -31 December 2004	Audited Previous Year 1 January -31 December 2003
A- GROSS SALES	37,647,008	43,718,330
1- Domestic Sales	37,639,352	43,718,330
2- Foreign Sales	-	-
3- Other Sales	7,656	-
B- SALES DISCOUNTS (-)	-	-
C- NET SALES	37,647,008	43,718,330
D- COST OF SALES (-)	(20,495,959)	(20,550,212)
GROSS SALE INCOME	17,151,049	23,168,118
E- OPERATIONAL EXPENSES (-)	(3,131,989)	(2,970,901)
1- Research and Development Expenses (-)	(39,256)	(67,627)
2- Marketing, Selling and Distributing Expenses (-)	-	-
3- General Administrative Expenses (-)	(3,092,733)	(2,903,274)
OPERATIONAL INCOME	14,019,060	20,197,217
F- PROFIT/INCOME FROM OTHER OPERATIONS	10,278,532	14,071,437
1- Dividend Income from Equity Investments	-	-
2- Dividend Income from Subsidiaries and Affiliates	-	-
3- Interest and Other Dividend Income	1,070,131	1,286,287
4- Other Operating Income	9,208,401	12,785,150
G- OTHER OPERATING EXPENSES (-)	(2,097,039)	(35,189,769)
1-Discount Expenses	(4,761)	(196)
2- Other Expenses and Losses	(2,092,278)	(35,189,573)
H- FINANCE EXPENSES (-)	(3,006)	-
OPERATING PROFIT OR LOSS	22,197,547	(921,115)
I- EXTRAORDINARY INCOME AND PROFITS	56,926,993	-
1- Reversal of Provisions	56,926,993	-
2- Prior Period Income	-	-
3- Other Extraordinary Income	-	-
J- EXTRAORDINARY EXPENSES AND LOSSES (-)	(14,286)	-
1- Prior Period Income	(14,286)	-
2- Other Extraordinary Income	-	-
PERIOD PROFIT OR LOSS	79,110,254	(921,115)
K- NET MONETARY GAIN/(LOSS)	25,999,401	33,626,311
L- TAXATION (-)	(304)	-
NET PROFIT OR LOSS FOR THE YEAR	105,109,351	32,705,196

İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.INFLATION ADJUSTED CONSOLIDATED CASH FLOW STATEMENT
(NEW TURKISH LIRA "NTL")

	Audited Current Year 1 January- 31 December 2004	Audited Previous Year 1 January- 31 December 2003
A- CASH AT THE BEGINNING OF THE PERIOD	8,738,856	6,845,862
B- CASH INFLOWS DURING THE PERIOD	199,845,837	92,122,140
1- Cash Inflows from Sales	37,647,008	43,166,336
a. Net Sales Income	37,647,008	43,718,330
b. Decrease in Trade Receivables (Resulting from Sales)	-	-
c. Increase in Trade Receivables (Resulting from Sales) (-)	-	(551,994)
2- Cash Inflows from Other Operating Income	7,152,652	13,794,186
3- Cash Inflows from Extraordinary Income and Profits	56,926,993	-
4- Increase in Short Term Liabilities (Non-Trade)	-	-
a. Marketable Security Issues	-	-
b. Other Increases	-	-
5- Increase in Long Term Liabilities (Non-Trade)	-	-
6- Capital Increase in Cash	46,786,634	-
7- Other Cash Inflows	51,332,550	35,161,618
C- CASH OUTFLOWS DURING THE PERIOD	171,564,295	83,383,284
1- Cash Outflows Resulting from Costs	3,095,680	21,355,599
a. Cost of Sales	20,495,959	20,550,212
b. Increase in Inventories	-	18,261,220
c. Decrease in Payable (Trade)	-	-
d. Increase in Payable (Trade) (-)	-	(375,532)
e. Expenses not Requiring Cash Outflow	(17,400,279)	(17,080,301)
f. Decrease in Inventories (-)	-	-
2- Cash Outflows Related to Operating Expenses	3,005,510	2,698,306
a. Research and Development Expenses	39,256	67,627
b. Marketing, Sales and Distribution Expenses	-	-
c. General Administrative Expenses	3,092,733	2,903,274
d. Expenses not Requiring Cash Outflow (-)	(126,479)	(272,595)
3- Cash Outflows from Other Operating Expenses	1,752,953	33,310,798
a. Expenses and Losses from Other Operations	1,752,953	35,189,769
b. Expenses and Losses not Requiring Cash Outflow (-)	-	(1,878,971)
4- Cash Outflows from Financial Expenses	3,006	-
5- Cash Outflows from Extraordinary Expenses and Losses	14,286	-
a. Extraordinary Expenses and Losses	14,286	-
b. Expenses not Requiring Cash Outflow (-)	-	-
6- Cash Outflows from Investments in Long Term Assets	44,594,740	3,423,777
7- Principle Payments of Short Term Borrowings	14,791,052	3,526,594
8- Principle Payments of Long Term Borrowings	-	18,694,032
9- Taxes and Dues Paid	344,390	-
10- Dividends Paid	-	-
11- Other Cash Outflows	103,962,678	374,178
D- CASH AT THE END OF THE YEAR	37,020,398	15,584,718
E- CASH INCREASE OR (DECREASE)	28,281,542	8,738,856

İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.INFLATION ADJUSTED CONSOLIDATED FUND FLOW STATEMENT
(NEW TURKISH LIRA "NTL")

	Audited Current Year 1 January- 31 December 2004	Audited Previous Year 1 January- 31 December 2003
A- FUND INFLOWS	106,424,537	18,871,973
1- Fund Generated From Operating Profit	39,724,305	28,171,840
a. Operating Profit	22,197,547	-
b. Depreciation (+)	17,526,758	17,303,564
c. Expenses not Requiring Fund Outflow (+)	-	11,145,526
d. Income not Generating Fund Inflow (-)	-	(277,250)
2- Fund Generated From Extraordinary Profit	-	(9,299,867)
a. Extraordinary Profit	56,926,993	-
b. Expenses not Requiring Fund Outflow (+)	25,999,401	-
c. Income not Generating Fund Inflow (-)	(82,926,394)	(9,299,867)
3- Decrease in Current Assets	-	-
4- Decrease in Long Term Assets	-	-
5- Increase in Short Term Borrowings	-	-
6- Increase in Long Term Borrowings	19,913,598	-
7- Capital Increase (Cash)	46,786,634	-
8- Premium in Excess of Par	-	-
B- FUND OUTFLOWS	106,424,537	18,871,973
1- Fund Outflows Due to Operating Loss	-	921,115
a. Operating Loss	-	921,115
b. Depreciation (+)	-	-
c. Expenses not Requiring Fund Outflow (+)	-	-
d. Income not Generating Fund Inflow (-)	-	-
2- Fund Generated From Extraordinary Losses	14,286	(33,626,312)
a. Extraordinary Loss	14,286	-
b. Expenses not Requiring Fund Outflow (+)	-	-
c. Income not Generating Fund Inflow (-)	-	(33,626,312)
3- Taxes and Dues Paid	344,390	-
4- Dividends Paid	-	-
5- Increase in Current Assets	30,139,553	26,379,845
6- Increase in Long Term Assets	44,594,740	3,390,466
7- Decrease in Short Term Borrowings	31,331,568	3,112,827
8- Decrease in Long Term Borrowings	-	18,694,032
9- Capital Decrease	-	-
CHANGE IN NET WORKING CAPITAL		
1- Increase in Net Working Capital	66,066,767	38,939,295
2- Decrease in Net Working Capital	-	-

İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**NOTES TO THE INFLATION ADJUSTED CONSOLIDATED
BALANCE SHEET AS OF 31 DECEMBER 2004****1. ACTIVITIES OF THE COMPANY**

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 was established in 1998.

The main objective and operation of the Company is to apply the regulations of Capital Market Board ("CMB") related with Real Estate Investment Corporation such as properties, property oriented capital market instruments, real estate projects and investment to capital market instruments. CMB's regulations and to comply to these related principles are taken as basis for the Company operations, portfolio investment policies and management limitations.

Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti. ("Kanyon") had been established on 6th. October 2004 by both 50% equal participations of İş Gayrimenkul Yatırım Ortaklığı A.Ş. ve 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 of maintenance, security, basic environmental set up and so on as well as acting as an agent in the introduction and marketing processes of the projects belonging to the complex. The financial statements of Kanyon is included on the accompanying financial statements with proportional consolidation method according to the principles of accounting for corporations that are subject to joint control.

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

2. SHAREHOLDERS WITH A SHAREHOLDING OF 10% OR MORE

As of 31 December 2004 and 2003 shareholders with a shareholding of 10% or more are as follows:

İş Gayrimenkul Yatırım Ortaklığı A.Ş. 31.12.2004			31.12.2003	
Name	Share Percentage %	Share Amount NTL	Share Percentage %	Share Amount NTL
Türkiye İş Bankası A.Ş.	50,93	167.867.885	66,34	156.357.245
Other	49,07	161.746.749	33,66	79.332.755
Total	100,00	329.614.634	100,00	235.690.000
Inflation Adjustment Differences		494.271.702		541.409.702
Offsetting Accumulated Losses (pls see Note: 33)		(150.589.912)		-
		343.681.790		541.409.702
Inflation Adjusted Capital		673.296.424		777.099.702

Kanyon Yön. İşl. Paz. Ltd. Şti. 31.12.2004			31.12.2003	
Name	Share Percentage %	Share Amount NTL	Share Percentage %	Share Amount NTL
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	50,00	50.000	-	-
Eczacıbaşı Holding A.Ş.	50,00	50.000	-	-
Total	100,00	100.000		
Inflation Adjustment Differences		-		-
Inflation Adjusted Capital	100,000			-

İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INFLATION ADJUSTED CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2004

3. SPECIAL RIGHTS GRANTED TO ISSUED SHARES

The nominal capital of the Company consists of 329.614.634 shares of NTL 1 each. NTL 471.380 of the shares are Group A issued to name, NTL 74.831.575 are Group B issued to name and NTL 254.311.679 are Group B issued to the bearer.

Group A shares have a privileges to nominate for the election of board members. Only one of the board members are chosen from the candidates of Group B shareholders but all other board members chosen from the nominees of Group A shareholders.

The nominal capital of Kanyon consists of 100.000 shares of NTL 1 each. 50.000 shares belong to Eczacıbaşı Holding A.Ş. are Group A and 50.000 shares belong to İş Gayrimenkul Yatırım Ortaklığı A.Ş. are Group B shares. Executive Board of Managers will be consist of four people and two of them are selected from the candidate of Group A shareholders and other two members from the candidate of Group B shareholders.

4. REGISTERED CAPITAL LIMIT

The Company's registered capital ceiling is NTL 500.000.000 (31 December 2003: NTL 500.000.000) and consist of 500.000.000 shares with each NTL 1 value. Kanyon is not subject to the registered capital limit system.

5. CAPITAL INCREASES DURING THE YEAR AND THE SOURCES

According to Board of Directors decision dated 29 September 2004, the Company capital has been decided to increase by NTL 94.276.500 (nominal) from NTL 235.690.000 (nominal) to NTL 329.966.000 (nominal). NTL 47.138.000 of capital increase has been planned to meet from positive inflation adjustment difference on shareholders' equity and remaining NTL 47.138.000 in cash from shareholders.

However, during the pre-emptive right availability period which was 15 December 2004 – 29 December 2004, only NTL 46.786.634 (nominal) of new share purchase coupons were sold and remaining part NTL 351.366 (nominal) was sold to primary market on Istanbul Stock Exchange between 24 January 2005 – 28 January 2005. As of 31 December 2004 capital of the Company has been reached to NTL 329.614.634 (nominal) by increasing NTL 93.924.634 (nominal)

(31 December 2003: None).

6. SECURITIES OTHER THAN SHARES ISSUED DURING THE PERIOD

None. (31 December 2003: None)

7. DEBT SECURITIES MATURED DURING THE PERIOD

None. (31 December 2003: None)

İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**NOTES TO THE INFLATION ADJUSTED CONSOLIDATED
BALANCE SHEET AS OF 31 DECEMBER 2004****8. MOVEMENTS OF FIXED ASSETS DURING THE YEAR**

a. Cost of fixed assets purchased or built during current period: NTL 44.594.740 (31 December 2003: NTL 3.423.777).

Cost of tangible fixed assets purchased or built: NTL 44.565.428 (31 December 2003: NTL 3.390.466)

	31.12.2004	31.12.2003
	NTL	NTL
Purchased		
Buildings	43.994.943	2.888.471
Equipments	4.986	5.484
Vehicle	50.438	-
Furniture and Fixtures	21.062	25.392
Furnitures of İş Towers and Purchased Buildings	493.999	471.119
Total	44.565.428	3.390.466

Cost of intangible fixed assets purchased or built: NTL 29.312 (31 December 2003: NTL 33.311)

	31.12.2004	31.12.2003
	NTL	NTL
Purchased		
Establishment Costs	661	-
Software Package	28.651	33.311
Total	29.312	33.311

b. Cost of fixed assets scrapped or sold: NTL 61.987. (31 December 2003: None)

	31.12.2004	31.12.2003
	NTL	NTL
Sold		
Vehicles	31.074	-
Seven Seas Hotel Furnitures	30.913	-
Total	61.987	-

c. Construction in progress: None.

**9. CURRENT AND FUTURE INVESTMENT ALLOWANCES WHICH ARE DEDUCTIBLE FROM
TAX BASE**

As at the balance sheet date, there is no investment allowance which can be used in the following periods.

İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INFLATION ADJUSTED CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2004

10. BALANCES WITH SHAREHOLDERS, ASSOCIATES AND SUBSIDIARIES

NTL 37.020.395 (31 December 2003: NTL 15.584.700) of bank balance in current assets consist of deposit accounts in Türkiye İş Bankası A.Ş. which is shareholder of the Company and NTL 546.114 (31 December 2003: NTL 482.154) of short-term trade payables is due to Anadolu Anonim Türk Sigorta A.Ş. arising from insurance agreements. Besides, NTL 297.537 of short term trade receivables includes Tatilya rent receivable from İş Merkezleri Yönetim ve İşletim A.Ş, NTL 2.343 of other current assets consists of business advances given to this shareholder for operating expenses of Solaris Plaza and NTL 27.366 of short term trade payables is due to the same company for operating expenses of the İş Towers. NTL 3.148 in short term trade receivables consist of trade receivable from Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.

11. ACCOUNTING PRINCIPLES AND VALUATION METHODS

a) Basis of Preparation of Financial Statements

The Capital Market Board ("CMB") has published Communiques No: XI/1, XI/20, XI/21 and other Communiques, which amend or add to the above Communiques. These Communiques define the principles and rules related to the preparation, presentation and reporting of financial statements (hereinafter referred to as "generally accepted accounting principles issued by the Capital Market Board") to be prepared by those companies subject to Capital Market Law. The Company is preparing its financial statements in accordance with the generally accepted accounting principles issued by the CMB.

CMB published Communique No: XI/20 "Communique on the Preparation of Financial Statements in Hyperinflationary Periods" and Communique No: XI/21 "Communique on Consolidated Financial Statements and Accounting for Investments in Associates in Capital Markets" for the annual financial statements to be prepared on or after 1 January 2003.

Since attached consolidated financial statements are prepared in accordance with CMB Communique No: XI/21 for the first time as of 31 December 2004, comparative figures as of 31 December 2003 in financial statements and notes are prepared in accordance with CMB Communique No: XI/20.

First time application of inflation accounting:

The Company prepared its financial statements according with Communique No: XI/20 for the first time as of 31 December 2003. In accordance with this Communique, when financial statements are restated for the first time, the beginning period is adjusted by deducting restated assets from restated liabilities and restated equity components and the difference is recorded under previous years' accumulated profits/(losses) and shareholder's equity inflation restatement differences.

Inflation Accounting:

In the accompanying consolidated financial statements, restatement adjustments have been made to compensate for the effect of changes in the general purchasing power of the New Turkish Lira, in accordance with CMB's Communique No: XI/20.

İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**NOTES TO THE INFLATION ADJUSTED CONSOLIDATED
BALANCE SHEET AS OF 31 DECEMBER 2004**

CMB Communique No: XI/20 requires that consolidated financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and the corresponding figures for previous periods be restated in the same terms. One characteristic that necessitates the application of Communique No: XI/20 is a cumulative three-year inflation rate approaching or exceeding 100%. Such cumulative rate in Turkey is 70% for the three years ended 31 December 2004 based on the wholesale price index announced by the Turkish State Institute of Statistics. The other criteria for the determination of commencing of hyperinflationary period and, therefore, requirement for application of this communique is 10% or higher inflation rate in the current period.

Although the price level has not increased according to the rates mentioned above, as a result of other criteria such as; the general population substantially keeping their savings in foreign currencies, prices of goods and services quoted in foreign currencies, interest rates, wages and prices linked to a price index, sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short, the accompanying financial statements are adjusted for the effects of inflation.

The restatement was calculated by means of conversion factors derived from the Turkish countrywide wholesale price index published by the State Institute of Statistics (with the index beginning in 1994 at 100). Such index and the conversion factors used to restate the accompanying financial statements as of the end of each period to 31 December 2004 are given below:

Date	Index	Conversion Factor
31 December 2001	4.951,7	1,6972
31 December 2002	6.478,8	1,2971
31 December 2003	7.382,1	1,1384
31 December 2004	8.403,8	1,0000

The annual change in the NTL exchange rate against the US Dollar can be compared with the rates of general price inflation in Turkey according to the WPI as set out below:

Year:	2004	2003	2002	2001	2000
Currency Devaluation US \$	(3,8%)	(14,6%)	13,6%	114,3%	24,4%
WPI Inflation	13,8%	13,9%	30,8%	88,6%	32,7%

At 31 December 2004 the exchange rate announced by the Turkish Central Bank was NTL 1,3421 = US 1 Dollars (31 December 2003: NTL 1,3958 = US 1 Dollars).

İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INFLATION ADJUSTED CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2004

The main guidelines for the CMB Communique Serie: XI No: 20 restatements are as follows.

- All balance sheet amounts not already expressed in terms of the measuring unit current at the balance sheet date are restated by applying a general price index (the WPI). Corresponding figures for previous periods are similarly restated.
- Monetary assets and liabilities are not restated because they are already expressed in terms of the measuring unit current at the balance sheet date. Monetary items are money held and items to be received or paid in money.
- Non-monetary assets and liabilities are restated by applying, to the initial acquisition cost and any accumulated depreciation, the change in the general price index from the date of acquisition or initial recording to the balance sheet date. Hence, property, plant and equipment, investments and similar assets are restated from the date of their purchase, not to exceed their market value. Depreciation is calculated at their restated amounts. Components of shareholders' equity are restated by applying the applicable general price index from the dates when components were contributed or otherwise arose.
- All items in the statement of income are restated by applying the relevant conversion factors from the dates when the income and expense items were initially recorded in the financial statements, except restatement of income components which depend on restatement of non-monetary assets and liabilities like amortization, gain /(loss) on sale of fixed assets which are restated according to Communique No: XI/20.
- The gain or loss on the net monetary position is the result of the effect of general inflation and is the difference resulting from the restatement of non-monetary assets, shareholders' equity and income statement items. The gain or loss on the net monetary position is included in net income.

Consolidation:

The attached consolidated financial statements incorporate the financial statements of the Company and its subsidiary subject to joint control in accordance with the Communique No: XI/21. Assets, liabilities, shareholders' equity, income and expenses in the financial statements of the Company and its subsidiary subject to joint control are combined and adjustments are made to eliminate intercompany sales and purchases, intercompany receivables and payables and intercompany equity investments. Subsidiary subject to joint control is consolidated with Company through summing up with related accounts of the Company taking into account the 50% shareholding of the Company. As a result of these transactions, consolidated financial statements do not include minority shares of equity items and net profit.

New Turkish Lira:

A new law number 5083 on the Monetary Unit of the Republic of Turkey was enacted with the effect from 1 January 2005, which deletes six zeroes from the former currency of the Turkish Republic, The Turkish Lira ("TL"), to form a new currency the New Turkish Lira ("NTL"). Thus 1 NTL = 1,000,000 TL. The New Turkish Lira is divided into 100 New Turkish cents ("YKr"). As per the CMB decision MSD-10/832-43399 dated 1 December 2004, the financial statements to be publicly announced in 2005 should be prepared in NTL monetary unit including comparatives. Accordingly, the accompanying financial statements are presented in NTL.

İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**NOTES TO THE INFLATION ADJUSTED CONSOLIDATED
BALANCE SHEET AS OF 31 DECEMBER 2004****b) Marketable Securities**

Marketable securities are initially booked at cost. Government bonds and Treasury bills are valued by applying internal rate of return, which is determined by using the cost at the purchase date and the number of days to maturity. The accrued income is included in marketable securities in the balance sheet and other operating income in the income statement.

Government bonds and Treasury bills subject to reverse-repo transactions are valued by applying interest rates determined according to the purchase cost over the period to maturity.

Value increases resulting from year-end valuations are recorded in the "Income Accruals" under marketable securities category in the balance sheet, and in "Income and Profits from Other Operations" in the income statement.

Marketable security investment fund participation certificates in the portfolio valued with the participation certificate unit share price declared as of the balance sheet date.

Shares traded on stock exchanges are valued at the average of the weighted average unit prices for the 5 working days prior to the balance sheet date. The shares purchased within 5 working days prior to the balance sheet date are valued at lower of cost or average prices as at the balance sheet date.

c) Inventory

Inventory is carried at restated acquisition costs by applying corresponding coefficients for their respective acquisition dates.

However, according to article 25 of Communiqué No: XI/20, "Any balance sheet item that is indexed in accordance with inflation accounting have to be compared with their net realizable value checking for any impairment. If any impairment is provided new carrying value of this item should be this amount. In accordance with this explanation all inventory items are revalued by the independent appraisals values and as of the balance sheet date, for inventories at consolidated financial statements, totally NTL 16.339.900 (31 December 2003: NTL 25.522.849) provision for diminution in value was allocated.

The company's inventory consists of the costs of developing real estate projects.

Inventory	31.12.2004 NTL	31.12.2003 NTL
İstanbul, Beşiktaş, I. Region 81, 981 572-629-630-631 numbered plot of land	18.687.546	18.687.546
İstanbul Şişli 303, 1946, 136 numbered plot of land	63.250.980	63.250.980
Construction Expenses	36.333.062	16.409.440
Research and Project Expenses	3.855.217	3.467.818
Land Arrangement Expenses	3.761.539	3.454.249
Other	6.499.354	5.433.772
Total	132.387.698	110.703.805

İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INFLATION ADJUSTED CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2004

d) Tangible Fixed Assets

Tangible fixed assets are presented using correction coefficients over their indexed values based on historical costs of the fixed asset. However, according to article 25 of Communiqué No: XI/20, "Any balance sheet item that is indexed in accordance with inflation accounting have to be compared with their net realizable value checking for any impairment. If any impairment is provided new carrying value of this item should be this amount. In accordance with this explanation all inventory items are revalued by the independent appraisals values and as of balance sheet date, for tangible fixed assets at consolidated financial statements, totally NTL 140.737.082 (31 December 2003: NTL 218.099.780) provision for diminution in value was allocated.

Tangible fixed assets that are acquired before 1 January 2004 are depreciated on a straight line basis using the following rates; tangible fixed assets that are acquired after that date are depreciated by using the new depreciation rates announced by Tax Procedural Law No: 5024.

Fixed assets are depreciated over their expected economic lives based on using the following rates:

	%
Buildings	2
Furniture and Fixture	5-6-8-10-12-20

e) Income and Expenses

The accrual basis of accounting is applied for the recognition of revenues and expenses.

f) Assets and Liabilities Denominated in Foreign Currency

Assets denominated in foreign currencies are translated into Turkish Lira at buying exchange rates announced by the Turkish Central Bank at the balance sheet date. Liabilities denominated in foreign currencies are translated into Turkish Lira at selling exchange rates announced by the Turkish Central Bank at the balance sheet date. Transactions in foreign currencies during the year are translated into Turkish Lira at the rates ruling on the transaction dates. Exchange gains and losses resulting from such transactions are included in the profit and loss accounts.

g) Tax

The income gained from real estate investment management that acquired the status of the real estate investment trust is excepted from Corporate Tax according to Article 8 section 4-d of the Corporate Tax Law. Furthermore, the income of real estate investment trust is within the context of exception at the stage of advance corporate tax. According to Income Tax Law 94 article 6/a clause and the Cabinet decision, withholding tax rate out of portfolio management income of real estate investment trust is 0%.

12. SUBSEQUENT EVENTS

a) The ceiling for gross pay for the retirement pay provision limit has been increased to NTL 1.649 as of 1 January 2005.

b) Türkiye İş Bankası A.Ş., which owns 50,93% of the company as of 31 December 2004, sold shares of the company with NTL 28.857.381 nominal value to corporate investors on Istanbul Stock Exchange on 24 January 2005 and its shareholding rate decreased to 42,17%.

The shares which were not sold during the preferential right availability period in 2004 have been sold between 24 January – 28 January 2005 at Istanbul Stock Exchange Primary Markets. The total of NTL 351.366 nominal value shares was sold and the Company's capital increased to NTL 329.996.000. Türkiye İş Bankası A.Ş. bought NTL 350.466 (nominal) of the shares mentioned above and increased its participation rate to 42.23% on 28 January 2005.

İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**NOTES TO THE INFLATION ADJUSTED CONSOLIDATED
BALANCE SHEET AS OF 31 DECEMBER 2004****13. CONTINGENCIES**

As of 31 December 2004, there are NTL 70.000 ongoing litigation cases December 2003: NTL 70.000)

A law suit for damages in the amount of NTL 60.000 brought against the Company in the 8th Court of First Instance of İstanbul (case 2003/86) by the owners of plot 512 adjacent to Company-owned plot 572 section 981 in the Levent district of Beşiktaş county in the province of İstanbul is still in litigation and the next hearing date has been set for 17 March 2005. Because the court has not yet rendered a judgment on this matter, no provision covering the damages being sought was provided in the attached Group's consolidated financial statements as at 31 December 2004.

A law suit for damages in the amount of NTL 10,000 brought in the Büyükçekmece Court of First Instance (case 2002/1393) by a plaintiff claiming to have suffered injuries at the Company-owned Tatilya Entertainment Center was ruled upon by the court with part of the claims being accepted and part of them being denied. This ruling is currently being appealed. Because the actual respondent in this suit is the Tatilya operating company, no provision covering the damages being sought was provided in the attached Group's consolidated financial statements as at 31 December 2004.

14. CHANGES IN ACCOUNTING ESTIMATES

None.

15. MORTGAGES OR PLEDGES ON ASSETS

There are no mortgages or pledges on assets as at 31 December 2004. (31 December 2003: None).

16. INSURANCE ON ASSETS

The insurance values of Group's tangible fixed assets which have net book value of NTL 593.279.591 (31 December 2003: NTL 488.055.594) are as below: (Insurance Value 31 December 2003: US 185.791.026 Dollars)

Tangible Fixed Assets as of 31 December 2004	Insurance Value (US Dollars)	Insurance Value (NTL)
Ankara İş Tower	29.049.587	38.987.451
İstanbul İş Towers	145.441.756	195.188.786
Maslak Building	12.442.748	16.699.412
Tatilya Entertainment Center	34.175.102	45.866.404
Seven Seas Hotel	22.184.229	29.773.454
Solaris Shopping Center	3.006.711	4.035.307
Ankara Ulus Office Building	8.389.831	11.259.992
Ankara Kızılay Office Building	1.298.013	1.742.063
Antalya Office Building	826.667	1.109.470
Total	256.814.644	344.662.339

As of 31 December 2004, İstanbul Kanyon Project with NTL 112.841.959 value at inventory account is insured for US 129.802.190 Dollars.

İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**NOTES TO THE INFLATION ADJUSTED CONSOLIDATED
BALANCE SHEET AS OF 31 DECEMBER 2004****17. TOTAL VALUE OF GUARANTEES AND MORTGAGES ACQUIRED FOR RECEIVABLES**

As of 31 December 2004, the total value of letters of guarantee received is NTL 8.738.043.
(31 December 2003: NTL 3.417.634)

18. CONTINGENT LIABILITIES

None. (31 December 2003: US 8.775.000 Dollars equivalent of NTL 14.010.915).

19. BLOCKED DEPOSITS AT BANKS

None. (31 December 2003: None).

20. COMPARISON OF MARKETABLE SECURITIES' BOOK VALUES AND MARKET VALUES

The marketable securities in the Company's portfolio as of 31 December 2004 are as follows:

	Cost NTL	Book Value NTL	Market Value NTL
Euro Bond	10.458.574	10.597.609	9.926.688
Treasury Bill	1.692.460	1.773.090	1.796.320
Government Bond	6.461.037	6.556.841	6.573.706
Investment Fund	3.951.757	3.988.672	3.988.672
Total	22.563.828	22.916.212	22.285.386

The marketable securities in the Company's portfolio as of 31 December 2003 are as follows:

	Cost NTL	Book Value NTL	Market Value NTL
Equity Shares	108.141	229.439	234.326
Reverse Repo	62.618	62.651	62.538
Government Bond	26.944.012	27.220.373	27.658.462
Investment Fund	357.105	360.173	360.173
Total	27.471.876	27.872.636	28.315.499

21. SECURITIES ISSUED BY SHAREHOLDERS, ASSOCIATES AND SUBSIDIARIES

Under marketable securities group, there are Türkiye İş Bankası A.Ş. B type liquid fund with NTL 3.988.672 market value. (31 December 2003: NTL 360.173 Türkiye İş Bankası A.Ş. B Type Liquid Fund).

**22. DETAILS OF ACCOUNTS UNDER "OTHER" CAPTIONS IN THE FINANCIAL
STATEMENTS WHICH EXCEED 20% OF THE TOTAL OF THE RELATED GROUP OR EXCEED
5% OF TOTAL ASSETS**

a) Other Marketable Securities	31.12.2004 NTL	31.12.2003 NTL
Investment fund	3.988.672	360.173
Total	3.988.672	360.173

İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**NOTES TO THE INFLATION ADJUSTED CONSOLIDATED
BALANCE SHEET AS OF 31 DECEMBER 2004****b) Other Short-Term Receivables**

Sundry debtors	5.737	60.093
Total	5.737	60.093

c) Other Current Assets

Prepaid expenses	1.128.953	750.688
VAT deductible	403.888	318.093
Business advances given (*)	5.137.224	1.448.562
Total	6.670.065	2.517.343

(*) Business advances given consist of advances given to firms related to Istanbul Kanyon Project.

d) Other Tangible Fixed Assets

Other furniture and fixtures	37.296.030	36.832.944
Total	37.296.030	36.832.944

e) Other Intangible Fixed Assets

Software programs	144.178	90.265
Total	144.178	90.265

f) Other Short Term Liabilities

	31.12.2004	31.12.2003
	NTL	NTL
Taxes and dues payable	344.086	98.692
Unearned revenues	217.370	1.065.787
Expense accruals	159	162.138
Due to personnel	51	-
Other current liabilities (**)	-	14.010.915
VAT payable	628.723	560.494
Total	1.190.389	15.898.026

(**) As of 31 December 2003, Other Current liabilities consists of the last payment made in 2004 related to Eczacıbaşı land with US 8.775.000 Dollars equivalent of NTL 14.010.915.

g) Income From Other Operations

	31.12.2004	31.12.2003
	NTL	NTL
Interest income	1.070.131	1.286.287
Income on marketable securities sales	3.047.892	11.508.715
Foreign exchange gains	2.917.668	1.221.310
Discount on interest income	3.125.880	-
Other	116.961	55.125
Total	10.278.532	14.071.437

İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**NOTES TO THE INFLATION ADJUSTED CONSOLIDATED
BALANCE SHEET AS OF 31 DECEMBER 2004**

h) Other Operating Expenses	31.12.2004	31.12.2003
	NTL	NTL
Provision expenses	-	31.459.450
Loss on marketable securities sales	-	8.864
Foreign exchange losses	2.092.278	3.721.259
Discount on interest expenses	4.761	196
Total	2.097.039	35.189.769

23. RECEIVABLES FROM AND PAYABLES TO PERSONNEL INCLUDED IN OTHER RECEIVABLES AND OTHER SHORT OR LONG TERM PAYABLES WHICH EXCEED 1% OF TOTAL ASSETS

As of 31 December 2004 there is no receivable from the personnel that exceeds 1% of total assets and under the account of other receivables and other long and short-term receivables (31 December 2003: None).

24. DOUBTFUL RECEIVABLES RELATING TO SHAREHOLDERS, ASSOCIATES AND SUBSIDIARIES

As of 31 December 2004 there is no doubtful receivable relating to shareholders, associates or subsidiaries (31 December 2003: None).

25. DOUBTFUL RECEIVABLES ALREADY DUE OR WILL BE DUE IN FUTURE

As of 31 December 2004, there are no doubtful receivables already due or will be due in future (31 December 2003: None).

26. DIRECT AND INDIRECT EQUITY INVESTMENTS

	Investment		Net Profit		Financial	Independent
	Amount	Investment	Before Tax	Net Profit	Report	Auditors'
	NTL	%	NTL	NTL	Preparation	Opinion
					Standard	
Kanyon Yön.						
İşl. Paz. Ltd. Şti	50.000	50,00	1.842	1.234	(*)	(*)

(*) As of the balance sheet date Company's subsidiary subject to joint control is not preparing its financial statements in accordance with the CMB standards. Hence, the figures stated above are unaudited.

Since the subsidiary was established on 6 October 2004, there are no participations or subsidiaries that have direct or indirect capital or management relation with the Company as of 31 December 2003.

27. FREE SHARES ISSUED BY ASSOCIATES AND SUBSIDIARIES

None. (31 December 2003: None)

28. NON-CASH RIGHTS ON REAL PROPERTY

None. (31 December 2003: None)

İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**NOTES TO THE INFLATION ADJUSTED CONSOLIDATED
BALANCE SHEET AS OF 31 DECEMBER 2004****29. REVALUATION SURPLUS ON FIXED ASSETS**

According to Tax Procedural Law No. 5024, the Company reflected inflation accounting adjustments to its books beginning from year 2004. Therefore, the Company did not revalue its assets in 2004 and eliminated the revaluation surplus calculated until 31 December 2003 from the accompanying financial statements in accordance with the principles of inflation accounting.

30. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

As of 31 December 2004 assets and liabilities in foreign currencies are as follows:

Demand Deposits	Currency Amount	Currency Type	Rate	NTL
Türkiye İş Bankası A.Ş.	22.867.279	US Dollars	1,3421	30.690.175
Türkiye İş Bankası A.Ş.	1.533.894	Euro	1,8268	2.802.118
Marketable Securities				
Euro Bond	5.801.187	Euro	1,8268	10.597.608
Couponed Government Bonds	1.338.434	US Dollars	1,3421	1.796.312
Advances Given	1.386.253	US Dollars	1,3421	1.860.490
Trade Payables				
Anadolu Anonim Türk Sigorta	404.305	US Dollars	1,3486	545.246
İş Finansal Kiralama A.Ş.	12.062	Euro	1,8356	22.141
Advances Received				
Kanyon Residence Sales	10.345.226	US Dollars	1,3486	13.951.572
Kanyon Residence Sales	153.887	Euro	1,8356	282.475

As of 31 December 2004 assets and liabilities in foreign currencies are as follows:

Demand Deposits	Currency Amount	Currency Type	Rate	Inflation Effect	NTL
Türkiye İş Bankası A.Ş.	5.556.988	US Dollars	1,3958	1.073.731	8.830.175
Türkiye İş Bankası A.Ş.	3.388.493	Euro	1,7451	818.301	6.731.560
Trade Receivables					
Anadolu Anonim Türk Sigorta A.Ş.	301.235	US Dollars	1,4026	58.465	480.977
Short Term Other Liabilities					
Installment of land purchased from Eczacıbaşı Holding	8.775.000	US Dollars	1,4026	1.703.100	14.010.915

31. GUARANTEES GIVEN ON BEHALF OF SHAREHOLDERS, AFFILIATES AND SUBSIDIARIES

The Kanyon project that is going on in Istanbul, Şişli Municipality, Büyükdere Street will be funded by loans of Türkiye İş Bankası. The loans will be provided to buyers of the residences up to 90% of the sales price. The Group guaranteed the repayment of the loans to Türkiye İş Bankası until mortgages could be put on residences on behalf of Türkiye İş Bankası.

İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**NOTES TO THE INFLATION ADJUSTED CONSOLIDATED
BALANCE SHEET AS OF 31 DECEMBER 2004****32. PERSONNEL STRUCTURE**

The number of personnel as of 31 December 2004 and 2003 are as follows:

Personnel Structure	31 December 2004	31 December 2003
General Manager	2	1
Assistant General Manager	1	1
Assistant Coordinator	2	2
Finance & Administrative Manager	2	1
Marketing Manager	1	1
Sales Manager	1	-
Investments and Project Manager	1	1
Investment Specialist	1	1
Engineer	5	5
Architect	4	3
Lawyer	1	2
Office Staff	13	7
Total	34	25

33. OTHER SIGNIFICANT MATTERS AFFECTING THE FINANCIAL STATEMENTS

a) In respect of the Communique No: XI/20 "Communique on the Amendment to the Communique on Preparation of Financial Statements in Hyperinflationary Periods" components of shareholders' equity should be stated at their nominal values in the financial statements. The total of indexation differences on these nominal values are disclosed under "Shareholders' Equity Inflation Adjustment Differences".

Also, according to ordinary general assembly decision dated 12 April 2004, prior year losses balance on the inflation adjusted financial statements as of 31 December 2003 prepared in accordance with Communique No: XI/20 have been offset against in the order of year 2003 net income, prior year profits, extraordinary reserves, legal reserves and inflation adjustment differences on shareholders' equity. Shareholders' equity items remaining after offsetting transaction are inflation adjusted and differences arised are included in "Shareholders' Equity Inflation Adjustment Differences" account as shown below:

Offsetting is as follows;

	NTL
Prior Year Losses	(255.014.078)
Extraordinary Reserves	81.316.148
Legal Reserves	4.526.641
Shareholders' Equity Inflation Adjustment Differences	169.171.289
	-

İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**NOTES TO THE INFLATION ADJUSTED CONSOLIDATED
BALANCE SHEET AS OF 31 DECEMBER 2004**

Shareholders' equity inflation adjustment differences that have been offset from prior year losses are as follows:

	31.12.2004		31.12.2003	
	Before Elimination NTL	Elimination NTL	After Elimination NTL	NTL
Capital	494.271.702	(150.589.912)	343.681.790	541.409.702
Premium in Excess of Par	25.348	-	25.348	25.347
Legal Reserves	1.224.361	(1.224.361)	-	1.150.677
Special Reserves (*)	17.492	-	17.492	221.277
Extraordinary Reserves	17.357.016	(17.357.016)	-	15.971.603
Shareholders' Equity Inflation Adjustment Differences	512.895.919	(169.171.289)	343.724.630	558.778.606

(*) Special reserves are not offset and unrealized value increase income are transferred to retained earnings account which is explained in note 33 (b).

b) In accordance with the "Communique on Principles Regarding Distribution of Dividend or Advance Dividend in Publicly Owned Companies Subject to CMB Regulations" that was published on 24582 numbered Official Gazette in 2001, any unrealized gain on marketable securities would not be subject to dividend distribution and would be reclassified as "Special Reserves". Such unrealized gains on marketable securities coming from year 2001 amounting to NTL 1.191.301 (nominal) have been realized in 2003 and classified to prior year income and loss account in accordance with general assembly decision on 12 April 2004. NTL 352.009 (nominal) amounting of unrealized gains on marketable securities on year 2003 was classified to "Special Reserves" in accordance with the same general assembly decision.

c) The cash inflow of NTL 25.999.401 resulting from net monetary gain is classified as other cash inflow in the consolidated cash flow statement and as income not providing fund inflow in the consolidated fund flow statement (2003: NTL 33.626.311).

d) Real estates of the Company that are followed at inventory account and held to as investment portfolio are not depreciated.

İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**NOTES TO THE INFLATION ADJUSTED CONSOLIDATED
BALANCE SHEET AS OF 31 DECEMBER 2004**

e) As of 31 December 2004, appraisal values of the real estates that are followed at inventory and fixed asset accounts and that are held as investment portfolio according to reports prepared by real estate appraisers are as follows:

Real Estates	31.12.2004 Appraisal Report Date	31.12.2004 Appraisal Value NTL	31.12.2003 Appraisal Report Date	31.12.2003 Appraisal Value NTL
Land (in front of Istanbul İş Towers)	22.06.2004	3.205.839	17.12.2003	2.817.546
Kanyon Project	21.12.2004	176.150.000	16.12.2003	82.363.410
Ankara İş Tower, Office Floors, Kavaklıdere	20.12.2004	88.820.000	15.12.2003	101.112.897
İstanbul İş Tower, Office Floors, İş Tower – 2	21.06.2004	143.174.214	16.12.2003	103.008.337
İş Tower – 3	21.06.2004	137.910.456	16.12.2003	100.486.776
Kule Çarşı Shopping Center	21.06.2004	36.084.113	16.12.2003	17.804.613
Parking Lot, Levent–İstanbul	21.06.2004	15.791.274	16.12.2003	9.055.991
Maslak Building Office Floors	20.12.2004	32.900.000	11.12.2003	37.453.437
Tatilya Entertainment Center				
Entertainment Units, Parking Lot, TV Studios	18.06.2004	85.272.878	18.12.2003	82.909.843
Seven Seas Hotel	28.12.2004	45.280.000	18.12.2003	52.070.524
Solaris Shopping Center, 6 Storey Tower with 30 Independent parts	22.06.2004	10.391.779	12.12.2003	8.458.329
Ankara Ulus Office Building	20.09.2004	19.786.634		-
Ankara Kızılay Office Building	31.08.2004	16.969.874		-
Antalya Office Building	31.08.2004	8.484.937		-
TOTAL		820.221.998		597.541.703
		31.12.2004 Impairment Losses NTL		2004 Reversal of Impairment Losses NTL
Inventories		16.339.900		6.079.984
Fixed Assets		140.737.082		50.847.009
Total		157.076.982		56.926.993

f) The Company recorded collections of Kanyon Complex residence sales under "Long Term Order Advances Received" since the ownership of them has not been transferred to customers since the construction is still ongoing and the residences will be delivered to customers in June 2006. The Company collects 50% of the amount paid by customers since Company owns only 50% of the Kanyon Complex.

İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**NOTES TO THE INFLATION ADJUSTED CONSOLIDATED
INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2004****1. The depreciation and the amortization charges for the period are as follows:**

	2004 NTL	2003 NTL
a. Depreciation charges	16.678.636	16.459.230
b. Amortization charges	853.051	844.335
Total	17.531.687	17.303.565

2. The provision and discount expenses as of 31 December 2004 and 2003 are as follows:

	2004 NTL	2003 NTL
Retirement Pay Provision Expenses	57.874	49.332
Discount Expense	4.761	196
Total	62.635	49.528

3. Financial expenses of the current period is NTL 3.006 that is financial leasing expense.
(2003: None).

4. There is no financial expenses related to affiliates, subsidiaries and equity participations for the current period. (2003: None).

5. Sales and purchases from shareholders, associates and subsidiaries:

Products sold and services provided (Rent Income)	2004 NTL	2003 NTL
Türkiye İş Bankası A.Ş.	565.101	2.418.305
Anadolu Anonim Türk Sigorta A.Ş.	2.193.700	2.065.155
Anadolu Hayat Emeklilik A.Ş.	1.747.328	2.358.644
İş Yatırım Menkul Değerler A.Ş.	1.192.468	-
İş Merkezleri Yönetim ve İşletim A.Ş.	454.762	-
İş Net Elek. Bil. Üret. Dağ. Tic. ve İle. Hiz. A.Ş.	370.056	-
İş Portföy Yönetim A.Ş.	158.187	-
Total	6.681.602	6.842.104

Products purchased and services rendered (Insurance Premiums, Bank Expenses and Commission Expenses)	2004 NTL	2003 NTL
Türkiye İş Bankası A.Ş.	7.590	9.948
Anadolu Anonim Türk Sigorta A.Ş.	1.096.166	904.252
Anadolu Hayat Emeklilik A.Ş.	21.366	19.220
İş Merkezleri Yönetim ve İşletim A.Ş.	718.761	-
İş Net Elek. Bil. Üret. Dağ. Tic. ve İle. Hiz. A.Ş.	8.787	-
İş Portföy Yönetim A.Ş.	168.999	-
Total	2.021.669	933.420

İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE INFLATION ADJUSTED CONSOLIDATED
INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2004

6. Interest and rent income and expense from shareholders, associates and subsidiaries:

	2004 NTL	2003 NTL
Interest Income		
Türkiye İş Bankası A.Ş.	998.121	365.345
Total	998.121	365.345

7. The total of salary and fringe benefits for executives like head of and members of board of directors, general manager, general coordinator, assistant general managers:

The total of salary and fringe benefits for executives like head of and members of board of directors, general manager, general coordinator, assistant general managers are NTL 472.970.

8. Depreciation calculation methods and effects of changes in depreciation calculation methods on current year depreciation expense:

Tangible fixed assets acquired before 1 January 2004 are depreciated on a straight line basis using the appropriate rates; tangible fixed assets acquired after that date are depreciated by using the new depreciation rates announced by Tax Procedural Law No: 5024. Such a change is reflected in the statement of income.

9. Inventory Cost Calculation System:

Inventory of the Group consists of real estates. Group calculates its inventories on a cost basis. As of the balance sheet date the inventories are disclosed at market value.

10. The reason why stock count is not made:

Since the Company inventory consists of land as of 31 December 2004, inventory count was not made.

11. There is no service or by-product or scrap sales.

12. There is no subsidies relating to the Company's sales.

13. Prior period income and expenses:

As of 31 December 2004 the Group has NTL 14.286 of prior period expense due to sales return invoice that is related to the year 2003. (2003: None)

14. Profit and dividend per preferred and common share:

The Company is preparing its profit distribution in compliance with the CMB decisions 51/1747 dated 30 December 2004 and 7/242 dated 25 February 2005. Since the Company cannot meet dividends that should be distributed according to net profit calculated in accordance with CMB regulations from its statutory records, net period in statutory records that is NTL 19.299.600 is going to be distributed.

As of the date of this report, the Company's Board of Directors has not yet proposed dividends per share for the year 2004 to be approved at the ordinary general assembly. Accordingly, a profit distribution table is not presented in the accompanying financial statements.

İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**NOTES TO THE INFLATION ADJUSTED CONSOLIDATED
INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2004**

Profit per NTL 1 Nominal Value Equity Share is as follows:

2004

Profit per NTL 1	NTL 19.229.600		
Nominal Value Share (NTL)	329.614.634 Shares	=	0,0583 / 5,83%

Group	Number of Shares	Profit per Share (NTL/%)
Group A	471.380	0,0583 / 5,83%
Group B	329.143.254	0,0583 / 5,83%

2003

Profit per NTL 1	NTL 32.705.196		
Nominal Value Share (NTL)	235.690.000 Shares	=	0,1388 / 13,88%

Group	Number of Shares	Profit per Share (NTL/%)
Group A	336.700	0,1388 / 13,88%
Group B	235.353.300	0,1388 / 13,88%

15. Changes in the Company's goods and services production quantities in the period:

There is no production, project development, real estate purchase or real estate project completed within the period.

16.Changes in the Company's goods and services sales quantities in the period:

The amount of goods and services sold is NTL 37.639.352 and consists of rent income.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

1. STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Strict attention was given during the reporting period at our Company to the principles of corporate governance under the main headings of "Shareholders", "Public disclosure and transparency", "Stakeholders", and "Board of Directors". Most of the standards inherent in those principles were complied with and action was initiated as necessary to make it possible for compliance to be achieved in the case of those that were not. The most concrete examples of the efforts made during the reporting period were the formation of an independent unit to conduct relationships with shareholders, the development of a risk management structure, and the preparation of a company risk policy.

In this regard our Company espouses all the requirements of law and the "Corporate Governance Principles" adopted by the Capital Market Board under resolution 35/835 dated 4 July 2003 and published by that body. In addition, the Company identifies areas that are amenable to improvement 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 so as to achieve the ongoing improvement of the corporate governance system.

PART I: SHAREHOLDERS

2. Investor Relations Unit

During the reporting period, issues related to general meetings, capital increases, and shareholder relations were managed by a specialist employed in the Department of Financial and Administrative Affairs. Work has begun as needed to create an independent unit that will be called "Investor Relations".

3. Shareholders' Exercise of Their Right to Obtain Information

Shareholders for the most part seek the information they need, usually when there are general meetings, capital increases, or financial statements being published or announced, by telephoning the Company directly. Telephone queries are answered immediately. Email queries are responded to as quickly as possible. Every development that might affect shareholders' exercise of their rights is announced to shareholders the same day through the Istanbul Stock Exchange (ISE). In the case of announcements that must be made through public media, the Company takes care to publish them in high-circulation national newspapers rather than local ones. In addition, announcements concerning our annual general meeting and capital increase last year were also put up on our corporate website. Under a contract entered into with the firm of Foreks Bilgi İletişim A.Ş. in January 2003, all special circumstance announcements that our Company sends to ISE and information about our stock price performance are also published on the "Investor information" page of our website in the manner and form prescribed by law.

Our Company's articles of incorporation contain no provisions concerning a "request for the appointment of a special auditor" as a shareholder right. During the reporting period, our Company received no requests for the appointment of a special auditor.

4. Information About General Meetings

An annual general meeting was held during the reporting period; no extraordinary general meetings were convened. An invitation for the annual general meeting, 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;

a link concerning the meeting was placed on the corporate website; a letter concerning the meeting was also sent to corporate shareholders whose names appeared in the attendance roster of the last general meeting and to brokerages with market transaction volumes above a specified threshold.

The annual report was sent to the addresses of investors requesting it and was also made available for the examination and assessment of shareholders visiting the Company's headquarters and of shareholders attending the general meeting. While complying with the provisions of the Ministry of Industry and Trade communique 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 communique were given them as well so as to achieve maximum participation in the meeting. At the general meeting held during the reporting period, 65.97% of the Company's capital was represented, 66.83% of it by the shareholders themselves.

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. At the general meeting held during the reporting period, shareholders raised no questions and advanced no proposals and for this reason none are mentioned in the meeting's minutes.

Inasmuch 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 and it is impractical to convene a general meeting on issues that are a part of the Company's routine activities. 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 incorporation contain no provisions requiring decisions of this nature to be made at general meetings.

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 chosen from among candidates designated by Class-B shareholders and the remaining ones must be chosen from among candidates designated by Class-A shareholders.

At general meetings, shareholders are informed about the Board of Directors candidates who are designated by our principal shareholder. Candidates are duly elected at the meeting.

Minority shareholding interests are not represented in the Company's administration. Our articles of incorporation contain no provisions concerning the use of the optional accumulated voting method.

6. Dividend Policy and Timing

Under article 30 of our articles of incorporation, the Board of Directors makes recommendations concerning dividend payments and their timing within the framework of the requirements of the Turkish Commercial Law and the Capital Market Act. These recommendations are voted on at the general meeting.

7. Transferring Shares

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

PART II: PUBLIC DISCLOSURE AND TRANSPARENCY

8. Company Disclosure Policy

Although the Company has no publicly declared disclosure policy, attention is given to ensuring that information is disclosed to the public in a timely manner and in keeping with the principle of being accurate, complete, intelligible, interpretable, conveniently accessible at low cost, and equally available to all. In all of its public disclosure activities, our Company has been complying with current Codes of Ethics since 2003. All arrangements have been made and the technological infrastructure required has been installed so as to ensure that investors are able to make convenient use of all channels of communication and keep themselves informed on all issues.

9. Special Circumstance Announcements

Our Company made 22 special circumstance announcements in 2004, in two instances of which additional information was requested by authorities. During the reporting period, CMB imposed no sanctions on our Company for not having made special circumstance announcements in due time.

10. The Internet Site and Its Content

Our Company's corporate website is located at www.isgyo.com.tr. The most recent version of the Company's articles of incorporation, current financial statements and reports, prospectuses, public offering circulars, and general meeting agendas are available on our corporate website.

The website is continuously updated so as to show the latest information about the Company's shareholder and management structures. Detailed information is provided about the Company's preference shares. Thanks to a service agreement with Foreks Bilgi İletişim AŞ, a link on the home page provides instantaneous access to special circumstance announcements as soon as they are published. All requests for information received via the corporate website are responded to quickly and diligently.

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

There are no non-corporate ultimate shareholders with a controlling interest. Information about shareholders who controlled at least a 10% interest in the Company as of 31 December 2004 is presented below:

	YTL	31.12.2004 Shareholding interest %
Türkiye İş Bankası	167,867,885	50.87
Others	162,098,115	49.13
Total	329,966,000	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. These individuals are identified below.

Members of the Board of Directors

Dr Gürman Tefik	Chairman
Buket Himmetoğlu	Vice Chairman
İrfan T. Karaoğlu	Board Member
Haldun Baydar	Board Member
Kemal Şahin	Board Member

Senior Management

Turgay Tanes	General Manager
Hülya Demir	Assistant General Manager
Tuğrul Gürdal	Financial and Administrative Affairs Manager
T. Aydan Ormancı	Investments and Project Development Manager
Pınar Ersin Kollu	Assistant Legal Consultant
Şenol Baban	Assistant Coordinator
Bülent Otuz	Assistant Coordinator

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 safeguarded within the framework of the Codes 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 be kept open and that any barriers to communication be eliminated.

In line with this and as spelled out in the Company's Codes of Ethics, workplace policies are developed and updated through ongoing communication with employees and in light of their wishes as well. A weekly meeting presided over by the general manager and attended by Company employees is held for the purpose of achieving coordination in ongoing business. 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.

15. Human Resources Policy

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 and a high level of motivation; that equal opportunities for personal development are given to each individual; and that satisfactory career opportunities are provided to every one.

Within the framework of the Company's Codes of Ethics, each employee is respected as an individual, is guaranteed all the rights to which he is entitled by law, and is provided with all the

means necessary to ensure a safe and healthy environment in which to work.

What is expected of employees in return is that they espouse the Company's performance-focused approach to management and recognize that their personal involvement is what will create value for customers and shareholders. Every relationship that employees enter into in the course of their work should be upright and arm's-length. They must not adopt attitudes or engage in actions that are contrary to law and they are required to report to management immediately any proposal to secure personal benefits for them.

As spelled out in the Company's Personnel Regulations, all personnel-related decisions, including those involving fringe benefits, are carried out and implemented by the Department of Financial and Administrative Affairs.

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 those who also identify with its Codes 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

ŞOut 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 reporting period, 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

Members of the Board of Directors

Dr Gürman Tevfik	Chairman, non-executive
Buket Himmetođlu	Vice Chairman, non-executive
İrfan T. Karaođlu	Board Member, non-executive, independent
Haldun Baydar	Board Member, non-executive, independent
Kemal Şahin	Board Member, non-executive

Senior Management

Turgay Tanes	General Manager
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Two of the members of the Board of Directors are independent of any direct or indirect relationship from the standpoint of employment, capital, or commercial interests with the lead entrepreneur and of any contractor, management firm, consultancy firm, or appraisal firm from which our Company obtains service.

During the reporting period, no situations occurred that would impair their independence. Our Company's articles of incorporation lay down explicit rules governing the ability of board members to undertake other duties and responsibilities outside the Company. According to article 18 of the articles of incorporation:

Members of the Board of Directors 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. Members of the Board of Directors 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 behalf of others, even if they shall have obtained permission to do so from the general assembly 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 to be elected 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 incorporation and in line with CMB's communique 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 incorporation, members of the Board of Directors must have at least three years of experience in matters falling within the Company's object and scope. (CMB, Communique on principles pertaining to real estate investment trusts, article 17.)

20. Mission, Vision, and Strategic Goals of the Company

The Board of Directors has defined and publicly announced the Company's corporate mission. Our mission is to maximize the collective value of our portfolio for our shareholders through stable growth and high profitability. 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.

21. Risk Management and Internal Control Mechanisms

During the reporting period, preparations were begun to create a risk management mechanism. A company risk policy, risk catalogue, and procedures to be followed in limit over-runs have been prepared and distributed for the information of employees and senior management. Work was also begun to set up a risk management department.

No internal control unit has been set up in the absence of any legal requirement to have one. Furthermore in view of the nature of the Company's business, its operations, and the number of its employees, it is felt that there is no need for an independent internal control mechanism.

22. Authorities and Responsibilities of Board Members and Executives

The authorities and responsibilities of the members of the Board of Directors are governed by article 16 of the Company's articles of incorporation, according to which the Company is supervised and represented by the board. The Board of Directors fulfills all duties incumbent upon it under the Turkish Commercial Law, the Capital Market Act, and related laws, regulations, and administrative provisions.

23. Operating Principles of the Board of Directors

Board meeting agendas are determined on the basis of recommendations made by the general manager and with the knowledge of the chairman of the board. The chairman or vice chairman calls upon the other members to convene. All members have the right to call for a meeting of the board under article 13 of the Company's articles of incorporation. The Company's statutory

auditors are invited to board meetings and they also receive the same pre-meeting reports that board members do. An assistant general manager and specialist have been assigned to keep board members and statutory auditors informed and maintain communication with them. The Board of Directors met thirty-one times during the reporting period.

Board of Directors decisions must as a rule be unanimous. According to article 21 of CMB's REIT communique, in situations where unanimity cannot be achieved on matters of importance, this must be publicly disclosed by means of a special circumstance announcement sent to ISE. To date there has never been a situation where such a public announcement was necessary.

The Company is in full compliance with all the matters stipulated 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

According to article 20 of Communique on principles pertaining to real estate investment trusts, which governs our activities, in situations where members of board of directors are not independent (in the sense of subparagraph (g) of article 4 of the communique) of those who are parties to a decision that the board is going to make, they are required to notify the board of this situation, giving full details, and to have the matter entered into the meeting's minutes. In addition, board members are not allowed to be authorized by shareholders to be exempted from the prohibition on doing business with the Company (under article 334 of the Turkish Commercial Law) or the prohibition on competing with the Company (under article 335 of the Turkish Commercial Law).

As required by article 20 of the communique, this issue is embodied in the Company's articles of incorporation.

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

25. Codes of Ethics

In 2003 the Board of Directors developed sets of codes of ethics under the headings "Shareholders", "Operating Standards", "Employees", and "Customers, Suppliers, and Business Partners" that have been published on the corporate website and publicly announced.

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

As required by CMB communique X:19, an audit committee consisting of two non-executive board members has been set up within the board. Neither of these committee members are independent board members.

27. Financial Rights Provided to the Board of Directors

Board members' salaries are determined by the general assembly of shareholders. At the annual general meeting held on 12 April 2004, shareholders voted to pay board members a monthly salary of YTL 2,000 (gross) and statutory auditors a monthly salary of YTL 1,400 (gross).

During the reporting period, the Company engaged in no transactions such as lending money, extending credit, or providing guarantees involving members of the Board of Directors or of the Company's management.

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