

İş Real Estate  
Investment Trust Co.  
Annual Report 2007

# İş Real Estate Investment Trust Co. Annual General Meeting of Shareholders Agenda

1. Opening, formation of the Chairing Council and authorization of the Council to sign the minutes of the meeting,
2. Reading, deliberation and approval of the Board of Directors' Report ; Statutory Auditors' Report, and balance sheet and profit & loss statement for 2007,
3. Individual acquittal of each member of the Board of Directors and the statutory auditors of their fiduciary responsibilities for 2007,
4. Deliberation and decision on the Board of Directors' proposal concerning the distribution of 2007 profits,
5. Approval, pursuant to Capital Market Board Communiqué IV: 27, to transfer the amount of 1.255,35 TRY that was booked as a special reserve for unrealized capital gains to the "Prior-year profits" account since they were realized in 2007,
6. Presentation of information to the General Meeting of Shareholders on the grants and donations made in 2007,
7. Submission, for approval of the General Meeting of Shareholders pursuant to Article 24 of the CMB Communiqué X:22, of the Independent Audit Firm chosen by the Board of Directors for a one-year term of office,
8. The approval of the Board of Directors member assignments to positions vacated during the year,
9. Presentation of information to the General Meeting of Shareholders regarding changes in the Audit Board during the year,
10. Election of Board of Directors members and of statutory auditors pursuant to articles 11 and 19 of the articles of incorporation,
11. Determination of the fees to be paid to the members of the Board of Directors and to the statutory auditors,
12. Petitions and suggestions.

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# General Meeting of Shareholders and Participation

General Meeting of Shareholders convenes in annual and extraordinary sessions. The Annual General Meeting of Shareholders is 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 Code into account.

At the General Meeting of Shareholders, 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 Meeting of Shareholders. No decision taken at a General Meeting of Shareholders 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 shareholders they represent as well as their own. The Board of Directors determines the form of proxy statements in accordance with the regulations laid down by the CMB. Proxy statements must be in written form. A proxy must vote in accordance with the wishes of the shareholder who has assigned his voting rights to the proxy holder on condition that such a stipulation is set forth in the assigned shareholder's proxy statement. CMB regulations will be complied with for the exercise of proxy votes.

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

## Prerequisites for Participation in the Meeting:

Those who possess at least one share of stock registered in their own name may participate in the General Meeting of Shareholders either personally or through a proxy.

Shareholders who intend to participate in the General Meeting of Shareholders personally or by sending a proxy must submit the following documents as appropriate;

- Custody statements of the shares they own,
- In the case of shareholders who are corporate entities, documents authorizing an individual to represent them, and obtain an entry pass or complete a proxy statement at the Company's headquarters before the close of business hours at least one week prior to the date of the meeting.

The Report by the Board of Directors, the Report by the Audit Board and the Independent Statutory Auditors' Report of 2007, Balance Sheet, Income Statement and Board of Directors' Recommendation Concerning the Distribution of 2007 year profit are available for the inspection of our shareholders at the Company's headquarters at least 21 days prior to the date of the General Meeting of Shareholders.

# Mission, Vision and Objectives

## Mission

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

## Vision

- ▶ To set a global corporate example not only by the projects it undertakes, but also with the way it conducts business, by its organizational structure, corporate values and management approach.
- ▶ To achieve a stable portfolio growth over the years and to maintain sustainable growth.

## Objectives

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

## Dividend Policy

At the meeting of the Board of Directors dated 28 February 2006 it was decided that; the distribution of the first obligatory dividend of the distributable profit, at the price and ratio determined by the CMB will be stated in the Articles of Association as a principle.

1. Taking into account the delicate balance between the expectations of our shareholders and the growth policies of İŞ REIT,
2. As well as İŞ REIT's profit-earning capacity,

The Board of Directors decided that the dividend policy proposal would be submitted for the approval of the General Meeting of Shareholders and to recommend a dividend policy based on the principle that the dividend would be no less than 30% of the total distributable income and would be distributed either as cash or bonus shares.



## **Sector leader...**

İş REIT is the leading real estate investment trust in Turkey, as of year-end 2007, in terms of its net asset value.

# İş REIT in Brief and Company Profile

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

Growing at a rapid and stable pace since its establishment, İş REIT is the leading real estate investment trust in Turkey today, in terms of its net asset value. Possessing a portfolio on par with global standards and bearing a selection of the most exclusive and prestigious real estate properties of Turkey, İş REIT plays a decisive and guiding role in the creation of a dynamic, sound and professional real estate market in Turkey. Continuously growing with the aid of its professional management approach and new investments, in a real estate market where competition is intensifying by the day, İş REIT engages in activities subject to the objectives and scope stipulated in regulations issued by the Capital Market Board concerning real estate investment trusts.

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

**Name: İş Real Estate Investment Trust Co.**

**Date of Incorporation: August 6, 1999**

**Issued Capital: 450.000.000 TRY**

**Registered Capital Ceiling: 2.000.000.000 TRY**

**Date of Initial Public Offering and Offering IPO Price: 1-3 December 1999/1,4 -TRY**

**Company Headquarters: Istanbul**



# Milestones of İş REIT

**1998:** >> Ankara İş Tower and İstanbul İş Towers were included in the portfolio.

**2000:** >> Company shares started to be traded in ISE 30 index.

**2001:** >> The first step in Kanyon Project was taken with the purchase of the project's property for joint project development with Eczacıbaşı Group. >> Maslak Building was included in the portfolio. >> Antalya Seven Seas Hotel, Marmaris Solaris Plaza, Tatilya Theme Park and the adjacent 50.000 m<sup>2</sup> project land were included in the portfolio.

**2003:** >> The Company "Code of Ethics", already in practice, was disclosed to the public.

**2004:** >> İş REIT and Eczacıbaşı Holding established Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti. in partnership. >> Ankara Ulus Historical Office Building, Ankara Kızılay Office Building and Antalya Office Building were included in the portfolio.

**2005:** >> Company Disclosure Policy was accepted. >> Euromoney presented İş REIT with The Best Developer Award in Turkey. >> New project studies were started on Tatilya and the adjacent lands with the aim of improving returns on investment for Tatilya. At the end of the same year, a significant step was taken by signing the hypermarket project contract with the Metro Group.

**2006:** >> Dividend Policy was accepted. >> Joined the tender for the sale of the 32.081 m<sup>2</sup> land in Altunizade and 1/2 share of the said land was included in the portfolio for 13.500.000 US Dollar on 22 March 2006. The development of a mixed-use housing project was started in partnership with Tecim Yapı. >> Turkey's first open-air shopping center Kanyon Shopping Center was opened. >> Negotiations for CURA/GGP's development project for a shopping center on Tatilya's adjacent lands and the transfer of construction rights

for the concerned lands were started. >> The foundation of Real Hypermarket Project, candidate for being the largest hypermarket in its region was laid. >> Architectural Review's Cityscape 2006 Award considered to be the Oscar of architecture was given to Kanyon Project. >> Fitch Ratings raised İş REIT's National Long Term Credit rating from A (tur) to A+ (tur) and defined the credit rating outlook as "Outlook Positive".

**2007:** >> A preliminary contract was signed with CURA/GGP regarding the establishment of the right of construction for building a shopping center on Real's adjacent lands. The first installment, 13.000.000 US Dollar-half the agreed amount-was collected with the registration of the right of construction in the title deed. >> The share of İş REIT in Kanyon Office Block, constructed as part of the Kanyon Project was sold to Eczacıbaşı İlaç Sanayi ve Ticaret A.Ş. for 67.500.000 US Dollar, excluding VAT. >> Real Hypermarket Project was opened to service. >> It was decided that the 18.392 m<sup>2</sup> land in İzmir owned by İş Bank would be purchased for the development of a mixed-use project. >> The international rating agency Fitch Ratings, raised the national long-term rating of İş Real Estate Investment Trust Co. two grades up, to AA+(tur) from AA-(tur), and determined its national long-term outlook as "stable". >> The portfolio size of İş REIT was approximately 91,6 million TRY in 1998 and at the end of 2007, the portfolio size reached 1.141 million TRY, and net asset value increased to 1.140 million TRY from 93 million TRY.

# Financial & Operational Highlights

## PORTFOLIO NET ASSET VALUE (THOUSAND TRY)

2006 **1.057.166**  
2007 **1.139.670**

## TOTAL SHAREHOLDERS' EQUITY (THOUSAND TRY)

2006 **828.266**  
2007 **883.208**

## PORTFOLIO VALUE (THOUSAND TRY)

2006 **1.103.620**  
2007 **1.140.663**

## NET PROFIT (THOUSAND TRY)

2006 **48.750**  
2007 **54.942**

## TOTAL ASSETS (THOUSAND TRY)

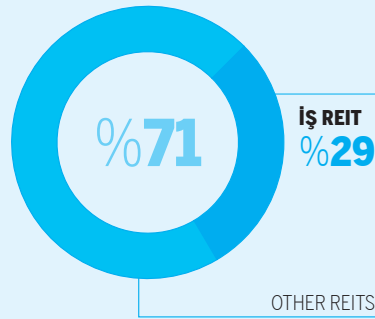
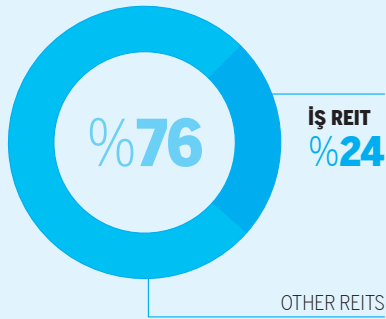
2006 **886.521**  
2007 **899.104**

## MARKET CAPITALIZATION OF THE REITS (THOUSAND TRY)

İŞ REIT **774.000**  
OTHERS **2.509.961**  
MARKET TOTAL **3.283.961**

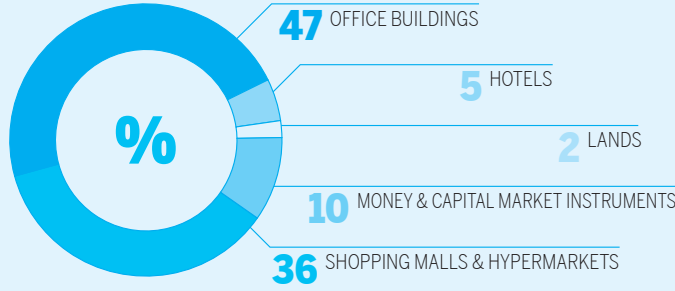
## NET ASSET VALUE OF THE REIT MARKET (TRY)

İŞ REIT **1.139.670**  
OTHER REITS **2.763.097**  
MARKET TOTAL **3.902.767**

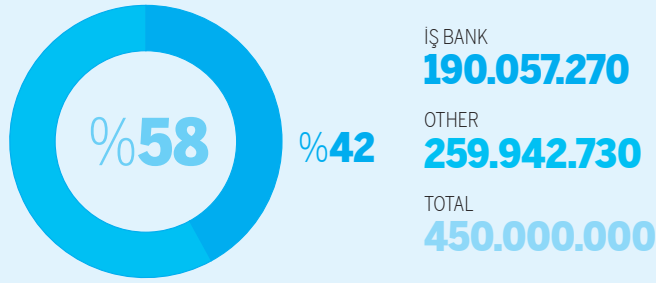


| 2007 (TRY)                | 1st QUARTER | 2nd QUARTER | 3rd QUARTER | 4th QUARTER |
|---------------------------|-------------|-------------|-------------|-------------|
| NET ASSET VALUE PER SHARE | 2,39        | 2,46        | 2,42        | 2,53        |
| İŞ REIT SHARE PRICE       | 2,32        | 2,13        | 2,07        | 1,72        |

## Portfolio Breakdown (31.12.2007)



## Shareholder Structure (TRY)



As of 31 December 2007, İŞ Bank's share in İŞ REIT capital is 42,23%. As of 31 December 2007, the percentage of publicly traded Company shares is 42%. Approximately 58% of publicly traded shares are included in foreign investors' portfolios.

### Changes in Capital and Shareholder Structure During the Year

Our application to the Capital Market Board to increase İŞ REIT's issued capital of 329.966.000 TRY by 120.034.000 TRY to 450.000.000 TRY was accepted by CMB Resolution 456, dated 3 July 2007. 103.535.700 TRY of this amount (31,37768%) was covered by shareholders' equity inflation restatement differences while 16.498.300 TRY (5%) was funded by 2006 profits. The increased issued capital of 450.000.000 TRY was certified on 12 July 2007 and published on Turkish Trade Registry Gazette on 18 July 2007.

# Message from the Chairman of the Board of Directors

Dear Shareholders,

İş REIT, Turkey's leading real estate investment trust since its establishment, has left behind another successful year despite turbulences in domestic and international markets. We would like to extend our gratitude to our valuable shareholders and dedicated employees for the trust and support they vested in the pursuit of our goals and our sustained growth process in 2007.

## Real Estate Investment Trusts

Real estate investment trusts are playing an increasingly important role in the domestic economy. The increasing interest of corporate capital in the real estate sector and the implementation of large-scale projects brought an intensifying dynamism to the sector in recent years. Although real estate investments entail risks for private and corporate investors, investing in REIT shares allows the maximum possible return with minimum risks.

Real estate trusts make large-scale projects feasible by bringing together private and corporate investors' savings in a common pool.

There are 13 real estate investment trusts listed on ISE in Turkey. This number is expected to rise and the total market size to grow with new public offerings in the years ahead. The real estate sector has not only grown in terms of quantity, but also made significant progress in rising up to international quality standards. We believe we are one step closer to our goal with the momentum gained in this direction and our performance in 2007.

## İş Real Estate Investment Trust Co.

Our Company is the largest real estate investment trust in Turkey in terms of its net asset value, and it continues to work on securing and improving this status to the extent possible. Since its establishment in 1999, our Company has succeeded in steadily increasing the rental income from its premiere real estate portfolio.

As emphasized in our Code of Ethics, our main objective is to maximize the value of our shareholders' investments to the extent possible, and to create added value. To this extent, İş REIT works diligently to minimize investment risks by employing successful project and risk management practices.

Our Company closely monitors the growth potential and needs of the real estate market in Turkey and applies strategy compatible with changing conditions for ensuring sustainable consistency. To this extent, our Company has adopted transparency as its core principle and openly discloses the methods used to reach its objectives to our shareholders.

Today, 58% of our Company's publicly traded shares are included in international investors' portfolios. We owe this interest to the policy of open and transparent communication, in practice since the establishment of our Company. Undoubtedly, the confidence of domestic and international investors in İş REIT stems from our transparency policy as well as the corporate governance principles our Company closely follows.

In December 2007, the international credit rating agency, Fitch Ratings raised the Domestic Long Term credit rating of our Company two grades up to AA+(tur), reflecting its healthy and strong foundation. Fitch Ratings disclosed the grounds for increasing the credit rating of our Company, as our Company's sustainable, healthy and stable rental income, and emphasized its low investment risk and debt-free capital structure as the backbone of the new rating. It also pointed out the fact that the Company would continue receiving a stable income from its portfolio.

Maintaining its status as the sector leader in 2007, our Company is closely monitoring the rapid changes and the major structural transformation experienced in our country. Turkey, not only in the real estate sector, but also as a whole has become a center of attraction and will continue to be a focal point of global investments, due to changing global conditions and its successfully implemented economic programs.

Undoubtedly, the confidence of domestic and international investors in İŞ REIT stems from our transparency policy as well as the corporate governance principles our Company closely follows.



Our company is closely monitoring the new needs and the changing conditions with the determination to continue its leadership into the future. The main objectives of our Company are, to create added value for the real estate sector and to provide high earnings returns for our shareholders who have always been and continue to be our staunchest supporters. In this perspective, we will continue to improve our portfolio of Turkey's premiere real estate properties and make shrewd investments in the real estate sector, taking controlled risks.

I would like to once again extend my gratitude to our unfailingly supportive shareholders who enable us to get a tighter grip on our goals and our employees for their relentless work and support.

**Adnan Bali**  
Chairman of the Board of Directors

# Board of Directors



## 1. Adnan Bali

### Chairman

26.03.2007-25.03.2008

Mr. Bali graduated from the Economics Department of the Middle East Technical University in 1986. Mr. Bali attended Program for Global Leadership at Harvard University Graduate School of Business. He joined many other training programs and seminars both in Turkey and abroad on treasury, markets and risk management, delivered by Banks Association of Turkey, Euromoney, FED Training, DC Gardner and International Investment and Commercial Banks. He started his career as an Assistant Inspector in İş Bank in 1986. He served as Assistant Manager in Fund Management Department in 1994, as Group Manager in Fund Management Department in 1997 and as Manager in Fund Management Department in 1998. He also served as the Manager of Şişli Branch in 2002 and as the Manager of Galata Branch in 2004. Mr. Bali has been serving as the Assistant General Manager of İş Bank since May 2006.

## 2. Özgün Çınar

### Board Member

26.03.2007-03.05.2007

Mr. Çınar received his B.A. from the Political Sciences Faculty of AÜ in 1990. He completed his M.S. on International Banking and Finance at the University of Southampton. He started his career as Assistant Specialist at Subsidiaries Department in İş Bank in 1990. After serving in different managerial positions in the same department, he worked as Budget and Financial Control Manager in Petrol Ofisi A.Ş. He has been serving as a Group Manager in Subsidiaries Department in İş Bank since 2005.

## 3. Nejat Yalkut Ayözger

### Independent Vice Chairman

26.03.2007-25.03.2008

Mr. Ayözger started his career in İş Bank as Assistant Inspector Trainee at the Directorate of Supervisory Committee in 1968. From 1968 until 1995 he served in the preceding order as; Inspector in the Directorate of the Supervisory Committee, Assistant Manager in the Human Resources Department, Regional Manager for Eastern Anatolia and President of the Directorate of Supervisory Committee. He was appointed as the Assistant General Manager of İş Bank in 1995. Mr. Ayözger retired on 6 May 2002. Mr. Ayözger, who has been an Independent Board Member of İş Real Estate Investment Trust Co. since 2006, has also served on the board of various İş Bank subsidiaries.

## 4. Kemal Şahin

### Board Member

26.03.2007-25.03.2008

Mr. Şahin is a graduate of Middle East Technical University, Business Administration. He served in İş Bank as Assistant Inspector and as Inspector for a total ten years. He currently serves as the Group Manager of Real Estate Companies in the Subsidiaries Department of İş Bank. In addition to this position, he is a Board Member and Statutory Auditor in a various number of İş Bank subsidiaries. He served in İş Real Estate Investment Trust Co. as a member of the Audit Board from 1999 until 2003 and he has been serving as a Board Member in our company since 2004.

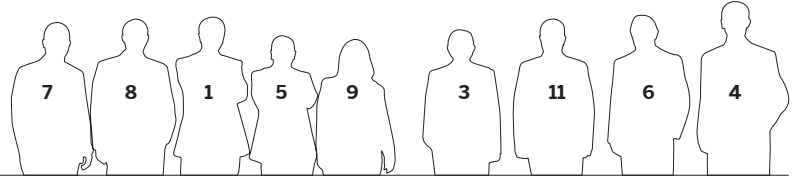
## 5. Turgut Sungur

### Board Member

03.05.2007-25.03.2008

Turgut Sungur received his B.A. from the Political Sciences Faculty of Ankara University. He was appointed as an Assistant Inspector in İş Bank's Directorate of Supervisory Committee in 1973. After serving in the Directorate of Supervisory Committee, he served as Assistant Manager in the Credit Department, Vice President in the Directorate of Supervisory Committee, as Manager in 1. Credit District Department and the 2.Credit Department respectively. Between 1998-2004 he served as an Assistant General Manager in İş Bank.





**6. Haldun Baydar**  
**Independent Board Member**  
26.03.2007-25.03.2008

Dr. Baydar who graduated from the Middle East Technical University, Architecture Faculty in 1969, holds an Urban Planning Master's Degree from Université De Paris VIII and a Doctorate Degree from Paris I, Panthéon Sorbonne. He worked as an architect in various firms in Paris, and in the Planning Department of the Ministry of Public Works and Settlement, as Planning Manager for Orta Doğu Şehircilik ve Yatırım A.Ş. and also as the Planning and Production Coordinator for Konteks A.Ş. Currently, he is involved in project and application activities in Form Mimarlık Ltd.Şti. as the founder.

**7. Süleyman H. Özcan**  
**Audit Board Member**  
26.03.2007-25.03.2008

Mr. Özcan graduated from Boğaziçi University, Economics Department in 1993. He started his career in the same year in İş Bank as Assistant Inspector in the Directorate of Supervisory Committee. He later served as an Assistant Manager and Group Manager in the Accounting Department, and he is serving as Group Manager in İş Bank, in the Change Management Department.

**8. Sezai Sevgin**  
**Audit Board Member**  
26.03.2007-25.03.2008

Mr. Sevgin graduated from Marmara University, Economics and Administrative Faculty, Business Administration Department in 1990. In 1990, he started his career in İş Bank as a Trainee Inspector in the Directorate of Supervisory Committee and was promoted to Inspector in 1995. In 1997, he was appointed by the bank to participate in founding İŞBANK GmbH Paris, became Assistant Manager 1998 and promoted as Manager of the branch in March 2002. He was promoted to Group Manager of İş Bank, Corporate Marketing Department in July 2004. Since 2007, he has been serving as a Manager in İş Bank, Commercial Banking Marketing Department.

**9. Nil Sepetçi**  
**Audit Board Member**  
15.10.2007-25.03.2008

Nil Sepetçi graduated from the Press and Publishing Faculty of Marmara University in 1982. In 1983, she started her career in İş Bank, Yenicami-İstanbul Branch, as a clerk trainee, and later served as assistant branch head and branch service head. She served as the 2nd Manager in Zincirlikuyu Branch in 1994 and as Assistant Branch Manager in Taksim Branch in 1996. She served as the Branch Manager in Acıbadem Branch in 1998, in Nişantaşı Branch in 2003 and in Kozyatağı Branch in 2006. She has been serving as Maltepe Regional Sales Director in Private Banking since September 2007.

**10. Haluk Giray**  
**Audit Board Member**  
26.03.2007-10.10.2007

Mr. Giray graduated from the Ankara Commercial Sciences Academy in 1981 and started his career as a clerk in İş Bank, Yeşildirek Branch in 1983. He currently serves as the Group Manager of İş Bank, Logistics and Purchasing Department.

**11. Turgay Tanes**  
**General Manager**

Mr. Tanes graduated from Gazi University, Economics and Administrative Sciences Faculty, Public Administration Department in 1987. He started his career in İş Bank as an Assistant Inspector at the Directorate of the Supervisory Committee. In 1996, he became Assistant Manager in the Subsidiaries Department and between 1999 and 2004 he served as Group Manager of Real Estate and Glass Sector in the same department. Mr. Tanes has been serving as General Manager of İş Real Estate Investment Trust Co. since 2004, and he is also serving as the Chairman of the Board of Directors in one of the subsidiaries of İş Bank.

## Message from the General Manager

Dear Shareholders, Colleagues and Business Partners,

From the viewpoint of our company, in 2007, our Company successfully continued its shrewd investment policy, realized efficient returns from its investments and made preparations for new investment opportunities. Without deviating from its goals, our company followed the market developments closely, pursued new investment opportunities and continued to successfully manage existing investments.

### Economic Developments

The growth trend of the global economy continued in 2007, backed by growth in developing economies, albeit at a slower pace due to economic recession in significant national markets. A slow down in the growth rate was observed both in the U.S. and in the Euro zone due to the impact of the mortgage crises in the U.S. on financial markets of developed countries. On the other hand, fluctuations in financial markets of developed countries did not have a major impact on the mortgage-based assets of developing countries, which in turn, continued to grow in 2007.

In Turkey, the uninterrupted growth since 2003 continued despite a slow down in the second and third quarters of 2007. The growth rate registered in the first quarter of 2006 increased to 6,8% from 6,0%.

However, this rate dropped to 3,9% in the second quarter and then to 2% in the third quarter, way beyond expectations, due to fluctuations in financial markets. 2007 has been a stable and successful year for our country and Company despite the slowdown in the second and third quarters. Growth continued, albeit at a slower pace in the real estate sector in 2007 when general elections and presidential elections were held.

The real estate sector has entered into a significant growth process, having gained a momentum since 2003. Since 2005, declining interest rates and longer term housing loans generated serious consumer demand. It is recognized that the housing loan portfolio bears a great growth potential in comparison to developed countries. In this context, it is expected that the housing loan use will rise and the total housing loan portfolio utilization will reach 120 billion US Dollar in 2015.

As the mortgage system is being firmly established with all its institutions and becoming more functional, the real estate market in Turkey is expected to become stratified rapidly.

The election process and the recession in housing loan demand in 2007 did not seriously impact our Company, thanks to its portfolio based on commercial real estate properties.



The real estate sector has entered into a significant growth process during the last three years, having gained a remarkable momentum since 2001.



## As the mortgage system is being firmly established with all its institutions and becoming more functional, the real estate market in Turkey is expected to become stratified rapidly.

### Financial Performance

The net profit of our Company for 2007 increased 13% in comparison to 2006 to reach 54.9 million TRY.

### Investment Activities in the Year 2007

The aim of our company is to present investors with investments that have controllable risks and maximum yields. Accordingly, significant projects were launched and new projects were prepared during 2007.

Three important developments in 2007 have been the delivery of housing units completed within the scope of the Kanyon project to their respective owners, the completion of Real Hypermarket Project and the sale of our 50% share in the Kanyon Office Block to Eczacıbaşı İlaç. The Office Block and Shopping Center sections of the Kanyon Project were completed and opened to service in 2006. After the Shopping Center that has maintained a record level stream of visitors, housing units were completed and delivered to their respective owners. Another development within the scope of the project was the sale of the Office Block to Eczacıbaşı İlaç for 67.500.000 US Dollar.

Real Hypermarket Project construction on our Yakuplu land was completed within the same period and the hypermarket was opened to service on 15 August 2007. The largest hypermarket in its region and completed before planned delivery date, Real Hypermarket Project became a significant example of the shrewd and profitable real estate investments of our Company.

In the meantime, preparations for the shopping center planned to be constructed on Real's adjacent land in cooperation with CURA/GGP were completed. The demolition of buildings on Real's adjacent land were completed, as a part of the project. It is planned to connect the shopping center to Real Hypermarket upon the completion of its construction.

As part of the preparations for the housing based mixed-use project planned to be constructed on the land in Altunizade, included in our portfolio through partnership in 2006, efforts are in full swing for obtaining all of the required permits within 2008. The project consists of approximately 250 housing units to be constructed on a land of 32.082 m<sup>2</sup>. The development cost of the project is expected to be approximately 110 million US Dollar including the land cost.

Another significant investment realized in 2007, was the decision to purchase the 18.392 m<sup>2</sup> land in İzmir Konak, owned by İş Bank for developing housing units and a shopping center. A sales commitment contract will be signed to this extent. The project consists of housing units on a land of approximately 40.000 m<sup>2</sup> as well as a 30.000 m<sup>2</sup> shopping center.

### Performance Evaluation

Our Company has left behind another year and just as promised to our shareholders, significant achievements were realized in all projects. Despite the slowdown in the sector growth and fluctuations in the global economy, we believe İş REIT has been very successful during the past year.

### Expectations for the Year 2008

After 2007 during which markets faced many challenges, we expect the agenda in 2008 to center around establishing and maintaining domestic financial discipline. We believe that the continuous improvement trend in macroeconomic indicators bears the potential for establishing protection mechanisms against the recent negative developments. We hope that economic growth will continue and inflation will overcome the resistance level of 7%-10% to display a downward trend. We also believe that the precautions that will be taken by the European Union central banks against U.S. sub-prime mortgage crises will gain importance during 2008.

The growth in the real estate sector is expected to continue as the mortgage system becomes widespread. The sector growth rate that has slowed down during 2007 is expected to increase in 2008 and a serious revival is expected in the real estate sector. The completion of the infrastructure for the mortgage system and the launching of the system in full is expected to make a positive impact on the sector, as experienced in countries where the system has been successfully implemented.

### Goals and Strategies

The primary goal of our company is to participate in profitable projects that will satisfy our shareholders. To this extent, the professional team of our Company will meticulously evaluate the opportunities in 2008, and will endeavor to sign the most equitable projects.

Among the goals for 2008 is to obtain the permits for our Altunizade Housing Project and start the pre-sale period. The rental preparations for the shopping center that will be constructed as part of the project have been completed during 2007. The contract will be signed upon obtaining the necessary permits.

The preparations for construction of complex on Real's adjacent land, in cooperation with CURA/GGP will continue in full swing.

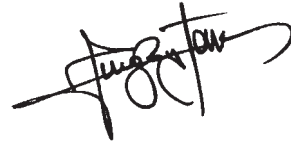
Starting the pre-sale period for the project in Izmir Konak, depending on the construction permits, is among our goals for 2008.

Our Company sees the realization of housing projects in Istanbul and other large cities as its prioritized goal, due to the surge in housing demand bolstered by population growth and progress. We have observed that multi-purpose projects such as Kanyon and Konak projects attract serious demand in other large cities and we are continuing our studies in this direction.

We believe that in terms of commercial real estate properties, especially the shopping center and office space investments in Istanbul require a detailed risk-return assessment. Although we expect a slowdown in this segment, we have targeted to research shrewd investments and complete our projects currently in development..

I extend my gratitude to our shareholders for the trust they have vested in us and to our employees who work with forbearance.

**Turgay Tanes**  
General Manager





# Senior Management



**Turgay Tanes**  
General Manager



**Hülya Demir**  
Assistant General Manager



**T. Aydan Ormancı**  
Assistant General Manager



**Senol Baban** Manager, Construction and  
Architecture Project Application



**Bülent Otuz** Manager, Electrical and  
Mechanical Project Application



**Tuğrul Gürdal**  
Manager, Financial and Administrative Affairs



**Pınar Ersin Kollu, LL.M**  
Legal Consultant



**Ayşegül Şahin Kocameşe** Manager,  
Risk Management and Investor Relations.



**Gökhan Temel** Assistant Manager, Construction  
and Architecture Project Application



**Kaan Özsoy** Assistant Manager, Construction  
and Architecture Project Application



**Gülfem Sena Tandoğan** Assistant Manager,  
Corporate Communications and Marketing

# Contracted Tax Consultancy, Independent Audit and Appraisal Firms

## Declaration of Interest by the Independent Board Members

I declare that, within the last two years, neither I nor any persons, including my spouse, with whom I have no 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 any company in which the lead entrepreneur owns more than 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 director; or with the operating company or with any company in which any person cited in subparagraphs (a) and (b) of Article 18 of the Communiqué on Principles concerning Real Estate Investment Trusts owns more than a 10% share or possesses voting rights in that percentage.

Nejat Yalkut Ayözger

Haldun Baydar



## Tax Consultant

Başaran Nas Yeminli Mali Müşavirlik A.Ş.

## Independent Auditors

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

## Independent Appraisal Firm

Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.





## **sound financial structure...**

Equities of İř REIT have increased by 6% with respect to the previous year, reaching 883 million TRY with 58% of the public issues is held by foreign investors.

# 2007 Highlights

## Investment Activities

2007 has been an efficient year during which major investments were completed for İş REIT and new projects were launched at the same pace. Delivery of housing units within the scope of Kanyon Project and the sale of the floors in the Kanyon Office Block, as well as the quick realization of investments around the Real property were the highlights of 2007.

### Kanyon Residence-Office-Shopping Center

Residences in Kanyon Project, opened on 30 May 2006, were delivered to their respective owners in 2007. Furthermore, İş REIT sold its office floors in Kanyon Office Block to Eczacıbaşı İlaç Sanayi ve Tic. A.Ş. for 67.500.000 US Dollar on 31 May 2007.

### Real Hypermarket Project and Agreement for Right to Construction on Adjacent Parcels

The hypermarket project developed for Real Hipermarketler Zinciri A.Ş., whose construction had begun in 22 December 2005, was opened to service on 15 August 2007.

On the other hand, İş REIT has reached an agreement with CURA/GGP Gayrimenkul İnşaat Geliştirme A.Ş. to construct a shopping center on Real's adjacent lands. Within the scope of the Project, necessary permit applications for investment have been submitted, and demolition of Tatilya Entertainment Center and other unoccupied buildings in the area have been completed. The shopping center will be connected to Real Hypermarket, upon the completion of construction.

## New Projects

İş REIT incorporated 50% stake of the 32,081 m<sup>2</sup> land located in Altunizade, İstanbul in its portfolio, on 22 March 2006 for 13.500.000 US Dollar. A multi-purpose project focused on housing was started on the concerned land, in cooperation with Tecim Construction. In 2007, preparation of required applications for legal project permits has been started.

In 2007, significant steps were taken for the project comprised of a shopping center, housing and home office units in İzmir Konak. A contract has been signed with İş Bank, owner of the 18.392 m<sup>2</sup> land, in September and the first installment in the amount of 6.000.000 US dollar was deposited to İş Bank. Preliminary works carried out within the scope of this project continue at full speed.



## Rental Activities

- Office floors in Kanyon Project have been sold to Eczacıbaşı İlaç. Our partnership is still in effect. Kanyon Shopping Center which has brought numerous topnotch domestic and foreign brands together has been continuing to render services at an occupancy rate of 100%.
- Real Hypermarket Project has been completed and put in to service on 15 August 2007 and rent income flow started. An agreement has been made with CURA/GGP regarding the construction of a shopping center on Real's adjacent lands. It is planned to grant the appropriate firm the right of construction by making these lands fit for the project during the year.
- 100% occupancy rate of İş Towers (Tower 2, Tower 3 and Kule Çarşısı), Ankara Ulus, Ankara Kızılay, Antalya Office Buildings and Maslak Office Building included in the Company portfolio is maintained as of the end of 2007.
- Mallmarine Shopping Center, revitalised with the name change, is providing services at 90% occupancy rate.

## 2008 Expectations

- Depending on the acquisition of construction permits, concrete steps will be taken regarding the development of the project on Altunizade land and the sales period is expected to start within the year. There has been a clarification regarding the rental of the shopping center to be constructed on the concerned land. It is planned to make the contract available for execution upon the acquisition of construction permits.
- Preliminary works have been continuing on the home office and shopping center project in İzmir Konak and the architectural concept has been finalized. Pre-sale period is anticipated to start within the year depending on the acquisition of construction permits.
- İş REIT, which has been developing brand projects to date, will continue its efforts and research, without slowing down in 2008, to develop new real estate projects throughout Turkey, in light of the developments in the real estate market and the economy in general.

# Investor Relations Unit

The Risk Management and Investors Relations Department (Shareholders Unit) manages the exercise of shareholders' rights, public disclosure and information provision activities and in particular, operations regarding general meetings and capital increases effectively and systematically.

Annual General Meeting of the Company convened on 26 March 2007 with 60,85% attendance and all attending shareholders were represented in person. Documents that may be of benefit to the shareholders were made available in the General Meeting for the consideration of investors on paper as well as in electronic medium. Furthermore, written and verbal requests of the shareholders in respect of information on the Company were answered to the extent excluding undisclosed information and confidential and trade secrets.

Capital increase transactions have been carried out to increase the issued company capital from 329.966.000 TRY to 450.000.000 TRY and the new capital has been registered in July 2007. Our Company demonstrated the necessary assiduity in allowing for the utilization of shareholders' rights during the capital increase transactions.

Our Company continued to attract attention from foreign investors and funds during 2007. Approximately 60 one-to-one meetings have been held with the foreign and domestic investment companies and investment fund authorities. Furthermore, requests for comprehensive information from numerous national, foreign, individual and corporate investors were satisfied in many aspects and detail, in consideration of all matters on public disclosure in accordance with the relevant legislation and the Company disclosure policy.. Records of the above-mentioned requests and responses are held in the Shareholders Unit. The Unit also responds to all requests for information submitted to the Company by investors as well as by universities and public institutions seeking information for research purposes.

Capital increase transactions have been carried out to increase the issued company capital from 329.966.000 TRY to 450.000.000 TRY and the new capital has been registered in July 2007. Our Company demonstrated the necessary assiduity in allowing for the utilization of shareholders' rights during the capital increase transactions.

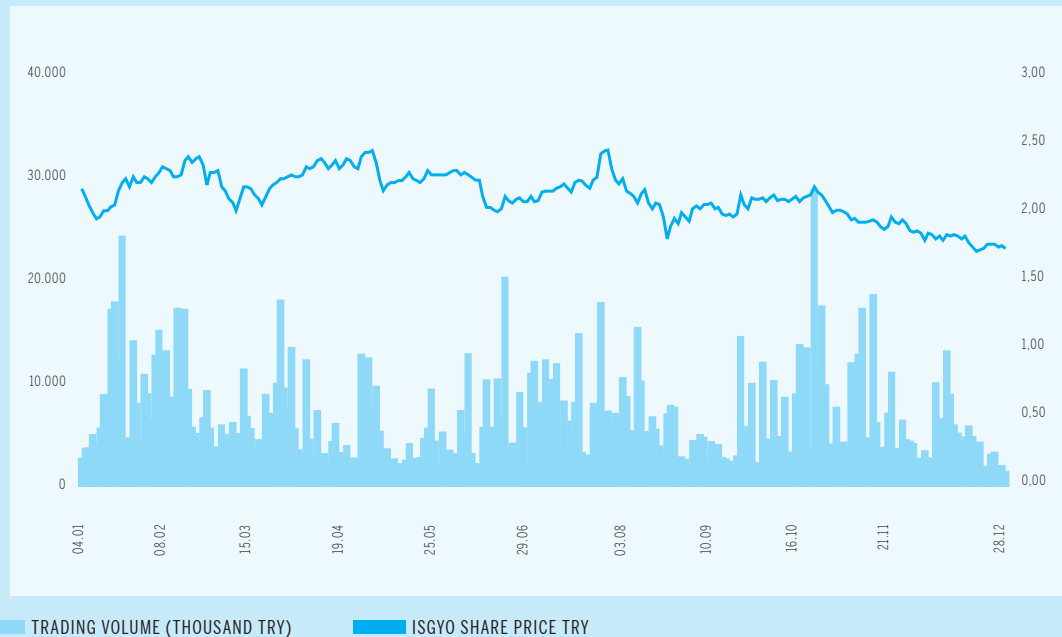
# ISE Performance

ISE NATIONAL- ISE-100 INDEX AND ISGYO SHARE PRICE GRAPH



In 2007, on basis of Turkish Lira ISE National-100 Index increased 42% in value and Real Estate Investment Trusts increased 8%.

2007 ISGYO DAILY TRADING VOLUME AND SHARE PRICE GRAPH



ISGYO's stocks traded in ISE National-30 realized a daily average volume of 6.099.629 TRY. The closing value of our stock in 2007 was 1,72 TRY, and it closed the year with 32% discount when compared to 2,53 TRY net asset value per share.

# İş REIT Organization

İş Real Estate Investment Trust Co. operates under six individual departments.

## Project Application

The Department executes two separate functions; Electrical-Mechanical and Construction-Architecture. The Electrical-Mechanical Department is responsible for development of projects corresponding to current legislation and standards, and taking the necessary steps for maintaining budget targets. In this context, the Electrical-Mechanical Department has undertaken duties such as acquisition of necessary permits, preparation of tender documents, building construction sites, inspection of conformity to specifications as well as settling final accounts.

The Construction-Architecture Department carries out its duties such as project management and implementation works, following up on project and implementation services contracts, follow-up of budgets, construction discipline, controlling and coordinating project and technical specifications. The Department is further responsible of designating necessary design criteria, controlling conformity to legislation and standards, following up on quality control management of constructions as well as evaluating the results. The Construction-Architecture Department is responsible for fulfilling provisional and permanent acceptance procedures.

## Legal Counseling

The Legal Counseling Department has undertaken the duty to give legal advice on İş REIT activities, carry out procedures on legal matters, to pursue lawsuits to which Company is a party and keep records and to prepare and review contracts. In addition, it also solves legal disputes related to Company activities by legal means, prepares the legal background of projects and follows up on formal notices.

## Financial and Administrative Affairs

The Department carries out accounting, budget, balance sheet, financing and insurance-related matters pursuant to the legislation and takes due measures in a timely manner, manages and follows up on relations with respective organizations. The Financial and Administrative Affairs Department also works on labor planning and personnel policy and executes matters pertaining to the personnel and their retirement plans.

## Corporate Communication and Marketing

The Department implements rental and sales activities to maximize the occupancy rates and the income potential of the present properties. It also manages after sales and rental relations, and contributes to the feasibility of potential projects with up-to-date market data and interpretations. Corporate communication activities, public relations, press relations, coordination of promotional activities, maintaining corporate reputation and management works are handled by the Corporate Communications and Marketing Department.

## Risk Management and Investor Relations

The Department carries out the operations necessary for the exercise of shareholders' rights within the framework of the legislation, the Articles of Association and in-house arrangements; satisfies all the information requests coming from domestic and international shareholders, investors, analysts, and institutions; follows up on evaluations and reports prepared on the Company; conducts research and analysis regarding the Company and sector; manages relations with rating firms and public disclosure of rating reports; manages relations with shareholders as well as private and public institutions within the scope of public disclosure; prepares risk policies pertaining to risks integrated with Company activities within the scope of risk management; and observes risks within the specified limits and reports these to Company management.

#### Investment and Project Development

The Department is authorized for project development, evaluation of new investment offers, technical responsibilities of present real estate, maintenance and renewal investments. The department also closely monitors its field of activity and pursues new investment opportunities in the real estate sector.

#### Human Resources Management at İŞ REIT

Qualified human resources are the most valuable asset of İŞ REIT. Our understanding of human resources is based on the indispensable importance of qualified human resources for an efficient work environment, stable growth and uninterrupted success. In this context, ensuring motivation of employees, constant growth of financial and social benefits, identifying and satisfying career development and training needs and creating a fair and professional work environment are the main principles of the human resources policy of İŞ REIT.

In our Company we practice an "open door policy" and act with utmost diligence to enable the effective utilization of communication channels.

In the "Human Resources Management" section of our company's Internet site, topics such as employment conditions, career guidance, promotion requirements and monetary compensation are addressed in detail.

Qualified human resources are the most valuable asset of İŞ REIT. Our understanding of human resources is based on the indispensable importance of qualified human resources for an efficient work environment, stable growth and uninterrupted success. In this context, ensuring motivation of employees, constant growth of financial and social benefits, identifying and satisfying career development and training needs and creating a fair and professional work environment are the main principles of the human resources policy of İŞ REIT.



## Original and profitable **projects**

İş REIT incorporates the most original and largest business, shopping and living centers of Turkey in its portfolio and will continue to pursue shrewd investments in the future.









## Properties Portfolio

### The Sources of Our Rental Income

Istanbul İş Complex comprising Tower 2 and Tower 3 and the Kule Çarşı Shopping Mall on the platform joining these two towers and the commercial car park

Ankara İş Tower  
Maslak Building  
Seven Seas Hotel  
Mallmarine Shopping Center  
Ankara-Ulus Office Building  
Ankara-Kızılay Office Building  
Antalya Office Building  
Kanyon Shopping Center

Real Hypermarket Project

### Other properties

Project-developable land (7,613 m<sup>2</sup>) in front of İş Towers in 4. Levent  
Altunizade Project Land  
Lands adjacent to Real





## ISTANBUL İŞ TOWERS COMPLEX (TOWER2, TOWER3 & KULE ÇARŞI)

Two 34-story office towers containing 27 leasable stories and the shopping center; Kule Çarşı; containing 48 independent units.

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

**For the expectations of the next century...** İş Towers were designed to meet not only the requirements of contemporary Istanbul, but also the upcoming century, with its sound infrastructure, modern technology and distinctive architectural style. Quality, durability, safety and comfort were adopted as main principles in the construction of the towers, designed to be environment-friendly. İş Towers meet the need for high-quality, elegant office spaces in the region, considered to be the new business center of the city. The office spaces are rented out on leases averaging five years to prestigious and financially sound, national and foreign investors with a solid reputation in their areas of activity.

**Spaces that bring the business world together with culture & art activities...** İş Towers Complex contains the 52-story Headquarter of İş Bank, as well as an auditorium and an art gallery where İş Art & Culture Center's activities are held. The complex brings together culture & art and the business world as one of the premier locations of Turkey and the world.

**Modern face of Istanbul...** With its awe-inspiring architecture, Istanbul İş Towers has come to symbolize not just the world of business but also the modern face of Istanbul. Kule Çarşı, a shopping center located in the İş Complex, is a boutique shopping and entertainment center where employees and visitors can enjoy themselves while shopping or having lunch or dinner. The shopping center contains 36 stores and restaurant offering a huge variety of goods.

**Location:** Istanbul's most important business district, Istanbul- 4. Levent, on Büyükdere Street, the main thoroughfare of the Levent-Maslak axis.

**Gross Leasable Area (GLA):** 63.324 m<sup>2</sup>

**Portfolio Entry Date:** 2000

**Appraised Value (TRY):** 370.840.000

**2007 Rental Income (TRY, excluding VAT):** 21.726.493

## LAND-1

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

**Gross Leasable Area (TRY):** 7.613 m<sup>2</sup>

**Portfolio Entry Date:** 1999

**Appraised Value (TRY):** 695.000 TRY





## ANKARA İŞ TOWER

Office building consisting of 3 blocks with a total of 29 stories

# Symbol of change in the Capital city...

**Nostalgic, original and prestigious...** Ankara İş Tower, initiated the advent of modern buildings in Ankara, becoming a symbol with its modern architecture and serving for long years as the nostalgic headquarters of İş Bank. Ankara İş Tower is an original and prestigious building designed with an insightful architectural concept, defying time and space in a unique location.

**Location:** Ankara-Çankaya district, Kavaklıdere, the heart of Turkey's diplomatic and political center

**Gross Leasable Area (GLA):** 26.488 m<sup>2</sup>

**Portfolio Entry Date:** 1999

**Appraised Value (TRY):** 98.765.000 TRY

**2007 Rental Income (TRY, excluding VAT):** 5.247.359





## MASLAK BUILDING

12 story office building

# In the heart of the business world and trade...

**Convenient transportation, high potential...** The building offers a great advantage in terms of convenient transportation access due to its location, offering a tremendous commercial potential. The building is currently leased to Petrol Ofisi and İş Bank.

**Location:** Istanbul province, Şişli District, the main thoroughfare between Levent and Maslak

**Gross Leasable Area (GLA):** 12.901 m<sup>2</sup>

**Portfolio Entry Date:** 2001

**Appraised Value (TRY):** 38.700.000

**2007 Rental Income (TRY excluding VAT):** 2.585.272







## SEVEN SEAS HOTEL

5 star resort hotel on the coast with 358 rooms and a bed capacity of 861

### Within a lush green nature...

**Just on the bank of Lake Titreyen..** The hotel is situated just beside Lake Titreyen a spectacular natural wonder surrounded by historical locations, and natural beauty embraced by the sea and the sun. Seven Seas Hotel is a magnet for domestic and international tourists with a high commercial potential...

**An attractive touristic center...** Surrounded by some of the most important excursion points popular with tourists in Turkey, Seven Seas Hotel is an attractive destination for domestic as well as international guests. The Hotel is operated by Magic Life, a leading European tour operator.

**Location:** Antalya province, Manavgat District, Sorgun Village, Titreyen Göl region

**Gross Leasable Area:** 52.699 m<sup>2</sup>

**Portfolio Entry Date:** 2001

**Appraised Value (TRY):** 58.260.000

**2007 Rental Income (TRY, excluding VAT):** 5.370.150



  
mallmarine

TÜRKİYE

## MALLMARINE SHOPPING CENTER

A shopping center with 30 independent units

# Changing the face of Marmaris...

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

**Location:** Muğla province, Marmaris district, Kemeralı quarter on Atatürk Street

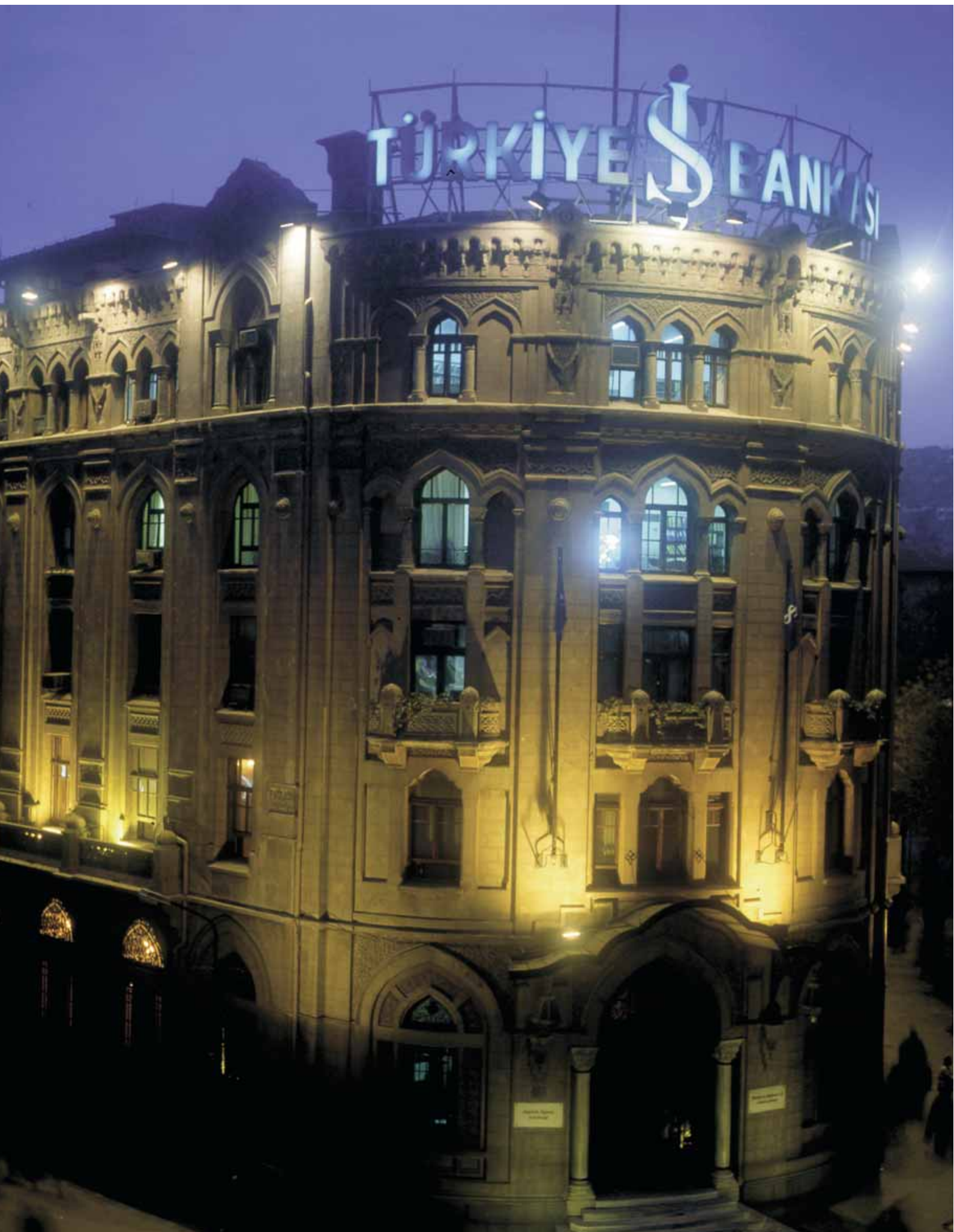
**Gross Leasable Area (GLA):** 3.172 m<sup>2</sup>

**Portfolio Entry Date:** 2001

**Appraised Value (TRY):** 11.375.00

**2007 Rental Income (TRY, excluding VAT):** 532.759





## ANKARA-ULUS OFFICE BUILDING

Office building in a central location with commercial development potential

# A symbol preserved from the past to date with care...

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

**Location:** Ankara Province, Altındağı District, Ulus

**Gross Leasable Area (GLA):** 6.418 m<sup>2</sup>

**Portfolio Entry Date:** December 2004

**Appraised Value (TRY):** 22.300.000

**2007 Rental Income (TRY, excluding VAT):** 2.226.487





## ANTALYA OFFICE BUILDING

Office building in a central location with commercial development potential

# Located in Antalya, in an advantageous location...

Antalya Office Building is located in an easily accessible area with tremendous commercial value in Antalya, one of the most beautiful southern provinces of Turkey and rented out to İş Bank on a 15-year lease.

**Location:** Antalya Province, Merkez District (Center)

**Gross Leasable Area:** 3.353 m<sup>2</sup>

**Portfolio Entry Date:** 2004

**Appraised Value (TRY):** 12.070.000

**2007 Rental Income (TRY, excluding VAT):** 937.839





Yatırım Finansman  
Menkul Değerler A.Ş.



Yatırım Finansman  
Menkul Değerler A.Ş.

TÜRKİYE İŞ BANKASI

TÜRKİYE İŞ BANKASI

## ANKARA-KIZILAY OFFICE BUILDING

Office building in a central location with commercial development potential

# In the heart of the Capital city...

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

**Location:** Kızılay, Ankara

**Gross Leasable Area:** 5.193 m<sup>2</sup>

**Portfolio Entry Date:** 2004

**Appraised Value (TRY):** 18.630.000

**2007 Rental Income (TRY, excluding VAT):** 1.874.974







## KANYON SHOPPING CENTER

Shopping Center with 152 stores

# Comfortable shopping in the sunlight...

**One of the largest shopping centers in Europe...** Situated in the heart of Istanbul, Kanyon Project has been developed by İş REIT and Eczacıbaşı Group as one of the largest residence, office and shopping centers not only in Turkey, but in Europe. It offers flats with terraces, balconies and gardens, complying with safety standards which surpass national and international earthquake safety standards. The shopping center's concept brings together social life with office life and makes a difference with respect to its competitors by offering the novelty of outdoor shopping.

**Residence, business, shopping all together...** Kanyon residences create a unique atmosphere for its guests by offering housing, office and shopping units in harmony and embracing different aspects of daily life under the same roof. Every detail of Kanyon Project is designed by considering the human factor and it reflects this human-oriented understanding in its motto: Live, Create, Discover.

**A living space in open air...** With its novel design of integrated private life, business and shopping centers, Kanyon has brought a fresh breath to Istanbul, where one might find it hard to find such human-oriented spaces despite the numerous advantages it offers. The team which designed Kanyon consists of Jerde Partnership, the world leaders in "experimental" architecture and Tabanlıoğlu Architecture from Turkey. The common philosophy of the architects was to create not just a building but "living spaces" which people would desire to visit repeatedly. Kanyon aims to be a place that people will interact with, as a result of which their synergy will vitalize the atmosphere and people will have unforgettable experiences.

**Residences opening out to nature...** Kanyon residences aim at creating an atmosphere in the city center where nature can be enjoyed without breaking away from the social life. For this purpose, residences are designed to offer the convenience of natural life to its guests by providing vast balconies, terraces, gardens and walking paths. On the other hand, Kanyon residences are equipped with advanced home automation systems, air-conditioned flats, folding windows and impressive interior design. The Complex offers the residents all the comfort and convenience of urban life in the midst of beauties offered by natural life.

**World leader in its class...** Kanyon project was designed to go beyond the "shopping center" concept. A world leader with its open air concept, Kanyon offers its visitors the opportunity and convenience of walking freely in the city streets in open air. Kanyon offers one of a kind shopping center concept created with all details carefully arranged with the liveliness of water, green areas and natural elements; as well as the convenience of indoor spaces with a heated-walking area in winter.

**World Class Brands...** Kanyon offers 160 stores representing the very best Turkish and world brands. The Four-stories of Kanyon are designed with four different styles and concepts decorated with different stores and products. The open area in the lowest floor is considered as the heart of Kanyon, offering live performances and street shows.

**Location:** Levent, Istanbul

**Gross Leasable Area:** 38.823 m<sup>2</sup>

**Opening Date:** 31 May 2006

**Appraised Value (TRY):** 259.925.000

**2007 Rental Income (TRY, excluding VAT):** 19.069.148 \*

\* 2.079.420 TRY of the rental income comes from the Kanyon Office Block; while 16.989.738 TRY is generated by the shopping center. The Office Block has been sold to Eczacıbaşı İlaç Sanayi ve Ticaret A.Ş. for 67.500.000 US Dollar on 31 May 2007.



## REAL PROJECT

Hypermarket Project

# Bringing a breath of fresh air to the shopping experience...

**Spaces that bring quality at affordable prices...** Real is a Company of Metro Group operating in the retail sector and is part of Turkish holdings of SB Warenhaus Holding GmbH. The Project has been opened to service on 15 August 2007 by İş REIT. Real was later operated by the tenant, offering its customers a comfortable and convenient shopping atmosphere in a space with 6 meters-wide corridors and 8 meters-long ceilings. Real provides approximately 40 thousand types of food and other products under the same roof and aims at offering quality products at affordable prices.

**Location:** [Yakuplu, Istanbul](#)

**Project Area:** [105 parcel](#)

**Gross Leasable Area (GLA):** [16.500 m<sup>2</sup>](#)

**Portfolio Entry Date:** [15 August 2007](#)

**Appraised Value (TRY):** [72.200.000](#)

**2007 Rental Income (TRY, excluding VAT):** [1.166.348](#)

## Portfolio Table as of 31.12.2007

|   | USD         | %    |
|---|-------------|------|
| Office Buildings                        |             |      |
| İstanbul İş Towers                      | 285,004,722 |      |
| Ankara İş Tower                         | 84,798,661  |      |
| Maslak Building                         | 33,227,441  |      |
| Ankara Ulus Historical Office Building  | 19,146,561  |      |
| Antalya Office Building                 | 10,363,184  |      |
| Ankara Kızılay Office Building          | 15,995,535  |      |
| Sub Total                               | 448,536,104 | 46%  |
| Hotel                                   |             |      |
| Seven Seas Hotel                        | 50,021,465  |      |
| Sub Total                               | 50,021,465  | 5%   |
| Shopping Centers & Retail               |             |      |
| Mallmarine Shopping Center (1)          | 9,766,463   |      |
| Kule Çarşı Shopping Center              | 33,394,866  |      |
| Kanyon Shopping Center (2)              | 223,169,056 |      |
| Real Hypermarket and adjacent lands (3) | 90,151,970  |      |
| Sub Total                               | 356,482,356 | 36%  |
| Projects Under Development              | 0           | 0%   |
| Lands                                   |             |      |
| Land in front of İstanbul İş Towers     | 596,720     |      |
| Üsküdar Land                            | 17,214,733  |      |
| No:106 lot adjacent to Real Hypermarket | 4,756,590   |      |
| Sub Total                               | 22,568,043  | 2%   |
| General Total of Properties             | 877,607,968 | 90%  |
| Participations                          | 42,930      | 0%   |
| Cash and Marketable Securities          | 101,711,301 | 10%  |
| TOTAL PORTFOLIO VALUE                   | 979,362,198 | 100% |
| Trade Receivables and other assets (4)  | 11,361,942  |      |
| Liabilities                             | 12,214,848  |      |
| TOTAL NET ASSET VALUE                   | 978,509,292 |      |
| total number of shares                  | 450,000,000 |      |
| Net Asset Value per Share               | 2.17        |      |

- (1) Solaris Plaza Shopping Center in our portfolio is renamed as 'Mallmarine Shopping Center'.
- (2) Our Company has %50 share in Kanyon Shopping Center. Sale of Kanyon Office Building has been realized on June 11th, 2007 and therefore Kanyon Office Building has been taken out of Portfolio Table.
- (3) The Real project construction on the parcel 105 was completed before the estimated project development timing and the hypermarket building was opened on August 15th, 2007. The leasing period with Real for 20 years has been started. A preliminary right of construction agreement was signed with CURA/GGP Real Estate Development Group for converting the lands excluding the Real Hypermarket use area to a shopping mall. According to the agreement, the contractual promise to transfer the construction rights in favor of CURA/GGP in land register was executed and the first installment of 6.500.000 USD was collected on February 9th, 2007.
- (4) %70 of the other assets consists of the amount of 6.000.000 USD, which is paid in accordance with the promise of sale agreement signed with Turkey İş Bank in order to purchase the Bank's 18.392 sqm land in İzmir to develop a mix-use project.



# Social Responsibility and Environmental Consciousness

İş REIT is conscious of its important role as a corporate citizen, and that it will grow and improve in parallel with society, in satisfying social, cultural, artistic and economical needs of society's different segments. Acting in line with this consciousness, our Company makes efforts to support the national projects encompassed by social responsibility such as health, education, culture, law, arts, scientific research, environmental protection and sport projects, etc. İş REIT has stipulated the rules by which our company will support such projects without remuneration in its Donation Regulation set up on 1 January 2007.

Our Company contributed to Cow Parade Istanbul during the current period. The generated income would be donated to Street Children Rehabilitation Foundation, AÇEV and TEMA Foundations.

Furthermore, in all the shopping centers included in its portfolio, our Company offers associations, foundations and other non-profit organizations providing public service, to open stands free of charge and allows them the opportunity to perform publicity activities, with our full cooperation. Our Company has carried out such activities within 2007.

Our Company acts with diligence in the matter of social responsibility and in conformity with applicable laws and environmental values. There have not been any lawsuits brought against the Company due to environmental damages.

İş REIT is conscious of its important role as a corporate citizen, and that it will grow and improve in parallel with society, in satisfying social, cultural, artistic and economical needs of society's different segments.



# Statements Regarding Corporate Governance Practices

## Fundamental Principles Regarding the Real Estate Investment Trusts' Investment Activities and Changes Made in the Communiqué during the Current Year

No changes have been made to the CMB Communiqué (VI:11) on REIT activities within the current year. Some of the general provisions on REIT activities are provided below and more detailed information can be found at [www.spk.gov.tr](http://www.spk.gov.tr).

- REITs are obliged to invest a minimum of 50% of their portfolio value in real estate development projects and rights shared in real estate properties. Outside of these entities (capital market tools and cash assets) REITs may invest a maximum of 50% of their portfolio assets.
- General purpose REITs are obliged to diversify their portfolios with respect to sector, region and type of real estate property, and manage their portfolios on a long term basis.
- REITs are obliged to take into account appraised values determined by appraisal companies in renting, selling and buying activities for their portfolio as designated by the CMB.
- REITs may never undertake construction works themselves and may not hire personnel and equipment for this purpose.
- REITs may use credit up to three fold of their net assets.

## Other Developments Regarding Activities:

"Law Regarding Amendments to Various Laws on Housing Financing System" related to the mortgage law was accepted by TBMM (Turkish Grand National Assembly) and put into effect on 6 March 2007. As stipulated by the Law, mortgage-financing institutions are expected to provide the housing financing system with financial resources by means of issuing mortgage covered bonds in consideration of housing loans granted by the concerned mortgage finance institution. In this context, legal arrangements for bonds to be issued in consideration of housing loans are finalized and Communiqué III:33 on "Guidelines for Mortgage Covered Bonds" and Communiqué III:34 on "Guidelines for Housing Financing Funds and Mortgage Backed Securities" have been put into effect and published by CMB, on 4 August 2007. Both Communiqués regulating

the securitization of housing loans have clarified the requirements for the issue of such securities and serious progress has been made in terms of legal regulations needed by the mortgage financing. The above-mentioned developments are anticipated to increase the number of projects in the retail sector and the consolidation of a consumer group capable of affording housing units to be developed by REITs. The "Mortgage System" is expected to become effective once other arrangements regarding the operation of the system are completed and interest rates decreased to desired levels.

## Changes in Organization and Administration Structure

### Capital and Shareholder Structure

42.23% of Company capital is owned by İş Bank. In 2007, there has not been an important change in the shareholder structure of the Company. As of 31 December 2007, foreign investors own 58% of our shares in circulation.

Our Company has submitted an application to the Capital Market Board on 26 April 2007 by virtue of the Board Resolution adopted on 11 April 2007, to increase the company's issued capital of 329.966.000 TRY by a total of 120.034.000 TRY without remuneration, as in 103.535.700 TRY (31,37769%) to be covered by equity inflation adjustments and 16.498.300 TRY (5%) to be covered from 2006 profits pursuant to the Resolution of Annual General Meeting convened on 26 March 2007 on the distribution of profits for the period by non-paid up shares to reach a total issued capital of 450.000.000 TRY.

Shares with 120.034.000 TRY nominal value corresponding to the increased capital were registered by the Board on 29.05.2007 and capital increase transactions were completed in the following period, registration of increase of our issued capital from 329.966.000 TRY to 450.000.000 TRY was completed on 12 July 2007 and it was announced on issue No.6854 of Turkish Trade Registry Gazette dated 18 July 2007.

### Changes in Administrative and Organizational Structure

The curriculum vitae of the Members of the Board elected in the Annual General Meeting and serving in 2007 are provided in this report. In the General Meeting convened on 26 March 2007, Mr. Adnan Bali was elected as the Chairman of the Board of Directors in place of Dr. Gürman Tefvik who had completed his term of service.

Mr. Turgut Sungur was elected to serve until the first Annual General Meeting of Shareholders in place of Mr. Özgün Çınar who had withdrawn from his membership.

Nil Sepetçi has taken office upon election by the Audit Board in accordance with Article 352 of Turkish Commercial Code in place of Haluk Giray who had resigned from Membership of Audit Board in the report period.

T. Aydan Ormancı serving as Investment and Project Development manager in Our Company was promoted on 15.10.2007 to Vice General Manager in charge of "Investment and Project Development" and "Corporate Communication and Marketing".

In parallel with the changing needs of the Company, the Marketing Department has been transformed into "Corporation Communication and Marketing Department" with new fields and definitions of duties.

### Information on Lawsuits to Which Our Company is a Party

There were no lawsuits, warnings, or monetary fines by the public authorities against the company in 2007.

The land lease of parcels 101, 102, 103, 105, 107 which are in our portfolio in Istanbul, Municipality of Beylikdüzü location, the law suits opened against our company at the 2nd Civil Court of First Instance for the determination of the ownership right of the concerned property was dismissed on 26 December 2006 and the court decision was approved and concluded by Court of Appeals on 05.11.2007.

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

In 2007, a total of 21.981.984 TRY rental income from the Group companies, 2.386.456,21 TRY interest revenue from bank deposits, and 293.216,26 TRY investment fund revenue were earned. In 2007, compared to this, total received service costs are 2.493.830 TRY.

### Statement Concerning Foreseeable Fisks Inherent in Our Activities

Our Company invests in real estate as well as money and capital market instruments within the scope of its portfolio management activities. Investments in the real estate sector consist about 90% of total portfolio investments as of the end of 2007. Such investments may be carried out by means of purchasing completed real estates for sale and/or renting purposes as well as by project development for the same purposes. Task environment can be considered as a main risk integrated with the indicated activities.

As of the end of year, money and capital market investments compromise 10% of our total portfolio value. The said investments are not for speculative purposes and are carried out for use in money and capital markets until Company funds are directed to investment expenditures. Risk integrated with investments made for this purpose is the market risk.

An in-house risk management system has been established. The Risk Unit carries out risk management activities. This Unit reports its activities to Company Risk Committee. The Board of Directors issued the Company Risk Policy and the Risk Catalogue; and stated risk limits in terms of measurable risk types. The concerned unit within the framework of Company Risk Policy conducts risk measurements periodically and measurement results are reported to Company Senior Management. Thus the Company endeavors to identify the foreseeable risks concerning the activities and aims at minimizing those risks.

# Board of Directors' Recommendation Concerning the Distribution of 2007-Year Profit (TRY)

The Company's net profit for the period as of December 31, 2007 is 54.942.236,00 TRY in the financial statements prepared in accordance with the "Capital Market Board Communiqué on Capital Market Accounting Standards" and is 56.130.799,84 in the legal records maintained in accordance with Tax Procedures Law.

According to Article 30 concerning

"The Distribution of Profits and Reserve Funds" of the Company's Articles of Association, it has been decided to present the distribution of net profit of 22.500.000,00 TRY in cash, as above stated, to the approval of the General Meeting of the shareholders.

| 2007 Profit Distribution Table (TRY)  |              | Based on CMB  | Based on Legal Records                     |                  |
|---|--------------|---|--|------------------|
| <b>DISTRIBUTION OF CURRENT YEAR PROFIT</b>  |              |   |  |                  |
| 1. Paid in/Issued Capital   |              | 450.000.000,00  | 450.000.000,00                             |                  |
| 2. Total Legal Reserve (Based on Legal Records)   | 8.013.085,08 | 8.013.085,08  |  |                  |
| If there are privileges for the distribution of profits according to Articles of Association, information on such privileges: there are not any privileges for the distribution of profits. |              |   |  |                  |
| 3. Current-year Profit  |              | 55.067.130,00   | 56.130.799,84                              |                  |
| 4. Taxes Due  |              | (124.894,00)  | 0,00                                       |                  |
| 5. Current Year Net Profit  |              | 54.942.236,00   | 56.130.799,84                              |                  |
| 6. Former Year Losses   |              | 0,00  | 0,00                                       |                  |
| 7. First Legal Reserve  |              | (2.806.539,99)  | (2.806.539,99)                             |                  |
| 8. Net Distributable Current-Year Profit of Subsidiary Which Has Not Taken the Decision for Distribution  |              | (486.392,00)  |  |                  |
| 9. Net Distributable Current Year Profit taking account of Unrealized Capital Gains   |              | 51.649.304,01   |  |                  |
| 10. Unrealized Capital Increase (-)   |              | (939.023,59)  |  |                  |
| 11. Unrealized Capital Decrease (+)   |              | 0,00  |  |                  |
| 12. Net Distributable Current Year Profit without taking account Unrealized Capital Gains   |              | 50.710.280,42   |  |                  |
| 13. Net Distributable Current Year Profit   |              | 50.710.280,42   | 53.324.259,85                              |                  |
| 14. Donations Given within the Year   |              | (10.000,00)   |  |                  |
| 15. Net Distributable Current-Year Profit Incorporating Donations from which first dividend will be calculated  |              | 50.720.280,42   |  |                  |
| 16. First Shareholders' Dividend  |              |   |  |                  |
| - Cash  |              | 22.500.000,00   |  |                  |
| - Bonus   |              |   |  |                  |
| - Total   |              | 22.500.000,00   |  |                  |
| 17. Dividends For Preferred Shareholders  |              | 0,00  |  |                  |
| 18. Dividends For Board Members, Employees etc.   |              | 0,00  |  |                  |
| 19. Dividends For Usufruct Shares   |              | 0,00  |  |                  |
| 20. Second Dividend for Shareholders  |              | 0,00  |  |                  |
| 21. Second Legal Reserves   |              | 0,00  |  |                  |
| 22. Statuary Reserves   |              | 0,00  |  |                  |
| 23. Special Reserves  |              | 0,00  |  |                  |
| <b>EXTRAORDINARY RESERVES</b>   |              | <b>28.210.280,42</b>  | <b>29.885.236,26</b>                       |                  |
| <b>OF 1 TRY NOMINAL VALUE</b>   |              | <b>TOTAL DIVIDENDS</b>                                      | <b>DIVIDENDS PER SHARES INFORMATION ON</b> |                  |
| <b>DISTRIBUTED PROFIT SHARE (1)</b>   | <b>GROUP</b> | <b>AMOUNT (TRY)</b>   | <b>AMOUNT (TRY)</b>                        | <b>RATIO (%)</b> |
| GROSS   | A            | 32.142,86   | 0,05                                       | 5,00             |
|   | B            | 22.467.857,14   | 0,05                                       | 5,00             |
|   | Total        | 22.500.000,00   |  |                  |
| NET (7)   | A            | 32.142,86   | 0,05000                                    | 5,000            |
|   | B            | 22.467.857,14   | 0,05000                                    | 5,000            |
|   | Total        | 22.500.000,00   |  |                  |
| <b>RATIO OF DISTRIBUTED PROFIT SHARE TO NET DISTRIBUTABLE CURRENT-YEAR PROFIT WITH DONATIONS</b>  |              |   |  |                  |
| RATIO OF DIVIDENDS DISTRIBUTED TO SHAREHOLDERS (TRY)  |              | TO NET DISTRIBUTABLE CURRENT YEAR PROFIT WITH DONATIONS (%) |  |                  |
| 22.500.000  |              | 44,36   |  |                  |

# İş Real Estate Investment Trust Co. 2007 Statutory Auditors' Report

To the attention of General Meeting of the Shareholders:

|  |  |
|--|--|
| Trade Name   | : İş Real Estate Investment Trust Co.  |
| Headquarters   | : Istanbul   |
| Issued Capital   | : 450.000.000 TRY  |
| Principal Business Activity  | : The Company was established to invest in real properties, in capital market instruments backed by real estate properties and in real estate projects.  |
| Names, Term of Office, and Partnership Status of the Statutory Auditors  | Süleyman Hayrettin Özcan<br>Sezai Sevgin<br>Nil Sepetçi<br><br>Statutory auditors are elected to serve until the date of the next annual general meeting. They are not the partners in the Company |
| Number of Board of Directors Meetings Participated in and Number of Times the Statutory Auditors Formally Convened   | : 12 (twelve)  |
| Scope, Date and Results of Examinations Performed on the Company's Accounts, Books and Documents   | : The Company's legal books of account and documents were examined in the months of June and December and the conclusion reached: they were in accord with the accounts.                           |
| Number of Cash Counts Performed at the Company Cashier's Office in Accordance with the Requirements of Subparagraph 3 of Paragraph 1 of Article 353 of the Turkish Commercial Code and the Conclusions Reached | : Cash Counts were performed at the Company's cashier office twice in 2007 in accordance with the requirements of law. All cash balances conformed to the books of account.                        |
| Dates on which examinations were performed in accordance with the requirements of subparagraph 1 of paragraph 4 of Article 353 of the Turkish Commercial Code and the Conclusions that were reached            | : During our examinations performed each month the presence of negotiable instruments were checked and it was established that they conformed to the records.                                      |
| Charges or Complaints of Improprieties Received and the Action Taken   | : 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 2007 to 31 December 2007 for compliance with the requirements of the Turkish Commercial Code, the Company's Articles of Association, relevant laws and regulations and generally accepted accounting principles and standards.

In our opinion: the enclosed balance sheet for the period issued on 31/12/2007, the contents of which we certify, accurately reflects the true financial standing of the Company on this date; the income statement for the period 01/01/2007-31/12/2007 accurately and truly reflects the results of business activities during the same period; the proposed distribution of profits is in compliance with the requirements of law and with the Company's Articles of Association.

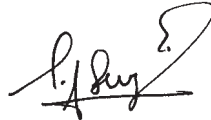
We hereby recommend that the balance sheet and income statement be approved and that the members of the Board of Directors be acquitted of their fiduciary responsibilities.

THE STATUTORY AUDITORS

Süleyman H. Özcan



Sezai Sevgin



Nil Sepetçi





# Corporate Governance Principles Compliance Report

## 1. Statement of Compliance with Corporate Governance Principles

Strict attention was given to compliance with Corporate Governance Principles under the main headings of "Shareholders," "Public Disclosure and Transparency," "Stakeholders" and "Board of Directors" at our Company, in 2007. Operations to develop and improve the application of the foregoing principles in Company were initiated and a significant part of these operations were implemented.

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

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

## PART I-SHAREHOLDERS

### 2. Investor Relations Unit

The Risk Management and Investors Relations Department (Investors Unit), manages primarily the operations of the general meeting and capital increases, as well as shareholders' exercise of their rights, public disclosure and information sharing effectively and systematically.

In 2007, the interest of the foreign investors and funds towards our Company continued to increase. Throughout the year, about 60 one-to-one meetings were held with domestic and international investment companies, investment funds and equity houses. Moreover, while the information on public disclosure and transparency including legislation and the Company Disclosure were preserved, demands from the domestic, foreign, private and corporate investors related to the Company were met in detail. The necessary records related to the mentioned demands and answers, are kept by Investors Unit. The request of universities and various government organizations for their information demands is met and support is given to these establishments in their research.

### 3. Shareholders' Exercise of Their Right to Obtain Information

During 2007, shareholders, for the most part, sought the information they needed, usually at the time of or after

the publication or announcement of general meeting of shareholders, capital increases or issuance of the financial statements. While domestic investors demanded the information they needed mostly via telephone or email, foreign investors preferred to obtain the information they needed by e-mail or by holding one-to-one meetings. The information requests were met based on Company Disclosure Policy that was publicly disclosed previously.

Every development that might affect shareholders exercise of their rights is announced to shareholders the same day through the Istanbul Stock Exchange (ISE). 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 and documents concerning ordinary and extraordinary General Meeting of Shareholders were also put up on our website.

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

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

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

### 4. Information About General Meetings

Annual General Meeting of Shareholders convened on March 26, 2007. An invitation for the General Meeting of Shareholders, the meeting's agenda and a specimen of a proxy statement were published in two nationally circulating newspapers; invitations were sent out to

registered shareholders by registered mail, return receipt requested; 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 most recent General Meeting of Shareholders. The annual report was prepared twenty-one days prior to the meeting date, it was sent to the addresses of the shareholders upon request, and placed on the Internet site and was also made available for the inspection and assessment of shareholders visiting the Company's headquarters and of shareholders attending the General Meeting of Shareholders. While complying with the provisions of the Ministry of Industry and Trade Communiqué concerning the period of time in which entries must be made in the shareholders register, shareholders who applied to obtain their meeting passes after the one-week period stipulated in the Communiqué, were given them as well, so as to achieve maximum participation at the meeting. During the period, General Meeting of Shareholders was held by 60.85% attendance of the Company's shareholders all of which was represented in person. Excluding the secret and confidential commercial information, which was not disclosed to the public, all other oral and written queries of the shareholders about the Company were answered before and after the General Meeting of Shareholders.

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

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

#### 5. Voting Rights and Minority Rights

Class-A shareholders have the right to designate candidates for election to seats on the Board of Directors.

One Board Member must be elected among candidates designated by Class-B shareholders and the remaining members must be elected among candidates designated by Class-A shareholders.

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

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

#### 6. Dividend Policy and Timing

Our company's dividend policy is given below:

The distribution of the first obligatory dividend of the distributable profit will be stated in the Articles of Association as a principle.

1. Taking into consideration the delicate balance between the expectations of our shareholders and the growth policies of Iş REIT,
2. as well as Iş REIT's profit-earning capacity, the Board of Directors decides the dividend policy proposal to be submitted to the approval of the General Meeting of Shareholders to recommend a dividend policy based on the principle that the dividend would be no less than %30 of the total distributable income and would be distributed as cash or bonus shares.

The dividend distribution proposal of the Board of Directors is discussed at the General Meeting of Shareholders and issues such as, distribution method, distribution date and if there will be a distribution, are decided.

#### 7. Transferring Shares

The Company's Articles of Association contain no provisions restricting the transfer of shareholding interests.

### PART II-PUBLIC DISCLOSURE AND TRANSPARENCY

#### 8. Company Disclosure Policy

In 2007, the information requests that our Company received, have been fulfilled under the Company Disclosure Policy, which aims to provide public disclosure on the principles of being accurate, complete, intelligible, interpretable, conveniently accessible at low cost, and equally available to all.

### 9. Special Circumstance Announcements

Pursuant to CMB regulations, our Company made twenty-one (21) special circumstance announcements in 2007. During the 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 has a corporate website located at [www.isgyo.com.tr](http://www.isgyo.com.tr). With the intention of better informing our investors, our internet website is updated during the report period: Company profile, our portfolio, founding and capital structure, Company Senior Management, mission, commercial registry information, shareholder structure, investor information, previous periods' annual reports, portfolio tables, financial tables with addenda, three month activity reports, stock performance, public disclosures, capital increase tables, explanations and public offering circulars, Capital Market Board forms, dividend policy, independent audit reports, Company's Articles of Association, General Meeting of Shareholders information, meeting invitation, meeting minutes, list of attendees, dividend news, capital increase news, Company news, media news about the Company, company disclosure policy, communication information, mailing list, corporate governance principles and code of ethics.

"Shareholder" and "Management Structure" sections are regularly updated as to reflect latest aspects. There is detailed information regarding privileges assigned to shares. Special circumstance announcements and our share price performance can be reached through a link on main page with the service provided by Foreks Bilgi İletişim A.Ş. All the information requests that Company receive through Internet or e-mail, are fulfilled promptly and carefully.

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

There are no non-corporate primary shareholders with a controlling interest in the Company. Information about shareholders who controlled at least a 10% interest in the Company as of 31 December 2007 is presented below:

|              | Amount of Share (TRY) | Share Rate (%) |
|--------------|-----------------------|----------------|
| 31.12.2007   |                       |                |
| T. İş Bank   | 190.057.270           | 42,23          |
| Other        | 259.942.730           | 57,77          |
| <b>Total</b> | <b>450.000.000</b>    | <b>100,00</b>  |

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

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

#### Board Members:

**Adnan Bali**, Chairman  
**Nejat Yalkut Ayözger**, Independent Vice Chairman  
**Kemal Şahin**, Board Member  
**Turgut Sungur**, Board Member  
**Haldun Baydar**, Independent Board Member

#### Senior Management

**Turgay Tanes**, General Manager  
**Hülya Demir**, Assistant General Manager  
**T. Aydan Ormançı**, Assistant General Manager  
**Tuğrul Gürdal**, Financial and Administrative Affairs Manager  
**Şenol Baban**, Project Application, Construction and Architecture Manager  
**Bülent Otuz**, Project Application, Electrical and Mechanic Manager  
**Pınar Ersin Kollu**, Legal Consultant  
**Ayşegül Şahin Kocameşe**, Risk Management and Investor Relations Manager  
**Gökhan Temel**, Project Application, Construction and Architecture Assistant Manager  
**Kaan Özsoy**, Project Application, Construction and Architecture Assistant Manager  
**Gülfem Sena Tandoğan**, Corporate Communications and Marketing Assistant Manager

## PART III-STAKEHOLDERS

### 13. Keeping Stakeholders Informed

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

### 14. Stakeholder Participation in Management

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

In line with this and as spelled out in the Company's Code of Ethics, workplace policies are developed and updated through ongoing communication with employees and in light of their wishes as well. Regular meetings, presided

over by the General Manager and attended by Company employees, are held for the purpose of achieving coordination. These meetings play an important role in senior management's decision-making process.

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

### 15. Human Resources Policy

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

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

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

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

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

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

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

### 16. Relations With Customers and Suppliers

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

### 17. Social Responsibility

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

During the reporting period, our Company participated the CowParade Istanbul event, in which funds are raised and shared with Sokak Çocukları Rehabilitasyon Derneği (Street Children Rehabilitation Association), AÇEV (Mother Child Education Foundation) and TEMA Vakfı (The Turkish Foundation for Combating Soil Erosion, Reforestation and the Protection of Nature Habitats).

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

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

## PART IV-THE BOARD OF DIRECTORS

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

#### Board Members:

**Adnan Bali Chairman**, Non-Executive

**Nejat Yalkut Ayözger Vice Chairman**, Non-Executive, Independent

**Kemal Şahin Board Member**, Non-Executive

**Turgut Sungur Board Member**, Non-Executive

**Haldun Baydar Board Member**, Non-Executive, Independent



### Senior Management

**Turgay Tanes**, General Manager

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

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

### 19. Qualifications of Board Members

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

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

The Board of Directors has defined and disclosed to the public the Company's corporate mission.

Our mission is to create spaces desirable for contemporary people and contemporary cities, to maximize the collective value of our portfolio for our shareholders through stable growth and high profitability.

Our vision is to be a globally exemplary institution by not only the projects we undertake but also with the way we conduct business, by our organizational structure, our corporate values and our management approach. Our vision also encompasses achieving a stable portfolio growth through years and maintaining continuous growth.

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

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

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

### 21. Risk Management and Internal Control Mechanisms

Risk Management and Investor Relations Department has been operating in the Company since 2005. The related unit, reports to Company Senior Management, Company Risk Committee and Board of Directors concerning the management of risks in Company's activities within the framework of Company Risk Policy and Company related adjustments.

"Company Risk Catalogue" covering the risks related to Company's activities is updated, new risk types are defined, examples of potential risks are shared in line with the changing and developing market conditions and Company's activities. Thus, Company Senior Management aims to take necessary measures and to establish control mechanisms for managing these risks.

Since there is no legal obligation for an Internal Control Unit, one has not been established. There is no need for an independent internal control mechanism when operations of the Company and the number of employees are considered. Even though internal control mechanism is not established as a unit in our Company, multiple control systems are in place due to our activities, which completely answer the need for internal control.

## 22. Authorities and Responsibilities of Board Members and Executives

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

## 23. Operating Principles of the Board of Directors

Board Meeting agendas are determined on the basis of recommendations made by General Manager and with the knowledge of Chairman of the Board. The Chairman or Vice Chairman calls upon the other members to convene. According to Company's Articles of Association Article 13, all members have the right to call the Board for a meeting. Audit Board members are also invited to Board meetings and receive the same meeting reports as the Board members. General Manager's Assistant is assigned to inform and maintain communication with Board members and auditors. During the current year, the Board of Directors held twenty-eight (28) meetings and took forty-two (42) decisions.

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

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

## 24. Prohibition on Doing Business or Competing with the Company

According to Article 20 of Communiqué on Principles Pertaining to Real Estate Investment Trusts, which governs our activities, in situations where Board members are not independent (in the sense of subparagraph (g) of Article 4 of the Communiqué) of those who are parties to Board's decision, members are required to notify the Board of this situation, giving full details, and to have the matter put into the meetings minutes. In addition, Board members are not granted with permission by shareholders to be exempted from the prohibition on doing business with the Company (under Article 334 of the Turkish Commercial Code) or the prohibition on competing with the Company (under Article 335 of the Turkish Commercial Code).

As required by Article 20 of the Communiqué, this issue is embodied in the Company's Articles of Association.

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

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

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

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

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

## 27. Financial Rights Provided to the Board of Directors

The General Meeting of Shareholders determines the salaries of the Board members. At the General Meeting of Shareholders held on 26 March 2007, the decision was taken to pay Board members a monthly salary of 1.675 TRY (net) and auditors a monthly salary of 1.000 TRY (net).

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



**İş Gayrimenkul Yatırım Ortaklığı A.Ş. and its Subsidiary**  
**Consolidated Financial Statements**  
**Prepared in Accordance with Communiqué**  
**No: XI/25 as of 31 December 2007**

(Translated into English from  
the Original Turkish Report)





## İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

To the Board of Directors  
İstanbul

### INDEPENDENT AUDITORS' REPORT FOR THE PERIOD 1 JANUARY-31 DECEMBER 2007

We have audited the accompanying consolidated financial statements prepared using the proportionate consolidation method of İş Gayrimenkul Yatırım Ortaklığı A.Ş. ("the Company") and its joint venture (together "the Group") which comprise the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### Opinion

In our opinion, the accompanying financial statements give a true and fair view of the consolidated financial position of İş Gayrimenkul Yatırım Ortaklığı A.Ş. and its joint venture as of 31 December 2007, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with legislation and generally accepted accounting principles published by the Capital Markets Board.

#### Additional paragraph for the English translation:

The effect of the differences between the accounting principles summarized in Note 2 and the accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified and reflected in the accompanying consolidated financial statements. The accounting principles used in the preparation of the accompanying consolidated financial statements differ materially from IFRS. Accordingly, the accompanying consolidated financial statements are not intended to present the Group's consolidated financial position and results of its consolidated operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

İstanbul, 12 February 2008

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



Murat Aytoğu  
Partner

**İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2007**

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

| <b>ASSETS</b>                      | <b>Note</b> | <b>31 December 2007<br/>TRY</b> | <b>31 December 2006<br/>TRY</b> |
|------------------------------------|-------------|---------------------------------|---------------------------------|
| <b>Current Assets</b>              |             | <b>133,280,045</b>              | <b>32,744,292</b>               |
| Cash and cash equivalents          | 4           | 98,176,939                      | 23,678,815                      |
| Marketable securities (net)        | 5           | 22,238,507                      | 500,838                         |
| Trade receivables (net)            | 7           | 3,154,496                       | 4,347,453                       |
| Due from related parties (net)     | 9           | 7,076,816                       | 228,026                         |
| Other receivables (net)            | 10          | 1,175,465                       | 2,547,120                       |
| Deferred tax assets (net)          | 11          | -                               | -                               |
| Other current assets (net)         | 12          | 1,457,822                       | 1,442,040                       |
| <b>Long-term Assets</b>            |             | <b>765,824,146</b>              | <b>853,776,264</b>              |
| Trade receivables (net)            | 7           | -                               | -                               |
| Due from related parties (net)     | 9           | -                               | -                               |
| Other receivables (net)            | 10          | -                               | -                               |
| Financial assets (net)             | 13          | -                               | -                               |
| Positive/(negative) goodwill (net) | 14          | -                               | -                               |
| Investment Property (net)          | 15          | 741,505,566                     | 782,614,790                     |
| Tangible assets (net)              | 16          | 24,249,031                      | 71,089,832                      |
| Intangible assets (net)            | 17          | 68,053                          | 71,013                          |
| Deferred tax assets (net)          | 11          | -                               | -                               |
| Other long-term assets             | 12          | 1,496                           | 629                             |
| <b>Total Assets</b>                |             | <b>899,104,191</b>              | <b>886,520,556</b>              |

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

## İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2007

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

| <b>LIABILITIES</b>   | <b>Note</b> | <b>31 December 2007<br/>TRY</b> | <b>31 December 2006<br/>TRY</b> |
|--|-------------|---------------------------------|---------------------------------|
| Short-term Liabilities   |             | 15,543,816                      | 57,955,447                      |
| Short-term borrowings (net)  | 6           | -                               | -                               |
| Short-term portions of long-term borrowings (net)  | 6           | -                               | -                               |
| Finance lease payables (net)   | 8           | -                               | -                               |
| Other financial liabilities (net)  | 10          | 727,623                         | 351,271                         |
| Trade payables (net)   | 7           | 2,248,304                       | 4,921,955                       |
| Due to related parties (net)   | 9           | 591,350                         | 1,187,957                       |
| Advances received  | 18          | 7,764,379                       | 47,253,266                      |
| Provisions   | 20          | 27,125                          | 36,204                          |
| Deferred tax liabilities (net)   | 11          | -                               | -                               |
| Other short-term liabilities (net)   | 12          | 4,185,035                       | 4,204,794                       |
| <b>Long-term Liabilities</b>   |             | <b>352,103</b>                  | <b>299,073</b>                  |
| Long-term borrowings (net)   | 6           | -                               | -                               |
| Finance lease payables (net)   | 8           | -                               | -                               |
| Other financial liabilities (net)  | 10          | -                               | -                               |
| Trade payables (net)   | 7           | 162,964                         | 157,041                         |
| Due to related parties (net)   | 9           | -                               | -                               |
| Advances received  | 18          | -                               | -                               |
| Provisions   | 20          | 185,879                         | 139,993                         |
| Deferred tax liabilities (net)   | 11          | 3,260                           | 2,039                           |
| Other long-term liabilities  | 12          | -                               | -                               |
| <b>Minority interest</b>   | <b>21</b>   | <b>-</b>                        | <b>-</b>                        |
| Shareholders' Equity   |             | 883,208,272                     | 828,266,036                     |
| Capital  | 22          | 450,000,000                     | 329,966,000                     |
| Treasury stock   | 22          | -                               | -                               |
| Capital reserves   | 23          | 240,612,911                     | 344,148,611                     |
| - Premium in excess of par   |             | 423,981                         | 423,981                         |
| - Gain on cancellation of equity shares  |             | -                               | -                               |
| - Revaluation fund   |             | -                               | -                               |
| - Valuation fund on financial assets   |             | -                               | -                               |
| - Shareholders' equity inflation restatement differences                                       |             | 240,188,930                     | 343,724,630                     |
| <b>Profit reserves</b>   | <b>24</b>   | <b>6,854,498</b>                | <b>2,657,571</b>                |
| - Legal reserves   |             | 3,034,728                       | 1,965,386                       |
| - Statutory reserves   |             | -                               | -                               |
| - Extraordinary reserves   |             | 3,818,515                       | 571                             |
| - Special reserves   |             | 1,255                           | 691,614                         |
| - Gain on sale of properties and equity participations<br>which will be transferred to capital | -           | -                               | -                               |
| - Currency translation reserve   |             | -                               | -                               |
| Net profit for the period  |             | 54,942,236                      | 48,750,382                      |
| Retained earnings  | 25          | 130,798,627                     | 102,743,472                     |
| <b>Total Liabilities and Shareholders' Equity</b>  |             | <b>899,104,191</b>              | <b>886,520,556</b>              |

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



**İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007**

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

| <b>INCOME STATEMENT</b>                 | <b>Note</b> | <b>1 January-<br/>31 December 2007<br/>TRY</b> | <b>1 January-<br/>31 December 2006<br/>TRY</b> |
|---|-------------|--|--|
| <b>OPERATING INCOME</b>                 |             |  |  |
| Sales revenue (net)                     | 33          | 212,702,779                                    | 59,058,099                                     |
| Cost of Sales (-)                       | 33          | (147,985,423)                                  | (50,199,342)                                   |
| Income from services (net)              | 33          | -  | -  |
| Other operating income (net)            | 33          | 123,935  | 34,392   |
| <b>GROSS PROFIT/(LOSS)</b>              |             | <b>64,841,291</b>                              | <b>8,893,149</b>                               |
| Operating expenses (-)                  | 34          | (4,183,711)                                    | (3,238,650)                                    |
| <b>GROSS OPERATING PROFIT/LOSS</b>      |             | <b>60,657,580</b>                              | <b>5,654,499</b>                               |
| Other income and profits                | 35          | 19,281,106                                     | 49,753,519                                     |
| Other expenses and losses (-)           | 35          | (24,871,556)                                   | (6,576,613)                                    |
| Finance expenses                        | 36          | -  | -  |
| <b>NET OPERATING PROFIT/LOSS</b>        |             | <b>55,067,130</b>                              | <b>48,831,405</b>                              |
| Net monetary gain/(loss)                | 37          | -  | -  |
| Minority interest                       | 21          | -  | -  |
| <b>PROFIT/(LOSS) BEFORE TAXATION</b>    |             | <b>55,067,130</b>                              | <b>48,831,405</b>                              |
| Taxation                                | 38          | (124,894)                                      | (81,023)                                       |
| <b>NET PROFIT/(LOSS) FOR THE PERIOD</b> |             | <b>54,942,236</b>                              | <b>48,750,382</b>                              |
| <b>EARNINGS PER SHARE</b>               | <b>39</b>   | <b>0.1221</b>                                  | <b>0.1083</b>                                  |

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

## İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER

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

|                                       | Shareholders' Equity |                |                    |                  |                  |                |                   | Retained Earnings  | Total              |
|---------------------------------------|----------------------|----------------|--------------------|------------------|------------------|----------------|-------------------|--------------------|--------------------|
|                                       | Capital              | Premium in     | Restatement        | Legal            | Extraordinary    | Special        | Net Period        |                    |                    |
|                                       | TRY                  | excess of par  | Differences        | Reserves         | Reserves         | Reserves       | Profit/(Loss)     | TRY                | TRY                |
| <b>As of 1 January 2006</b>           | <b>329,966,000</b>   | <b>423,981</b> | <b>343,724,630</b> | <b>1,095,099</b> | <b>571</b>       | <b>470,841</b> | <b>34,094,657</b> | <b>85,741,929</b>  | <b>795,517,708</b> |
| Transfers:                            |                      |                |                    |                  |                  |                |                   |                    |                    |
| Legal reserves                        | -                    | -              | -                  | 870,287          | -                | -              | -                 | (870,287)          | -                  |
| Extraordinary reserves                | -                    | -              | -                  | -                | -                | -              | -                 | -                  | -                  |
| Transfers to special reserves         | -                    | -              | -                  | -                | -                | 533,400        | -                 | (533,400)          | -                  |
| Transfers to retained earnings        | -                    | -              | -                  | -                | -                | (312,627)      | (34,094,657)      | 34,407,284         | -                  |
| Dividends paid                        | -                    | -              | -                  | -                | -                | -              | -                 | (16,002,054)       | (16,002,054)       |
| Net profit for the period             | -                    | -              | -                  | -                | -                | -              | 48,750,382        | -                  | 48,750,382         |
| <b>Balance as of 31 December 2006</b> | <b>329,966,000</b>   | <b>423,981</b> | <b>343,724,630</b> | <b>1,965,386</b> | <b>571</b>       | <b>691,614</b> | <b>48,750,382</b> | <b>102,743,472</b> | <b>828,266,036</b> |
| <b>As of 1 January 2007</b>           | <b>329,966,000</b>   | <b>423,981</b> | <b>343,724,630</b> | <b>1,965,386</b> | <b>571</b>       | <b>691,614</b> | <b>48,750,382</b> | <b>102,743,472</b> | <b>828,266,036</b> |
| Capital increase                      | 103,535,700          | -              | (103,535,700)      | -                | -                | -              | -                 | -                  | -                  |
| Legal reserves                        | -                    | -              | -                  | 1,069,342        | -                | -              | -                 | (1,069,342)        | -                  |
| Extraordinary reserves                | -                    | -              | -                  | -                | 3,817,944        | -              | -                 | (3,817,944)        | -                  |
| Transfers to special reserves         | -                    | -              | -                  | -                | -                | 1,255          | -                 | (1,255)            | -                  |
| Transfers to retained earnings        | 16,498,300           | -              | -                  | -                | -                | (691,614)      | (48,750,382)      | 32,943,696         | -                  |
| Net profit for the period             | -                    | -              | -                  | -                | -                | -              | 54,942,236        | -                  | 54,942,236         |
| <b>Balance as of 31 December 2007</b> | <b>450,000,000</b>   | <b>423,981</b> | <b>240,188,930</b> | <b>3,034,728</b> | <b>3,818,515</b> | <b>1,255</b>   | <b>54,942,236</b> | <b>130,798,627</b> | <b>883,208,272</b> |

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

**İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2007**

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

|   | Note     | 1 January-<br>31 December 2007<br>TRY | 1 January-<br>31 December 2006<br>TRY |
|---|----------|---------------------------------------|---------------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                       |          |                                       |                                       |
| <b>Net profit for the period</b>  |          | <b>54,942,236</b>                     | <b>48,750,382</b>                     |
| Adjustments to reconcile net profit to net cash provided by operating activities: |          |                                       |                                       |
| Depreciation of tangible assets   | 16       | 216,629                               | 112,571                               |
| Depreciation of investment properties   | 15       | 20,682,853                            | 33,782,163                            |
| Amortization of intangible assets   | 17       | 30,713                                | 39,667                                |
| Provisions released related to investment properties and other tangible assets    |          | (11,821,744)                          | (45,404,190)                          |
| Provisions related to investment properties and other tangible assets             |          | 22,210,504                            | 2,572,305                             |
| Gain on sale of investment properties   |          | (56,181,055)                          | -                                     |
| Losses on sale of investment properties   |          | 8,867,920                             | 2,752,732                             |
| Allowance for doubtful receivables  |          | 9,864                                 | -                                     |
| Interest accrual on marketable securities   |          | 939,024                               | -                                     |
| Retirement pay provision  | 20       | 45,886                                | 33,952                                |
| Tax provision   | 38       | 124,894                               | 81,023                                |
| Cash provided by operating activities before changes in working capital           |          | 40,067,724                            | 42,720,605                            |
| Changes in working capital  | 40       | (46,707,320)                          | 12,631,791                            |
| Cash provided by operations   |          | (6,639,596)                           | 55,352,396                            |
| Taxes paid  | 20       | (132,752)                             | (48,157)                              |
| Retirement pay provision paid during the period                                   | 20       | -                                     | (2,143)                               |
| <b>Net cash provided by operating activities</b>                                  |          | <b>(6,772,348)</b>                    | <b>55,302,096</b>                     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                       |          |                                       |                                       |
| Changes in marketable securities (net)  |          | (22,676,692)                          | 22,446,573                            |
| Purchases of tangible assets  | 16       | (30,120,955)                          | (697,465)                             |
| Purchases of investment properties (net)  | 15.16    | (6,095,117)                           | (75,834,142)                          |
| Proceeds from sale of investment properties                                       |          | 140,190,989                           | -                                     |
| Purchases of intangible assets  | 17       | (27,753)                              | (38,856)                              |
| <b>Net cash used in investing activities</b>                                      |          | <b>81,270,472</b>                     | <b>(54,123,890)</b>                   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                       |          |                                       |                                       |
| Dividends paid  |          | -                                     | (16,002,054)                          |
| <b>Net cash used in financing activities</b>                                      |          | <b>-</b>                              | <b>(16,002,054)</b>                   |
| <b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>                                   |          | <b>74,498,124</b>                     | <b>(14,823,848)</b>                   |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD</b>                       | <b>4</b> | <b>23,678,815</b>                     | <b>38,502,663</b>                     |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD</b>                             | <b>4</b> | <b>98,176,939</b>                     | <b>23,678,815</b>                     |

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH COMMUNIQUÉ NO: XI/25 AS OF 31 DECEMBER 2007**

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

**1. ORGANIZATION AND OPERATIONS OF THE GROUP**

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

The main objective and operations of the Company are to apply the regulations of the Capital Markets Board ("the CMB") related with the Real Estate Investment Corporation such as; properties, property oriented capital market instruments, real estate projects and investment to capital market instruments. Compliance to the CMB's regulations and related legislation are taken as a basis on the Company's operations, portfolio investment policies and management limitations. The Company's shares are traded on the İstanbul Stock Exchange since 1999.

The Company has 32 employees as of 31 December 2007 (2006 Personnel Number: 29).

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

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

**2. BASIS OF THE FINANCIAL STATEMENTS**

**Applied Accounting Principles**

The Capital Markets Board ("the CMB") has published Communiqué No: XI/25 "Communiqué on Capital Markets Accounting Standards" ("Communiqué No: XI/25") on 15 November 2003. This Communiqué is applicable for the first interim financial statements which will be prepared after 1 January 2005.

The Company maintains its books of account and prepares its statutory financial statements in accordance with accounting principles in the Turkish Commercial Code and tax legislation. The accompanying financial statements include adjustments and reclassifications to the statutory records in accordance with accounting standards issued by the Communiqué No: XI/25. The Company's financial statements were prepared in accordance with the CMB rules for accounting and reporting (the CMB Accounting Standards).

**Basis of Preparation of Financial Statements**

Communiqué No: XI/25 issued by the CMB provides a detailed set of accounting principles. The Communiqué declared that as an alternative the compliance with the accounting standards issued by the International Accounting Standards Board (IASB) and the International Accounting Standards Committee (IASC) will be counted as in compliance with the CMB Accounting Standards. The accompanying consolidated financial statements were prepared in accordance with the CMB's above Communiqué and with CMB's announcement on 20 December 2004 regarding the format of the financial statements and notes.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH COMMUNIQUÉ NO: XI/25 AS OF 31 DECEMBER 2007**

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

**Preparation of Financial Statements in Hyperinflationary Periods**

Restatement adjustments have been made to compensate for the effect of changes in the general purchasing power of the Turkish Lira, in accordance with the CMB Communiqué No: XI/20 "Communiqué on the Principles of Preparation of Financial Statements in Hyperinflationary Periods" for the financial statements prepared before 1 January 2005. The CMB Communiqué No: XI/20 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date.

In accordance with the CMB's Meeting No: 11/367 held on 17 March 2005, it has been resolved that since the hyperinflationary period is over and the indications of high inflation have been eliminated, the 2005 financial statements should not be adjusted for inflation and as a result inflation accounting has not been applied for the periods subsequent to 1 January 2005.

**Basis of Consolidation**

The accompanying consolidated financial statements incorporate the financial statements of the Company and its joint venture under common control in accordance with the CMB's Communiqué No: XI/25. Assets, liabilities, shareholders' equity, income and expenses in the financial statements of the Company and its joint venture under common control are combined and adjustments are made to eliminate inter-company sales and purchases, inter-company receivables and payables and inter-company equity investments. The joint venture under common control is consolidated with the Company through summing up with the Company's related accounts considering the 50% shareholding in this entity. As a result of these transactions, consolidated financial statements do not include minority shares of equity items and net profit.

**Comparative Information and Adjustments Made In Previous Periods' Financial Statements:**

The financial statements are presented comparatively with prior periods. If the presentation or classification of financial statement items is changed, prior year financial statements are also reclassified for the purpose of comparison including the disclosures for the reasons of the reclassification.

**Offsetting**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**a. Revenue recognition:**

Revenue of the Company consists of rent income generated during the period and recognized on an accrual basis.

**b. Tangible Assets:**

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH COMMUNIQUÉ NO: XI/25 AS OF 31 DECEMBER 2007**

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

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

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

**c. Intangible Assets:**

Intangible assets that are acquired before 1 January 2005 are carried at restated cost as of 31 December 2004; and subsequent purchases are carried at cost, less accumulated amortization and impairment.

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

**d. Impairment of Assets:**

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

**e. Borrowing Costs:**

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

**f. Financial Instruments:**

Financial instruments include financial assets and financial liabilities. Financial instruments constitute the basis of the Group's commercial operations and activities. These instruments and associated risks constitute the majority of the Group's total risk. Financial instruments have the ability to generate, affect and decrease liquidity, collections and price risk over the financial statements.

After initial recognition, all financial assets are measured at fair value other than trade receivables, held-to-maturity investments, assets that do not have a quoted market price in an active market and whose fair values can not be reliably estimated. Financial assets which are not measured at fair value with certain maturities are measured at amortized cost and assets without certain maturities are recorded at cost. Valuations of financial assets are reviewed periodically for impairment loss.

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable willing parties in an arms length transaction. Market value is the amount obtainable from the sale or payable on the acquisition, of a financial instrument in an active market, if one exists.

The estimated fair value of financial instruments is determined by the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to develop the estimated fair value.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH COMMUNIQUÉ NO: XI/25 AS OF 31 DECEMBER 2007**

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

Balances with banks and receivables are important financial instruments which would have negative effects on the financial structure of the Group if the other party failed to comply with the terms and conditions of the agreement.

The fair value of certain financial assets carried at cost is considered to be representative of carrying values due to their short-term nature.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate fair value.

Cash and cash equivalents: Cash and bank balances denominated in foreign currencies are translated at year-end exchange rates. The carrying amount of the remaining cash and bank balances is the reasonable estimates of their fair value.

Marketable securities: Fair value is estimated using quoted market prices wherever applicable. For those where no market price is available, the carrying amount in the books is estimated to be their fair value.

Trade receivables and trade payables: The Book value of the trade receivables along with the related allowances for uncollectibility and trade payables balances is estimated to be their fair value.

Due to/from related parties: The carrying value of due to and due from related parties is estimated to be their fair value.

**Credit Risk**

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and current economic environment.

**Price Risk**

Price risk is the fluctuations in interest rates, exchange rates and the price of marketable securities and financial agreements adversely affecting the Group. The main risks for the Group are the changes in interest rates and exchange rates.

**Liquidity Risk**

The Group is generally raising funds by liquidating its short-term financial instruments such as; collecting its receivables and disposing of marketable securities. The proceedings from these instruments generally approximate their fair value.

**g. Mergers and Acquisitions:**

None.

**h. Foreign Currency Transactions:**

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN  
ACCORDANCE WITH COMMUNIQUÉ NO: XI/25 AS OF 31 DECEMBER 2007**  
(Amounts are expressed in New Turkish Lira ["TRY"] unless otherwise indicated)

**i. Earnings per Share:**

Earning per share is the portion of the net profit or loss that accounts for the common share, which is divided by the weighted average number of common shares of the Company.

**j. Subsequent Events:**

Subsequent events cover any events which arise between the reporting date and the balance sheet date, even occurred after any declaration of the net profit for the period or specific financial information publicly disclosed.

The Group adjusts its consolidated financial statements if such subsequent events arise which require to adjust financial statements.

**k. Provisions, Contingent Liabilities and Contingent Assets:**

Provision is provided and disclosed in the consolidated financial statements, if there is a reliably measurable legal or implicit liability regarding to the previous events and this liability requires an outflow of economic resources.

**l. Change in Accounting Policies, Accounting Estimates and Errors:**

Changes in accounting policies or fundamental accounting errors are applied retrospectively and the consolidated financial statements for the prior periods are restated. If changes in accounting estimates relate only for one period, changes are applied in the current period however if changes in estimates relate more than one period, changes are applied both in the current and following periods prospectively.

**m. Financial Lease:**

Assets held under finance leases are recognized as assets of the Group at fair value at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

**n. Related Parties:**

For the purpose of accompanying consolidated financial statements, shareholders of İş Gayrimenkul Yatırım Ortaklığı A.Ş. and other companies owned by the shareholders, their directors and key management personnel and any companies in which they are known to be related, are considered and referred to as related parties.

**o. Segmental Information:**

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

**p. Discontinued Operations:**

None.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH COMMUNIQUÉ NO: XI/25 AS OF 31 DECEMBER 2007**

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

**r. Government Grant and Incentives:**

None.

**s. Investment Properties:**

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

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

**t. Taxation and Deferred Tax:**

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

**u. Employee Benefits/Retirement Pay Provision:**

Under the Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. The total provision represents the vested benefit obligation as at the balance sheet date. Future retirement payments are discounted to their present value at the balance sheet date and reflected to the accompanying consolidated financial statements.

**v. Pension Obligations:**

None.

**y. Agricultural Operations:**

None.

**z. Statement of Cash Flows:**

The statement of cash flows is reported by classifying the items such as; main, investment and operational activities. Cash on hand represents the items such as cash, banks etc. which are held for the current liabilities and not used for investing and other purposes.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH COMMUNIQUÉ NO: XI/25 AS OF 31 DECEMBER 2007**

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

**aa. Marketable Securities:**

The Group designates its securities portfolio as follows:

**Securities held for trading:**

Securities held for trading are those acquired principally for the purpose of generating profit from short-term fluctuations in their price or dealer's margin. Subsequent to initial recognition, held for trading securities are valued at their fair value if reliably measured. Gains or losses on held for trading securities are included in net profit or loss for the period in which they arise.

Investment funds are valued at market price. The carrying values of equity shares are measured at their market value.

For securities traded on stock exchange, the fair value is either the price determined on stock exchange or market value. The price quotation in an active market is the best evidence for fair value. The suitable market quotation is the highest bid among the outstanding bids, whereas if there are no outstanding bids; provided that there are no major changes in the economic circumstances between the transaction and balance sheet dates, the bid price of the most recent transaction is an evidence for the current market price. Accordingly, for securities that are normally traded on the stock exchange but have not been traded as of the balance sheet, the highest bid and ask prices, if the highest bid and/or ask is not available, the prices of the most recent transactions are considered as the best estimate of fair value.

**4. CASH AND CASH EQUIVALENTS**

|  | <b>31 December 2007</b> | <b>31 December 2006</b> |
|--|-------------------------|-------------------------|
|  | <b>TRY</b>              | <b>TRY</b>              |
| Cash                                       | 6,191                   | 1,113                   |
| Demand deposits                            | 130,185                 | 55,002                  |
| Time deposits                              | 97,912,091              | 23,622,700              |
| Receivables from Reverse REPO Transactions | 128,472                 | -                       |
|  | <b>98,176,939</b>       | <b>23,678,815</b>       |

| <b>Time deposits</b>     |                      |                       | <b>31 December 2007</b> |
|--------------------------|----------------------|-----------------------|-------------------------|
| <b>Original Currency</b> | <b>Interest Rate</b> | <b>Maturity</b>       | <b>TRY</b>              |
| US Dollars               | 4,20-4,45%           | 11.01.2008-12.03.2008 | 75,319,067              |
| Euro                     | 3.75%                | 16.01.2008-17.03.2008 | 22,593,024              |
|                          |                      |                       | 97,912,091              |

| <b>Time deposits</b>     |                      |                 | <b>31 December 2006</b> |
|--------------------------|----------------------|-----------------|-------------------------|
| <b>Original Currency</b> | <b>Interest Rate</b> | <b>Maturity</b> | <b>TRY</b>              |
| US Dollars               | 4,00-4,25%           | 1/29/07         | 4,656,057               |
| Euro                     | 3,00-3,40%           | 1/18/07         | 18,966,643              |
|                          |                      |                 | <b>23,622,700</b>       |

| <b>Receivables from Reverse REPO Transactions</b> |                      |                 | <b>31 December 2007</b> |
|---|----------------------|-----------------|-------------------------|
| <b>Original Currency</b>                          | <b>Interest Rate</b> | <b>Maturity</b> | <b>TRY</b>              |
| TRY   | 16.12%               | 1/2/08          | 128,472                 |
|   |                      |                 | <b>128,472</b>          |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH COMMUNIQUÉ NO: XI/25 AS OF 31 DECEMBER 2007**

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

**5. MARKETABLE SECURITIES (NET)**

|                              | <b>31 December 2007</b> | <b>31 December 2006</b> |
|------------------------------|-------------------------|-------------------------|
|                              | <b>TRY</b>              | <b>TRY</b>              |
| Held for trading investments | 22,238,507              | 500,838                 |
|                              | <b>22,238,507</b>       | <b>500,838</b>          |

|                                     | <b>31 December 2007</b> |                   |
|-------------------------------------|-------------------------|-------------------|
|                                     | <b>Cost</b>             | <b>Fair Value</b> |
|                                     | <b>TRY</b>              | <b>TRY</b>        |
| <b>Held for trading investments</b> |                         |                   |
| Government Bonds/Treasury Bills     | 17,086,449              | 18,004,593        |
| Investment Fund                     | 4,148,752               | 4,233,914         |
|                                     | <b>21,235,201</b>       | <b>22,238,507</b> |

|                                     | <b>31 December 2006</b> |                   |
|-------------------------------------|-------------------------|-------------------|
|                                     | <b>Cost</b>             | <b>Fair Value</b> |
|                                     | <b>TRY</b>              | <b>TRY</b>        |
| <b>Held for trading investments</b> |                         |                   |
| Investment Fund                     | 500,838                 | 500,838           |
|                                     | <b>500,838</b>          | <b>500,838</b>    |

Interest rates of treasury bills and government bonds held-for-trading at 31 December 2007 are in-between 23,29% and 15,55%. (2006: None).

**6. FINANCIAL BORROWINGS**

As of 31 December 2007 and 31 December 2006, there are no financial borrowings.

**7. TRADE RECEIVABLES AND PAYABLES (NET)**

|  | <b>31 December 2007</b> | <b>31 December 2006</b> |
|--|-------------------------|-------------------------|
|  | <b>TRY</b>              | <b>TRY</b>              |
| <b>Current Trade Receivables</b>       |                         |                         |
| Trade receivables                      | 3,154,496               | 4,079,978               |
| Notes receivables                      | -                       | 267,475                 |
| Doubtful receivables                   | 9,864                   | -                       |
| Allowance for doubtful receivables (-) | (9,864)                 | -                       |
|  | <b>3,154,496</b>        | <b>4,347,453</b>        |

**Short Term Trade Payables**

|                   |                  |                  |
|-------------------|------------------|------------------|
| Trade payables    | 2,209,093        | 4,375,837        |
| Deposits received | 39,211           | 546,118          |
|                   | <b>2,248,304</b> | <b>4,921,955</b> |

**Long Term:**

|                   |                |                |
|-------------------|----------------|----------------|
| Trade Payables    |                |                |
| Deposits received | 162,964        | 157,041        |
|                   | <b>162,964</b> | <b>157,041</b> |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH COMMUNIQUÉ NO: XI/25 AS OF 31 DECEMBER 2007**

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

**8. FINANCE LEASE RECEIVABLES AND PAYABLES (NET)**

As of 31 December 2007 and 31 December 2006, there are no finance lease receivables or payables.

**9. DUE TO/FROM RELATED PARTIES (NET)**

Inter-company transactions between the Company and its subsidiary (one of the related party of the Company) have been eliminated on consolidation and are not disclosed in this note.

Details of transactions between the Group and other related parties are disclosed below.

|   | <b>31 December 2007</b> | <b>31 December 2006</b> |
|---|-------------------------|-------------------------|
|   | <b>TRY</b>              | <b>TRY</b>              |
| <b>Receivables from related parties</b>       |                         |                         |
| Türkiye İş Bankası A.Ş. (*)                   | 6,988,200               | -                       |
| İş Merkezleri Yönetim ve İşletim A.Ş.         | 67,661                  | 102,107                 |
| Anadolu Anonim Türk Sigorta A.Ş.              | -                       | 80,096                  |
| İş Yatırım Menkul Değerler A.Ş.               | -                       | 45,713                  |
| Tag Soft Araştırma ve Geliştirme A.Ş.         | 20,955                  | -                       |
| Others  | -                       | 110                     |
|   | <b>7,076,816</b>        | <b>228,026</b>          |
| <b>Payables to related parties</b>            |                         |                         |
| Anadolu Anonim Türk Sigorta A.Ş.              | 516,059                 | 696,709                 |
| Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti. | -                       | 431,069                 |
| İş Merkezleri Yönetim ve İşletim A.Ş.         | 29,381                  | 31,779                  |
| Payable to shareholders                       | 27,717                  | 27,548                  |
| İş Net Elektronik Hizmetleri A.Ş.             | 1,754                   | -                       |
| T. İş Bankası Kültür Yayınları Ltd. Şti.      | 15,930                  | -                       |
| Others  | 509                     | 852                     |
|   | <b>591,350</b>          | <b>1,187,957</b>        |

In order not to impair the integrity of the financial statements, the Company's time deposits amounting to TRY 98.038.698 which is kept under the Türkiye İş Bankası A.Ş. accounts are recognized under Cash and Cash Equivalents (31 December 2006: TRY 23.677.599).

(\*) The TRY 6.988.200 (6.000.000 US Dollars) of advance has been paid to Türkiye İş Bankası A.Ş. in relation to a purchase commitment agreement between the parties for a 18.392 sqm land in İzmir.

The title deed of the land has been signed between the parties in consideration of the given advance and the remaining 6.000.000 US Dollars, which was determined in accordance with an expert appraisal performed on the agreement date, will be paid to Türkiye İş Bankası A.Ş. on the date of title transfer of the land.

In addition to the 12.000.000 US Dollars to be paid for the land, the Company will pay Türkiye İş Bankası A.Ş. 50% of the net income to be received from the sale of the office blocks and residences to be developed, and 50% of the net income if the developed project is used for rental instead of sale. The Company will also provide a free 400 sqm of office space to the Türkiye İş Bankası A.Ş. branch for 10 years after development.



**İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH COMMUNIQUÉ NO: XI/25 AS OF 31 DECEMBER 2007**

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

|   | <b>1 January-31 December 2007<br/>TRY</b> | <b>1 January-31 December 2006<br/>TRY</b> |
|---|---|---|
| <b>Rent income from related parties</b>                                   |   |   |
| Türkiye İş Bankası A.Ş.   | 5,686,847                                 | 5,208,826                                 |
| Anadolu Anonim Türk Sigorta A.Ş.  | 2,584,278                                 | 2,322,978                                 |
| Anadolu Hayat Emeklilik A.Ş.  | 1,743,206                                 | 1,547,309                                 |
| İş Faktoring A.Ş.   | 138,412                                   | 143,600                                   |
| İş Finansal Kiralama A.Ş.   | 678,616                                   | 696,100                                   |
| İş Merkezleri Yönetim ve İşletim A.Ş.                                     | 1,167,250                                 | 1,340,363                                 |
| İş Yatırım Menkul Değerler A.Ş.   | 1,311,870                                 | 1,205,043                                 |
| T.Şişe ve Cam Fabrikaları A.Ş.  | 9,125,999                                 | 9,599,788                                 |
| İş Yatırım Ortaklığı A.Ş.   | 52,367                                    | 62,577                                    |
| İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.                               | 104,513                                   | 124,771                                   |
| İş Net Elektronik Hizmetler A.Ş.  | 4,717                                     | 5,164                                     |
| İş Portföy Yönetimi A.Ş.  | 296,502                                   | 221,984                                   |
| Camiş Menkul Değerler A.Ş.  | 123,366                                   | 124,499                                   |
| Paşabahçe Mağazacılık A.Ş.  | 428,012                                   | 286,409                                   |
| Avea İletişim Hizmetleri A.Ş.   | 15,484                                    | 14,797                                    |
|   | <b>23,461,439</b>                         | <b>22,904,206</b>                         |
| <b>Deposit interest income from related parties</b>                       |   |   |
| Türkiye İş Bankası A.Ş.   | 2,356,609                                 | 806,532                                   |
|   | <b>2,356,609</b>                          | <b>806,532</b>                            |
| <b>Insurance expenses paid to related parties</b>                         |   |   |
| Anadolu Anonim Türk Sigorta A.Ş.  | 1,318,878                                 | 1,642,767                                 |
|   | <b>1,318,878</b>                          | <b>1,642,767</b>                          |
| <b>Building operation and management expenses paid to related parties</b> |   |   |
| İş Merkezleri Yönetim ve İşletim A.Ş.                                     | 901,337                                   | 694,819                                   |
|   | <b>901,337</b>                            | <b>694,819</b>                            |
| <b>Bank commission and transaction expenses paid to related parties</b>   |   |   |
| Türkiye İş Bankası A.Ş.   | 63,945                                    | 18,199                                    |
|   | <b>63,945</b>                             | <b>18,199</b>                             |

## İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH COMMUNIQUÉ NO: XI/25 AS OF 31 DECEMBER 2007

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

|  | 1 January-31 December 2007<br>TRY | 1 January-31 December 2006<br>TRY |
|--|-----------------------------------|-----------------------------------|
| <b>Commission fees paid to related parties</b>                     |                                   |                                   |
| İş Portföy Yönetimi A.Ş.   | 11,294                            | 30,867                            |
| İş Yatırım Menkul Değerler A.Ş.                                    | -                                 | 52,692                            |
|  | <b>11,294</b>                     | <b>83,559</b>                     |
| <b>Internet service providing expenses paid to related parties</b> |                                   |                                   |
| İş Net Elektronik Hizmetler A.Ş.                                   | 42,709                            | 19,110                            |
|  | <b>42,709</b>                     | <b>19,110</b>                     |
| <b>Management and audit committee fee paid to related parties</b>  |                                   |                                   |
| Türkiye İş Bankası A.Ş.  | 138,643                           | 132,372                           |
|  | <b>138,643</b>                    | <b>132,372</b>                    |
| <b>Capital increase commission paid to related parties</b>         |                                   |                                   |
| İş Yatırım Menkul Değerler A.Ş.                                    | 13,125                            | 16,800                            |
|  | <b>13,125</b>                     | <b>16,800</b>                     |
| <b>Repo interest income from related parties</b>                   |                                   |                                   |
| Türkiye İş Bankası A.Ş.  | 16,483                            | 2,671                             |
| İş Portföy Yönetimi A.Ş.   | 13,365                            | -                                 |
|  | <b>29,848</b>                     | <b>2,671</b>                      |
| <b>Investment fund interest income from related parties</b>        |                                   |                                   |
| Türkiye İş Bankası A.Ş.  | 293,216                           | 234,087                           |
|  | <b>293,216</b>                    | <b>234,087</b>                    |
| <b>Total benefits provided to key management</b>                   |                                   |                                   |
| Total benefits provided to key management                          | 459,200                           | 368,442                           |
|  | <b>459,200</b>                    | <b>368,442</b>                    |

## 10. OTHER RECEIVABLES AND PAYABLES

|                                  | 31 December 2007<br>TRY | 31 December 2006<br>TRY |
|----------------------------------|-------------------------|-------------------------|
| <b>Other Receivables</b>         |                         |                         |
| Other current receivables        | 405,925                 | 667,579                 |
| VAT carried forward              | 95,026                  | 928,001                 |
| Prepaid taxes and funds          | 377,108                 | -                       |
| Business advances given          | 297,406                 | 951,540                 |
|                                  | <b>1,175,465</b>        | <b>2,547,120</b>        |
| <b>Other Payables</b>            |                         |                         |
| Taxes and dues payable           | 683,354                 | 317,133                 |
| Social security premiums payable | 44,098                  | 33,884                  |
| Other payables                   | 171                     | 254                     |
|                                  | <b>727,623</b>          | <b>351,271</b>          |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH COMMUNIQUÉ NO: XI/25 AS OF 31 DECEMBER 2007**

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

**11. DEFERRED TAX ASSETS AND LIABILITIES (NET)**

The income earned from the real estate investment trust operations of the Company, having acquired the status of the real estate investment trust, is exempt from Corporate Tax according to paragraph 4 (d) in Article 5 of the Corporate Tax Law No 5520. Furthermore, the income earned by real estate investment trusts is also exempt from advance corporate taxes. Hence, the Company has no deferred tax assets and liabilities.

The joint venture of the Company which is consolidated using the proportionate consolidation method recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported in compliance with Communiqué No: XI/25 and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods in the financial statements prepared in accordance with the CMB Accounting Standards and their tax bases set out below. Timing differences are generally calculated on useful life differences on fixed assets and retirement pay provision.

Deferred taxes are calculated at a rate of 20% (2006:20%).

|   | <b>31 December<br/>2007<br/>TRY</b> | <b>31 December<br/>2006<br/>TRY</b> |
|---|-------------------------------------|-------------------------------------|
| <b>Temporary differences subject to deferred tax:</b>     |                                     |                                     |
| Useful life differences on tangible and intangible assets | 27,242                              | 17,339                              |
| Retirement pay provision                                  | (29,939)                            | (9,347)                             |
| Discount on receivables and payables                      | 19,000                              | 2,205                               |
|   | <b>16,303</b>                       | <b>10,197</b>                       |
| <b>Deferred tax (assets)/liabilities:</b>                 |                                     |                                     |
| Useful life differences on tangible and intangible assets | 5,448                               | 3,468                               |
| Retirement pay provision                                  | (5,988)                             | (1,869)                             |
| Discount on receivables and payables                      | 3,800                               | 440                                 |
| <b>Deferred tax (asset)/liability</b>                     | <b>3,260</b>                        | <b>2,039</b>                        |
| <b>Movement of deferred tax (assets)/liabilities:</b>     |                                     |                                     |
|   | <b>2007</b>                         | <b>2006</b>                         |
| Opening balance, 1 January                                | 2,039                               | 2,034                               |
| Deferred tax (income)/expense (note 38)                   | 1,221                               | 5                                   |
| <b>Closing balance, 31 December</b>                       | <b>3,260</b>                        | <b>2,039</b>                        |

## İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH COMMUNIQUÉ NO: XI/25 AS OF 31 DECEMBER 2007

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

#### 12. OTHER SHORT/LONG TERM ASSETS AND SHORT/LONG TERM LIABILITIES

|                                      | 31 December 2007<br>TRY | 31 December 2006<br>TRY |
|--------------------------------------|-------------------------|-------------------------|
| <b>Other Current Assets</b>          |                         |                         |
| Prepaid insurance expenses           | 1,035,141               | 1,363,417               |
| Prepaid personnel and other expenses | 116,861                 | 78,623                  |
| Revenue accruals                     | 203,915                 | -                       |
| Contribution income accrual          | 101,906                 | -                       |
|                                      | <b>1,457,822</b>        | <b>1,442,040</b>        |

|                                 | 31 December 2007<br>TRY | 31 December 2006<br>TRY |
|---------------------------------|-------------------------|-------------------------|
| <b>Other Non-Current Assets</b> |                         |                         |
| Other prepaid expenses          | 1,496                   | 629                     |
|                                 | <b>1,496</b>            | <b>629</b>              |

|                                  | 31 December 2007<br>TRY | 31 December 2006<br>TRY |
|----------------------------------|-------------------------|-------------------------|
| <b>Other Current Liabilities</b> |                         |                         |
| Unearned income (*)              | 4,154,193               | 4,197,573               |
| Expense accruals                 | 30,842                  | 7,221                   |
|                                  | <b>4,185,035</b>        | <b>4,204,794</b>        |

(\*) The Company's unearned income relates to the project contributions received during the period for the Real Project received from Real Hipermarketler Zinciri A.Ş.

#### 13. FINANCIAL ASSETS (NET)

As of 31 December 2007 and 31 December 2006, there are no financial assets.

#### 14. POSITIVE/NEGATIVE GOODWILL (NET)

As of 31 December 2007 and 31 December 2006, there is no positive or negative goodwill.





**İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH COMMUNIQUE**

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

|  | Ankara İş Kule Building |                    | İstanbul İş Kuleleri Complex |                   | Seven Seas Hotel   |                   | Maslak Petrol Ofisi Building |                   | Tatilya Entertainment Centre |                    | Solaris Shopping Mall |     | İş Bankası Ankara Merkez Building |     | İş Bankası Ankara Kızılay Branch Building |     | İş Bankası Antalya Branch Building |     | Kanyon Office and Shopping Mall |     | Total |     |
|--|-------------------------|--------------------|------------------------------|-------------------|--------------------|-------------------|------------------------------|-------------------|------------------------------|--------------------|-----------------------|-----|-----------------------------------|-----|---|-----|------------------------------------|-----|---------------------------------|-----|-------|-----|
|  | TRY                     | TRY                | TRY                          | TRY               | TRY                | TRY               | TRY                          | TRY               | TRY                          | TRY                | TRY                   | TRY | TRY                               | TRY | TRY                                       | TRY | TRY                                | TRY | TRY                             | TRY |       | TRY |
| <b>Cost Value</b>                            |                         |                    |                              |                   |                    |                   |                              |                   |                              |                    |                       |     |                                   |     |   |     |                                    |     |                                 |     |       |     |
| Opening balance as of 1 January 2006         | 115,740,853             | 339,231,892        | 60,673,721                   | 39,441,045        | 101,547,965        | 11,847,215        | 19,000,000                   | 16,240,000        | 8,013,357                    | 711,736,048        |                       |     |                                   |     |   |     |                                    |     |                                 |     |       |     |
| Purchases                                    | 257,667                 | 290,821            | 159,084                      | 105,000           | -                  | 3,184             | -                            | -                 | -                            | 1,470,399          |                       |     |                                   |     |   |     |                                    |     |                                 |     |       |     |
| Disposals                                    | -                       | -                  | -                            | -                 | (3,436,861)        | -                 | -                            | -                 | -                            | (3,436,861)        |                       |     |                                   |     |   |     |                                    |     |                                 |     |       |     |
| Transfers                                    | -                       | -                  | -                            | -                 | -                  | -                 | -                            | -                 | -                            | -                  |                       |     |                                   |     |   |     |                                    |     |                                 |     |       |     |
| Impairment / Provision reversal              | 4,832,260               | -                  | 24,390,521                   | 4,442,460         | 10,751,733         | 987,216           | -                            | -                 | -                            | 45,404,190         |                       |     |                                   |     |   |     |                                    |     |                                 |     |       |     |
| <b>Ending balance as of 31 December 2006</b> | <b>120,830,780</b>      | <b>339,522,713</b> | <b>85,223,326</b>            | <b>43,988,505</b> | <b>108,862,837</b> | <b>12,837,615</b> | <b>19,000,000</b>            | <b>16,240,000</b> | <b>8,013,357</b>             | <b>152,523,308</b> | <b>907,042,441</b>    |     |                                   |     |   |     |                                    |     |                                 |     |       |     |
| <b>Accumulated Depreciation</b>              |                         |                    |                              |                   |                    |                   |                              |                   |                              |                    |                       |     |                                   |     |   |     |                                    |     |                                 |     |       |     |
| Opening balance as of 1 January 2006         | 21,625,853              | 34,700,809         | 12,603,721                   | 5,241,045         | 15,147,965         | 1,347,215         | 411,667                      | 351,867           | 173,520                      | 91,603,662         |                       |     |                                   |     |   |     |                                    |     |                                 |     |       |     |
| Charge for the year                          | 3,084,927               | 6,865,818          | 16,489,605                   | 1,127,460         | 3,273,046          | 310,400           | 380,000                      | 324,800           | 160,273                      | 33,782,163         |                       |     |                                   |     |   |     |                                    |     |                                 |     |       |     |
| Disposals                                    | -                       | -                  | -                            | -                 | (958,174)          | -                 | -                            | -                 | -                            | (958,174)          |                       |     |                                   |     |   |     |                                    |     |                                 |     |       |     |
| <b>Ending balance as of 31 December 2006</b> | <b>24,710,780</b>       | <b>41,566,627</b>  | <b>29,093,326</b>            | <b>6,368,505</b>  | <b>17,462,837</b>  | <b>1,657,615</b>  | <b>791,667</b>               | <b>676,667</b>    | <b>333,793</b>               | <b>124,427,651</b> |                       |     |                                   |     |   |     |                                    |     |                                 |     |       |     |
| <b>Carrying value as of 31 December 2005</b> | <b>94,115,000</b>       | <b>304,531,083</b> | <b>48,070,000</b>            | <b>34,200,000</b> | <b>86,400,000</b>  | <b>10,500,000</b> | <b>18,588,333</b>            | <b>15,888,133</b> | <b>7,839,837</b>             | <b>620,132,386</b> |                       |     |                                   |     |   |     |                                    |     |                                 |     |       |     |
| <b>Carrying value as of 31 December 2006</b> | <b>96,120,000</b>       | <b>297,956,086</b> | <b>56,130,000</b>            | <b>37,620,000</b> | <b>91,400,000</b>  | <b>11,180,000</b> | <b>18,208,333</b>            | <b>15,563,333</b> | <b>7,679,564</b>             | <b>782,614,790</b> |                       |     |                                   |     |   |     |                                    |     |                                 |     |       |     |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN  
ACCORDANCE WITH COMMUNIQUÉ NO: XI/25 AS OF 31 DECEMBER 2007**

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

The fair value of the Group's investment property at 31 December 2007 has been arrived at on the basis of a valuation carried out at December 2007 by independent valuers not in relation with the Group. Valuation firm is one of the in accredited independent firm appointed by the Capital Market Board of Turkey, and has appropriate qualifications and recent experience in the valuation of properties in the relevant locations. Valuation study is in compliance with International Valuation Standards and is arrived at by reference to market evidence of transaction prices for similar properties.

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

The property rental income earned by the Company from its investment property amounts to TRY 57.661.509 (2006: TRY 55.332.299). Direct operating expenses arising on the investment property in the current period amounts to TRY 22.322.615 (2006: TRY 14.817.927). There are no pledges or mortgages on the investment properties held as of the balance sheet date.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH COMMUNIQUÉ NO: XI/25 AS OF 31 DECEMBER 2007**

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

**16. TANGIBLE ASSETS (NET)**

|  | <b>Machinery<br/>and<br/>equipment<br/>TRY</b> | <b>Motor<br/>vehicles<br/>TRY</b> | <b>Furniture<br/>and<br/>fixture<br/>TRY</b> | <b>Construction<br/>in progress<br/>TRY</b> | <b>Other<br/>Property (*)<br/>TRY</b> | <b>Total<br/>TRY</b> |
|--|--|-----------------------------------|--|---|---------------------------------------|----------------------|
| <b>Cost Value</b>                            |  |                                   |  |   |                                       |                      |
| <b>Opening balance as of 1 January 2007</b>  | <b>91,046</b>                                  | <b>49,809</b>                     | <b>1,080,814</b>                             | <b>22,515</b>                               | <b>70,231,724</b>                     | <b>71,475,908</b>    |
| Additions                                    | 26,756   | 88,927                            | 300,658                                      | 27,286                                      | 29,677,328                            | 30,120,955           |
| Disposals                                    | (3,218)  | -                                 | (2,713)                                      | (39,493)                                    | (39,988,032)                          | (40,033,456)         |
| Transfers                                    | -  | -                                 | -  | -   | (33,472,561)                          | (33,472,561)         |
| Impairment/<br>Provision reversal            | -  | -                                 | -  | -   | (3,245,041)                           | (3,245,041)          |
| <b>Ending balance as of 31 December 2007</b> | <b>114,584</b>                                 | <b>138,736</b>                    | <b>1,378,759</b>                             | <b>10,308</b>                               | <b>23,203,418</b>                     | <b>24,845,805</b>    |
| <b>Accumulated depreciation</b>              |  |                                   |  |   |                                       |                      |
| <b>Opening balance as of 1 January 2007</b>  | <b>83,652</b>                                  | <b>25,383</b>                     | <b>276,698</b>                               | <b>343</b>                                  | <b>-</b>                              | <b>386,076</b>       |
| Charge for the year                          | 4,342  | 17,546                            | 193,033                                      | 1,708                                       | -                                     | 216,629              |
| Disposals                                    | (3,218)  | -                                 | (2,713)                                      | -   | -                                     | (5,931)              |
| <b>Ending balance as of 31 December 2007</b> | <b>84,776</b>                                  | <b>42,929</b>                     | <b>467,018</b>                               | <b>2,051</b>                                | <b>-</b>                              | <b>596,774</b>       |
| <b>Carrying value as of 31 December 2006</b> | <b>7,394</b>                                   | <b>24,426</b>                     | <b>804,116</b>                               | <b>22,172</b>                               | <b>70,231,724</b>                     | <b>71,089,832</b>    |
| <b>Carrying value as of 31 December 2007</b> | <b>29,808</b>                                  | <b>95,807</b>                     | <b>911,741</b>                               | <b>8,257</b>                                | <b>23,203,418</b>                     | <b>24,249,031</b>    |
| <b>Cost Value</b>                            |  |                                   |  |   |                                       |                      |
| <b>Opening balance as of 1 January 2006</b>  | <b>88,358</b>                                  | <b>81,242</b>                     | <b>415,203</b>                               | <b>-</b>                                    | <b>150,579,204</b>                    | <b>151,164,007</b>   |
| Additions                                    | 2,688  | -                                 | 672,262                                      | 22,515                                      | 74,363,743                            | 75,061,208           |
| Disposals                                    | -  | (31,433)                          | (6,651)                                      | -   | (270,253)                             | (308,337)            |
| Transfers                                    | -  | -                                 | -  | -   | (151,868,665)                         | (151,868,665)        |
| Impairment/<br>Provision reversal            | -  | -                                 | -  | -   | (2,572,305)                           | (2,572,305)          |
| <b>Ending balance as of 31 December 2006</b> | <b>91,046</b>                                  | <b>49,809</b>                     | <b>1,080,814</b>                             | <b>22,515</b>                               | <b>70,231,724</b>                     | <b>71,475,908</b>    |
| <b>Accumulated depreciation</b>              |  |                                   |  |   |                                       |                      |
| <b>Opening balance as of 1 January 2006</b>  | <b>76,499</b>                                  | <b>41,075</b>                     | <b>190,222</b>                               | <b>-</b>                                    | <b>-</b>                              | <b>307,796</b>       |
| Charge for the year                          | 7,153  | 15,741                            | 89,334                                       | 343   | -                                     | 112,571              |
| Disposals                                    | -  | (31,433)                          | (2,858)                                      | -   | -                                     | (34,291)             |
| <b>Ending balance as of 31 December 2006</b> | <b>83,652</b>                                  | <b>25,383</b>                     | <b>276,698</b>                               | <b>343</b>                                  | <b>-</b>                              | <b>386,076</b>       |
| <b>Carrying value as of 31 December 2005</b> | <b>11,859</b>                                  | <b>40,167</b>                     | <b>224,981</b>                               | <b>-</b>                                    | <b>150,579,204</b>                    | <b>150,856,211</b>   |
| <b>Carrying value as of 31 December 2006</b> | <b>7,394</b>                                   | <b>24,426</b>                     | <b>804,116</b>                               | <b>22,172</b>                               | <b>70,231,724</b>                     | <b>71,089,832</b>    |

(\*) Other tangible assets are those being constructed and developed in order to be used as an investment property in accordance with Article 587 (Section 27, Part I) of the CMB Communiqué XI No:25. They are disclosed under the Tangible Assets column until construction and development procedure is completed. The details of other tangible assets are disclosed below:

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

|  | <b>31 December 2007<br/>TRY</b> | <b>31 December 2006<br/>TRY</b> |
|--|---------------------------------|---------------------------------|
| İstanbul, Beşiktaş, I. Region 81, 981,572-629-630-631<br>numbered plot of land | 18,687,546                      | 18,687,546                      |
| İş Kulesi Expenses   | 868,415                         | 860,499                         |
| Kanyon project costs   | -                               | 37,510,961                      |
| Üsküdar project cost   | 19,701,656                      | 18,394,733                      |
| Büyükçekmece Beylikdüzü 21, 106 plot of land                                   | 5,722,840                       | 5,301,160                       |
| Real project expenses  | -                               | 8,137,257                       |
| İzmir project expenses   | 231,830                         | -                               |
| Others   | 119,216                         | 222,612                         |
|  | <b>45,331,503</b>               | <b>89,114,768</b>               |
| Impairment losses (-)  | (22,128,085)                    | (18,883,044)                    |
| <b>Total</b>   | <b>23,203,418</b>               | <b>70,231,724</b>               |

**Movement of Impairment Losses**

|  | <b>2007<br/>TRY</b> | <b>2006<br/>TRY</b> |
|--|---------------------|---------------------|
| Opening balance as of 1 January            | (18,883,044)        | (16,310,739)        |
| Charge for the year                        | (3,267,125)         | (2,572,305)         |
| Impairment loss reversed during the period | 22,084              | -                   |
| <b>Ending balance as of 31 December</b>    | <b>(22,128,085)</b> | <b>(18,883,044)</b> |



## İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH COMMUNIQUÉ NO: XI/25 AS OF 31 DECEMBER 2007

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

#### 17. INTANGIBLE ASSETS (NET)

|  | Computer Programs<br>TRY | Total<br>TRY   |
|--|--------------------------|----------------|
| <b>Cost Value</b>                            |                          |                |
| Opening balance as of 1 January 2007         | 217,823                  | 217,823        |
| Additions                                    | 27,753                   | 27,753         |
| <b>Ending balance as of 31 December 2007</b> | <b>245,576</b>           | <b>245,576</b> |
| Accumulated Amortization                     |                          |                |
| Opening balance as of 1 January 2007         | 146,810                  | 146,810        |
| Charge for the Year                          | 30,713                   | 30,713         |
| <b>Ending balance as of 31 December 2007</b> | <b>177,523</b>           | <b>177,523</b> |
| <b>Carrying value as of 31 December 2006</b> | <b>71,013</b>            | <b>71,013</b>  |
| <b>Carrying value as of 31 December 2007</b> | <b>68,053</b>            | <b>68,053</b>  |
| <b>Cost Value</b>                            |                          |                |
| Opening balance as of 1 January 2006         | 178,967                  | 178,967        |
| Additions                                    | 38,856                   | 38,856         |
| <b>Ending balance as of 31 December 2006</b> | <b>217,823</b>           | <b>217,823</b> |
| Accumulated Amortization                     |                          |                |
| Opening balance as of 1 January 2006         | 107,143                  | 107,143        |
| Charge for the Year                          | 39,667                   | 39,667         |
| <b>Ending balance as of 31 December 2006</b> | <b>146,810</b>           | <b>146,810</b> |
| <b>Carrying value as of 31 December 2005</b> | <b>71,824</b>            | <b>71,824</b>  |
| <b>Carrying value as of 31 December 2006</b> | <b>71,013</b>            | <b>71,013</b>  |

#### 18. ADVANCES RECEIVED

|                       | 31 December 2007<br>TRY | 31 December 2006<br>TRY |
|-----------------------|-------------------------|-------------------------|
| Advances received (*) | 7,764,379               | 47,253,266              |
|                       | <b>7,764,379</b>        | <b>47,253,266</b>       |

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

#### 19. RETIREMENT PLANS

As of 31 December 2007 and 31 December 2006, there was no retirement plan.

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

**20. PROVISIONS**

|                                       | <b>31 December 2007</b> | <b>31 December 2006</b> |
|---------------------------------------|-------------------------|-------------------------|
|                                       | <b>TRY</b>              | <b>TRY</b>              |
| <b>Short term provisions:</b>         |                         |                         |
| Provision for corporate tax (note 38) | 123,673                 | 81,018                  |
| Prepaid tax (-)                       | (96,548)                | (44,814)                |
|                                       | <b>27,125</b>           | <b>36,204</b>           |
| <b>Long term provisions:</b>          |                         |                         |
| Retirement pay provision              | 185,879                 | 139,993                 |
|                                       | <b>185,879</b>          | <b>139,993</b>          |

Under Turkish Labor Law, the Group is required to pay employment termination benefits to each employee who has qualified with such payment. Also, employees are required to be paid their retirement pay provisions who retired by gaining right to receive retirement pay provisions in accordance with the existing Act No: 2422 issued at 6 March 1981, Act No: 4447 issued at 25 August 1999 of the Social Insurance Law No:506 and Article 60 that has been amended. Some transition provisions related to the pre-retirement service term was excluded from the law since the related law was amended as of 23 May 2002.

The amount payable consists of one month's salary limited to a maximum of TRY 2.030,19 for each period of service at 31 December 2007(2006: TRY 1,857.44).

The liability is not funded, as there is no funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees.

Communiqué No: XI/25, Part 29 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase in parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2007, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 5% and a discount rate of 11%, resulting in a real discount rate of approximately 5,71% ( 31 December 2006: 5,71%). The anticipated rate of forfeitures is considered. As the maximum liability is revised semi annually, the maximum amount of TRY 2.087,92 effective from 1 January 2008 has been taken into consideration in calculation of provision from employment termination benefits.

|                                 | <b>2007</b>    | <b>2006</b>    |
|---------------------------------|----------------|----------------|
|                                 | <b>TRY</b>     | <b>TRY</b>     |
| Provision at 1 January          | 139,993        | 108,184        |
| Service cost                    | 37,892         | 27,775         |
| Interest cost                   | 7,994          | 6,177          |
| Retirement pay provision paid   | -              | (2,143)        |
| <b>Provision at 31 December</b> | <b>185,879</b> | <b>139,993</b> |

## İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH COMMUNIQUÉ NO: XI/25 AS OF 31 DECEMBER 2007

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

#### 21. MINORITY INTERESTS

As of 31 December 2007 and 31 December 2006, there are no minority interests.

#### 22. CAPITAL/TREASURY STOCK

As of 31 December 2007 and 31 December 2006, the share capital held is as follows:

|                                  |               | 31 December<br>2007 |               | 31 December<br>2006 |  |
|----------------------------------|---------------|---------------------|---------------|---------------------|--|
| İş Gayrimenkul Yat. Ort. A.Ş.    | (%)           | TRY                 | (%)           | TRY                 |  |
| Türkiye İş Bankası A.Ş.          | 42.23         | 190,057,270         | 42.23         | 139,360,970         |  |
| Anadolu Hayat Emeklilik A.Ş.     | 7.11          | 31,987,767          | 7.11          | 23,455,279          |  |
| Anadolu Anonim Türk Sigorta A.Ş. | 4.77          | 21,477,366          | 4.77          | 15,748,446          |  |
| İş Net Elektronik Hizm. A.Ş.     | 1.33          | 5,965,424           | 1.33          | 4,374,192           |  |
| Other                            | 2.60          | 11,684,844          | 2.83          | 9,336,542           |  |
| Pulicly traded                   | 41.96         | 188,827,329         | 41.73         | 137,690,571         |  |
| <b>Nominal capital</b>           | <b>100.00</b> | <b>450,000,000</b>  | <b>100.00</b> | <b>329,966,000</b>  |  |

|                                |            | 31 December<br>2007 |            | 31 December<br>2006 |  |
|--------------------------------|------------|---------------------|------------|---------------------|--|
| Kanyon Yön. İşl. Paz. Ltd. Şti | (%)        | TRY                 | (%)        | TRY                 |  |
| İş Gayrimenkul Yat. Ort. A.Ş.  | 50         | 50,000              | 50         | 50,000              |  |
| Eczacıbaşı Holding A.Ş.        | 50         | 50,000              | 50         | 50,000              |  |
| <b>Nominal capital</b>         | <b>100</b> | <b>100,000</b>      | <b>100</b> | <b>100,000</b>      |  |

The total number of ordinary shares consists of 450 million shares with a par value of TRY 1 per share. All of the shares are issued to name and TRY 642.857,14 of the total amount is Group A and TRY 449.357.142,86 of the total amount is Group B shares. Group A share owners have the privilege to nominate a candidate during the Board of Directors member elections. One member of Board of Directors is selected among the candidates nominated by Group B share owners while the rest is selected among the candidates nominated by Group A share owners.

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

The Company's Board of Directors has decided to increase the share capital from TRY 329.966.000 to TRY 450.000.000 at their meeting on 11 April 2007. TRY 103.535.700 of the increase will be funded by the inflation restatement differences and TRY 16.498.300 of this increase will be funded by the 2006 net income in accordance with the decision taken in the General Shareholders Meeting held on 26 March 2007.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH COMMUNIQUÉ NO: XI/25 AS OF 31 DECEMBER 2007**

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

**23. CAPITAL RESERVES**

As of 31 December 2007 and 31 December 2006, the capital reserves are as follows:

|   | <b>31 December 2007</b> | <b>31 December 2006</b> |
|---|-------------------------|-------------------------|
|   | <b>TRY</b>              | <b>TRY</b>              |
| Premium in excess of par                            | 423,981                 | 423,981                 |
| Inflation adjustments to shareholders' equity items | 240,188,930             | 343,724,630             |
|   | <b>240,612,911</b>      | <b>344,148,611</b>      |

Adjusted values and shareholders' equity inflation restatement differences in terms of the purchasing power at 31 December 2004, as of 31 December 2007 and 2006 with historical values are summarized below:

|                          | <b>Nominal</b>     | <b>Inflation adjustment to shareholders' equity items</b> | <b>Adjusted Amounts</b> |
|--------------------------|--------------------|---|-------------------------|
| <b>2007</b>              |                    |   |                         |
| Capital                  | 450,000,000        | 240,146,090   | 690,146,090             |
| Premium in excess of par | 423,981            | 25,348  | 449,329                 |
| Retained earnings        | 130,798,627        | 17,492  | 130,816,119             |
|                          | <b>581,222,608</b> | <b>240,188,930</b>  | <b>821,411,538</b>      |
| <b>2006</b>              |                    |   |                         |
| Capital                  | 329,966,000        | 343,681,790   | 673,647,790             |
| Premium in excess of par | 423,981            | 25,348  | 449,329                 |
| Retained earnings        | 102,743,472        | 17,492  | 102,760,964             |
|                          | <b>433,133,453</b> | <b>343,724,630</b>  | <b>776,858,083</b>      |

**24. PROFIT RESERVES**

As of 31 December 2007 and 31 December 2006, profit reserves are as follows:

|                        | <b>31 December 2007</b> | <b>31 December 2006</b> |
|------------------------|-------------------------|-------------------------|
|                        | <b>TRY</b>              | <b>TRY</b>              |
| Special reserves       | 1,255                   | 691,614                 |
| Legal reserves         | 3,034,728               | 1,965,386               |
| Extraordinary reserves | 3,818,515               | 571                     |
|                        | <b>6,854,498</b>        | <b>2,657,571</b>        |

Special reserves consist of unrealized gains coming from year 2006 classified to reserves amounting to TRY 1,255 in accordance with the CMB Communiqué IV No:27.

**25. RETAINED EARNINGS/ACCUMULATED DEFICIT**

|                   | <b>31 December 2007</b> | <b>31 December 2006</b> |
|-------------------|-------------------------|-------------------------|
|                   | <b>TRY</b>              | <b>TRY</b>              |
| Retained earnings | 130,798,627             | 102,743,472             |
|                   | <b>130,798,627</b>      | <b>102,743,472</b>      |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH COMMUNIQUÉ NO: XI/25 AS OF 31 DECEMBER 2007**

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

**26. FOREIGN CURRENCY POSITION**

As of 31 December 2007, foreign currencies or assets/liabilities in foreign currencies are as follows:

| <b>Time Deposits</b>   | <b>Original Currency<br/>Amount</b> | <b>Currency Type</b> | <b>Rate</b> | <b>TRY</b>         |
|--|-------------------------------------|----------------------|-------------|--------------------|
| Türkiye İş Bankası A.Ş.  | 64,732,396                          | US Dollar            | 1.1647      | 75,393,822         |
| Türkiye İş Bankası A.Ş.  | 13,210,750                          | Euro                 | 1.7102      | 22,593,025         |
|  |                                     |                      |             | <b>97,986,847</b>  |
| <b>Advances Given</b>  |                                     |                      |             |                    |
| İzmir Project  | 6,228,900                           | US Dollar            | 1.1647      | 7,254,800          |
| Other  | 9,130                               | Euro                 | 1.7102      | 15,614             |
|  |                                     |                      |             | <b>7,270,414</b>   |
| <b>Total Assets</b>  |                                     |                      |             | <b>105,257,261</b> |
|  |                                     |                      |             |                    |
|  | <b>Original Currency<br/>Amount</b> | <b>Currency Type</b> | <b>Rate</b> | <b>TRY</b>         |
| Trade Payables   | 2,875                               | GBP                  | 2.3259      | (6,687)            |
| Deposits and Guarantees Received   | 30,185                              | US Dollar            | 1.1647      | (35,156)           |
| Advances Received  |                                     |                      |             |                    |
| First installment of sale of the right to construction on the Company's land | 6,500,000                           | US Dollar            | 1.1647      | (7,570,550)        |
| Other  | 6,879                               | GBP                  | 2.3259      | (16,000)           |
|  |                                     |                      |             | <b>(7,586,550)</b> |
| <b>Total Payables</b>  |                                     |                      |             | <b>(7,628,393)</b> |
| <b>Net Balance Sheet Position</b>  |                                     |                      |             | <b>97,628,868</b>  |



**İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH COMMUNIQUÉ NO: XI/25 AS OF 31 DECEMBER 2007**

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

As of 31 December 2006, foreign currencies or assets/liabilities in foreign currencies are as follows:

| <b>Time Deposits</b>              | <b>Foreign Currency Amount</b> | <b>Currency Type</b> | <b>Rate</b> | <b>TRY</b>          |
|-----------------------------------|--------------------------------|----------------------|-------------|---------------------|
| Türkiye İş Bankası A.Ş.           | 3,308,901                      | US Dollar            | 1.4056      | 4,650,991           |
| Türkiye İş Bankası A.Ş.           | 10,219,600                     | Euro                 | 1.8515      | 18,921,589          |
|                                   |                                |                      |             | <b>23,572,580</b>   |
| Notes Receivable                  | 101,513                        | US Dollar            | 1.4056      | 142,686             |
| Advances Given                    | 64,987                         | US Dollar            | 1.4056      | 91,346              |
|                                   | 92,957                         | Euro                 | 1.8515      | 172,111             |
|                                   |                                |                      |             | <b>263,457</b>      |
| <b>Total Assets</b>               |                                |                      |             | <b>23,978,723</b>   |
| <b>Time Deposits</b>              | <b>Foreign Currency Amount</b> | <b>Currency Type</b> | <b>Rate</b> | <b>TRY</b>          |
| Trade Payables                    |                                |                      |             |                     |
| Anadolu Anonim Türk Sigorta       | 471,957                        | US Dollar            | 1.4056      | (663,382)           |
| Anadolu Anonim Türk Sigorta       | 18,000                         | Euro                 | 1.8515      | (33,327)            |
|                                   |                                |                      |             | <b>(696,709)</b>    |
| Deposits and Guarantees Received  | 315,026                        | US Dollar            | 1.4056      | (442,801)           |
| Advances Received                 |                                |                      |             |                     |
| Kanyon Kompleksi Residence Sales  | 22,824,660                     | US Dollar            | 1.4056      | (32,082,342)        |
| Kanyon Kompleksi Residence Sales  | 558,997                        | Euro                 | 1.8515      | (1,034,983)         |
| Kanyon Kompleksi Residence Sales  | 1,310                          | GBP                  | 2.7569      | (3,612)             |
|                                   |                                |                      |             | <b>(33,120,937)</b> |
| <b>Total Payables</b>             |                                |                      |             | <b>(34,260,447)</b> |
| <b>Net Balance Sheet Position</b> |                                |                      |             | <b>(10,281,724)</b> |

## İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH COMMUNIQUÉ NO: XI/25 AS OF 31 DECEMBER 2007

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

#### 27. GOVERNMENT INCENTIVES AND GRANTS

As of 31 December 2007 and 31 December 2006, there are no government grants or incentives.

#### 28. PROVISIONS, CONTINGENT LIABILITIES, CONTINGENT ASSETS

|                            | 31 December 2007 | 31 December 2006 |
|----------------------------|------------------|------------------|
|                            | TRY              | TRY              |
| Letter of guarantees given | 7,796,170        | 374,620          |
|                            | <b>7,796,170</b> | <b>374,620</b>   |

Majority of the guarantee letters given is related to US Dollar 6.500.000 (TRY 7.570.550) which was given to CURA/GGP Gayrimenkul İnşaat ve Geliştirme A.Ş. in relation to the agreement of right to construction over the Company's land.

#### 29. MERGERS AND ACQUISITIONS

As of 31 December 2007 and 31 December 2006, there are no mergers or acquisitions.

#### 30. SEGMENTAL INFORMATION

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

#### 31. SUBSEQUENT EVENTS

There are no subsequent events.

#### 32. DISCONTINUED OPERATIONS

As of 31 December 2007 and 31 December 2006, there are no discontinued operations.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH COMMUNIQUÉ NO: XI/25 AS OF 31 DECEMBER 2007**

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

**33. OPERATING INCOME (NET)**

|                                     | <b>1 January-<br/>31 December<br/>2007<br/>TRY</b> | <b>1 January-<br/>31 December<br/>2006<br/>TRY</b> |
|-------------------------------------|--|--|
| <b>Sales income</b>                 |  |  |
| Rent income                         | 57,661,509   | 55,332,299   |
| Contribution and service income (*) | 16,518,793   | 3,725,800  |
| Real estate sales income            | 138,522,477  | -  |
|                                     | <b>212,702,779</b>                                 | <b>59,058,099</b>                                  |

(\*) Related to the income earned from business service given by Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.

**Cost of sales**

|                           |                      |                     |
|---------------------------|----------------------|---------------------|
| Depreciation expenses     | (20,762,184)         | (33,782,163)        |
| Insurance expenses        | (1,676,157)          | (1,571,972)         |
| Administrative expenses   | (17,012,372)         | (11,831,532)        |
| Taxes and dues            | (3,634,086)          | (1,414,423)         |
| Cost of real estates sold | (82,341,422)         | -                   |
| Fixed asset impairment    | (22,210,504)         | -                   |
| Other                     | (348,698)            | (1,599,252)         |
|                           | <b>(147,985,423)</b> | <b>(50,199,342)</b> |

**Other operating income**

|                        |                |               |
|------------------------|----------------|---------------|
| Overdue rent penalties | 123,935        | 34,392        |
|                        | <b>123,935</b> | <b>34,392</b> |

**34. OPERATING EXPENSES**

**General administrative expenses (-)**

|                             |                    |                    |
|-----------------------------|--------------------|--------------------|
| Employee benefit expenses   | (2,061,886)        | (1,637,909)        |
| Depreciation expenses       | (168,011)          | (152,238)          |
| Outsourced service expenses | (690,845)          | (660,924)          |
| Capital increase expenses   | (311,158)          | (25,427)           |
| Taxes and dues expenses     | (103,255)          | (213,268)          |
| Other                       | (848,556)          | (548,884)          |
|                             | <b>(4,183,711)</b> | <b>(3,238,650)</b> |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH COMMUNIQUÉ NO: XI/25 AS OF 31 DECEMBER 2007**

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

**35. OTHER OPERATING INCOME/EXPENSE AND GAIN/LOSS**

Other operating income and gain for the years ended 31 December 2007 and 2006 are as follows:

|  | <b>1 January-<br/>31 December<br/>2007<br/>TRY</b> | <b>1 January-<br/>31 December<br/>2006<br/>TRY</b> |
|--|--|--|
| <b>Other operating income and gains</b>                  |  |  |
| Interest income  | 2,386,456  | 1,656,073  |
| Income on the sales of financial assets held for trading | 615,074  | 1,845,500  |
| Income on foreign currency exchange                      | 2,166,169  | 3,113,552  |
| Discount income  | 939,024  | 58,037   |
| Provisions released                                      | 11,821,744   | 42,831,885   |
| Scrap sales income                                       | 588,024  | -  |
| Other income   | 764,615  | 248,472  |
|  | <b>19,281,106</b>                                  | <b>49,753,519</b>                                  |
| <b>Other operating expense and losses(-)</b>             |  |  |
| Provision expenses                                       | (9,864)  | -  |
| Loss on sales of financial assets held for trading       | -  | (21,560)   |
| Loss on foreign currency exchange                        | (14,801,193)                                       | (1,880,373)  |
| Discount expense   | -  | (1,665,673)  |
| Loss on disposal of plant,property,equipment             | (9,455,944)  | (2,518,119)  |
| Other expenses   | (604,555)  | (490,888)  |
|  | <b>(24,871,556)</b>                                | <b>(6,576,613)</b>                                 |

In accordance with the CMB Communiqué No: IV/27, discount income of TRY 939.024 will be regarded as unrealized gain in 2007 and classified into special reserves.

**36. FINANCE EXPENSES**

For the financial year ended with 31 December 2007 and 31 December 2006, there are no finance expenses.

**37. NET MONETARY GAIN/LOSS**

In accordance with the CMB's decision numbered 11/367 issued at 17 March 2005, the application of inflation accounting has been ceased in the year 2005; therefore there is no monetary gain or loss in the accompanying statements of income as of 31 December 2007.

**38. TAXATION**

|                                 | <b>1 January-<br/>31 December 2007<br/>TRY</b> | <b>1 January-<br/>31 December 2006<br/>TRY</b> |
|---------------------------------|--|--|
| <b>Tax provision:</b>           |  |  |
| Current corporate tax provision | 123,673  | 81,018   |
| Deferred tax (income)/expense   | 1,221  | 5  |
|                                 | <b>124,894</b>                                 | <b>81,023</b>                                  |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH COMMUNIQUÉ NO: XI/25 AS OF 31 DECEMBER 2007**

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

The income earned from real estate investment trust operations of the Company, having acquired the status of the real estate investment trust, is exempt from Corporate Tax according to paragraph 4(d) in Article 5 of the Corporate Tax Law. Furthermore, the income earned by real estate investment trusts is also exempt from advance corporate taxes. Withholding tax rate out of portfolio management income of real estate investment trusts is applied as 0% .in accordance with paragraph 6(a) of Article 94 of Income Tax Law and the Council of Ministers decision.

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

|   | <b>1 January-<br/>31 December 2007</b> | <b>1 January-<br/>31 December 2006</b> |
|---|--|--|
| <b>Tax reconciliation:</b>  |  |  |
| <b>Company's Share in Joint Venture's Profit Before Tax</b>                   | <b>611,288</b>                         | <b>405,312</b>                         |
| Tax at domestic income tax rate 20% (2006: 20%)                               | 122,258                                | 81,062                                 |
| Tax effects of expenses that are not deductible in determining taxable profit | 2,636                                  | 639                                    |
| Decrease in the deferred tax due to decrease in the effective tax rate        | -                                      | (678)                                  |
| <b>Tax</b>  | <b>124,894</b>                         | <b>81,023</b>                          |

**39. EARNINGS PER SHARE**

Earnings per share calculations for the period ended 31 December 2007 are made in accordance with Communiqué No: XI/25 Part 16. For the year then ended, there are no other financial instruments for which earnings per share should be calculated.

Weighted average of company shares and the calculation of earnings per share are as follows:

|   | <b>1 January-<br/>31 December 2007<br/>TRY</b> | <b>1 January-<br/>31 December 2006<br/>TRY</b> |
|---|--|--|
| Number of shares in outstanding As of 1 January (total)       | 329,966,000                                    | 329,966,000                                    |
| Bonus issue   | 120,034,000                                    | -  |
| <b>Number of shares outstanding as of 31 December (total)</b> | <b>450,000,000</b>                             | <b>329,966,000</b>                             |
| Weighted average number of shares outstanding                 | 450,000,000                                    | 450,000,000                                    |
| Net income (TRY)  | 54,942,236                                     | 48,750,382                                     |
| <b>Earnings per share (TRY)</b>                               | <b>0.1221</b>                                  | <b>0.1083</b>                                  |

**40. STATEMENT OF CASH FLOWS**

|                                  | <b>1 January-<br/>31 December 2007<br/>TRY</b> | <b>1 January-<br/>31 December 2006<br/>TRY</b> |
|----------------------------------|--|--|
| Changes in working capital:      |  |  |
| Trade receivables                | 1,183,093                                      | (2,365,841)                                    |
| Receivables from related parties | (6,848,790)                                    | 245,678  |
| Other receivables (net)          | 1,371,655                                      | 3,147,869                                      |
| Other current assets             | (15,782)                                       | (391,466)                                      |
| Other non-current assets         | (867)  | (629)  |
| Trade payables                   | (2,673,651)                                    | 4,876,335                                      |
| Long term trade payables         | 5,923  | 157,041  |
| Other liabilities                | (39,132,294)                                   | 6,569,754                                      |
| Due to related parties           | (596,607)                                      | 393,050  |
|                                  | <b>(46,707,320)</b>                            | <b>12,631,791</b>                              |

**41. OTHER ISSUES THAT SIGNIFICANTLY EFFECT THE FINANCIAL STATEMENTS OR OTHER ISSUES REIURED FOR THE CLEAR UNDERSTANDING OF FINANCIAL STATEMENTS**

None.







İş Real Estate  
Investment Trust Co.