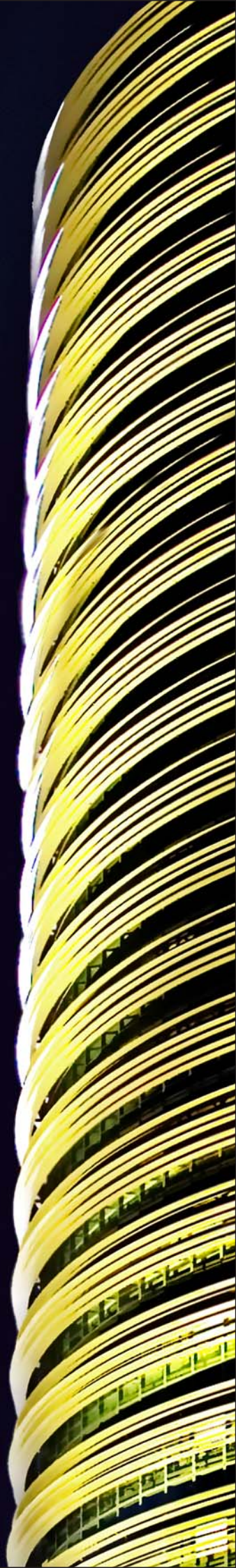


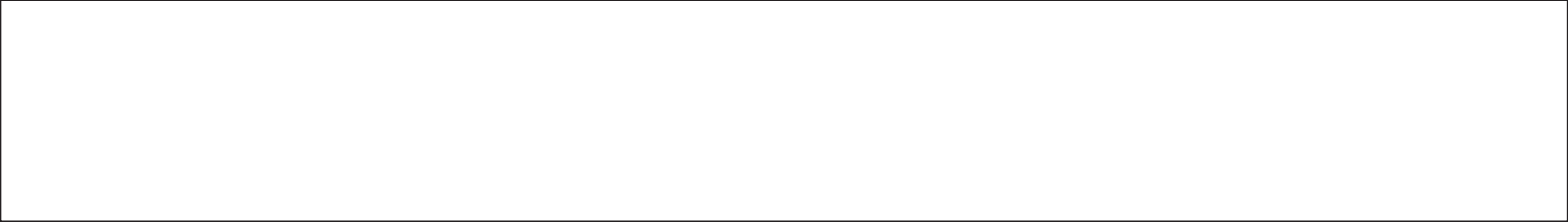


İş Real Estate Investment Trust Co.
Annual Report
2006



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İş REIT: Turkey's leading real estate investment trust

Turkey's leading real estate investment trust, İş REIT adheres to its target of providing its investors with the highest possible returns with minimum levels of risk in all its activities.

With a corporate identity that is synonymous with experience, financial strength, and esteem, İş REIT leads the real estate market in Turkey, with an eye on the strengthening and growth of the market.

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Annual General Meeting of Shareholders March 26, 2007 Agenda

1. Opening, formation of the chairing council and authorization of the council members to sign the minutes of the meeting.
2. Reading, deliberation, and approval of the Board of Directors' report; the statutory auditors' report, and the balance sheet and profit & loss statement for 2006.
3. Individual acquittal of each of the members of the Board of Directors and the statutory auditors of their fiduciary responsibilities for 2006.
4. Deliberation and decision on the Board of Directors' proposal concerning the distribution of 2006 profits.
5. Approval, pursuant to Capital Market Board Communiqué IV: 27, to transfer the amount of 691.614,10 YTL that was booked as a special reserve for unrealized capital gains to the "Prior-year profits" account since they were realized in 2006.
6. Presentation of information to the general assembly of shareholders on the grants and donations made in 2006.
7. Submission, for approval by the general assembly of shareholders pursuant to article 24 of the CMB Communiqué X:16, of the independent auditors chosen by the Board of Directors for a one-year term of office.
8. Election of Board of Directors members and of statutory auditors pursuant to articles 11 and 19 of the articles of incorporation.
9. Determination of the fees to be paid to members of the Board of Directors and to the statutory auditors.
10. Petitions and suggestions.

General Meeting of Shareholders and Participation

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

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

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

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

Prerequisites for Participation in Meetings:

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

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

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

and obtain an entry pass 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.

Report by the Board of Directors, Report by the Audit Board and Statutory Auditors' Report of 2006; Balance Sheet, Income Statement and Board of Directors' Recommendation Concerning the Distribution of 2006 year profit are available for the inspection of our shareholders at the Company's headquarters at least twenty one days prior to the date of the general meeting.

Message from Chairman of the Board of Directors



Dr. Gürman Tevfik
Chairman of the Board of Directors

Dear Shareholders,

Welcome to our Annual General Meeting of Shareholders of 2006,

As you know, since its establishment, our company, Turkey's leading real estate investment trust, has continued to preserve its position with successful decisions and applications. In the name of the board of directors, I would like to extend our gratitude, firstly to you, our shareholders and to our dedicated employees, for the trust and support they vested in us in the year 2006.

Real Estate Investment Trusts

Each and every day, Real Estate Investment Trusts with their increasingly important agenda, are important means of significant corporate capital investment and the development of large scope projects in the real estate sector. The active role of Real Estate Investment Trusts has eliminated the general disadvantage of liquidity in real estate investments. It enables the realization of large scale projects capable of yielding high returns by bringing together private and corporate investors' savings in a common pool.

With the completion of the planned public offering, the number of REITs and an increase in their size is foreseeable in the near future. We believe that this increase is important in bringing superior international standards and quality to the real estate sector.

İş Real Estate Investment Trust

Our company, with its net asset value and its market capitalization is the largest real estate investment trust in Turkey, and it continues to work to secure the continuity of this position. In the short time since our company's establishment, it has succeeded in increasing its premier real estate portfolio's rental income six fold to date.

As specified in our Code of Ethics, our main objective is to maximize our shareholders' investments' value in the best way possible, and to create added value. To this extent, our company exercises fine balance in successful risk management applications, in project selection, and reduces risk that may arise from the shareholders' investments to a minimum.

Our Company closely pursues the growth potential and needs of the real estate market in Turkey, maintains consistency within itself, and applies strategy compatible with these conditions. To this extent, we place great importance in transparency in the methods used to reach our objectives with our shareholders who are the backbone of our strategy.

With the importance it gives to national and international investors, and the trust it has inspired, approximately 60% of our Company's present capital, is open to the public, comprised of international investors. Since its establishment, our Company has adapted open and transparent communication channels in its relations with investors and it is reflected in all its activities.


The International credit rating agency, Fitch IBCA, that designated our company's National Long Term Credit Rating A (tur), upgraded it to A+(tur) and defined the credit rating an 'Outlook Positive' in December 2006. The Company disclosed their grounds for increasing our credit rating as; our company's sustainable, healthy and stable rental income, the continual increase of the value of our real estate portfolio and the reflection of the sustainable growth process seen in the real estate sector since 2001.

Our Company maintains its leadership qualities under all circumstances and with all its attributions, closely following the rapid changes experienced in our country, especially the major structural transformation in recent years. Turkey, not only in the real estate sector, but as a whole, has become a center of attraction and will continue to be a focal point of global investment.

While the main objective of our Company is to create added value for the real estate sector, at the same time, with our portfolio of Turkey's premier properties and with its rational investments in real estate projects and controlled risks, it provides high earnings for our share holders who have always been and continue to be our staunchest supporters.

I would like to once again extend my gratitude to our unflaggingly supportive shareholders who allow us to pursue our goals.

Dr. Gürman Tevfik



Message from the General Manager



Turgay Tanes
General Manager

Dear Shareholders, Colleagues and Business Partners,

From the viewpoint of our company, the year 2006, as in previous years, was a year for our company to realize the returns of intelligent investments. Without deviating from our goals, our company followed the market developments closely, pursued new investment opportunities and continued to successfully manage existing investments.

Economic Developments

When you look closely at the world economy in the year 2006, the slow down in USA and the growth in the EU stand out. When we look at our country there has been fluctuation in growth in comparison to the past two years. The first three month period realized rapid growth due to the acceleration from the previous periods and the effects from slight fluctuation in exchange rates and interest rates were observed. The second three month period ended with stability and no economic losses.

Consequently, despite the fluctuations experienced in the second quarter of the year 2006, in the name of the real estate sector and our Company, growth remained balanced and maintained its continuity. However, when you look at the real estate sector, in comparison to the last two years, you see a general slow down in 2006 and a 'wait and see' policy has taken over.

In the real estate sector, serious activity can be observed, especially in the last two years. Since the beginning of 2005, declining interest rates and longer term housing loans enabled those consumers, who wish to be home owners, to acquire loans. It wasn't very long ago, perhaps 3 or 4 years ago, that the total housing loan portfolio ratio was not even 1% of the Gross National Product (GNP), yet by the year end 2006 it had reached 22 billion YTL. Due to the effects of fluctuation on the interest rates that were realized in the second quarter of 2006, the amount of housing loan utilization was reduced proportionally. Despite the huge increase in housing loans during the last period, reaching 4% of the GNP, the ratio of the housing credit portfolio still remains inadequate, and in this context, has considerable potential for growth. In the next period, the rate of housing loan utilization is expected



to continue to grow. In 2015, the housing loan portfolio is expected to reach 15% of the GNP and the total portfolio is expected to reach 120 billion YTL.

In fact, from the point of view of the middle income bracket group, that constitutes a large portion of the housing demand, we believe that when the mortgage financing system and related works settle, the system's functionality will improve in 2008 and it will also create a medium and long term deep market.

The fluctuations experienced in the second quarter of the year 2006 did not affect our Company as its portfolio mainly consists of commercial real estate properties and no active sales of housing projects were realized during the mentioned period. Furthermore, we were not negatively affected by the fluctuations in the exchange rate since the Company's rental income is mainly in foreign currency.

Expectations in 2007

The year 2007 is expected to have an intense political agenda due to the elections. Nevertheless, we believe there will not be any significant changes in the established stable medium. We hope that economic growth and single digit inflation will maintain their position. In our opinion, the EU membership process developments will be closely followed by the markets during this period.

In the case that the mortgage financing system goes into effect in the year 2008, a revival in the construction sector is expected, especially towards the end of the year as this increase in internal demand inevitably creates an inexorable increase in production. From 2008 on, it is likely that the sector and its sub-sectors will act in unison. The mortgage financing system is practiced successfully in many countries in the world and with the realization of this system; with its corporate structures and real estate investment trusts, it will obviously play an active role in supplying the increasing demand.

Financial Performance

In the year 2006 our Company's Net Profit for the period was 48.7 million YTL, a 43% increase in comparison to the year 2005. In addition to not having any debts, as of year end 2006, the income our Company generated from the sales of residences in Kanyon Project will be reflected in the income statement as the deeds are transferred to the owners.

Investment Activities in the Year 2006

The aim of our Company is to present investors with investments of controllable risks and maximum yields. Accordingly, studies for these types of potential projects were conducted throughout the year.

The completion of Kanyon Project offices and Shopping Center was undoubtedly our Company's source of pride in the year 2006. Since Kanyon Shopping Center opened to great acclaim in May 2006 it has become one of the most talked about names. Kanyon Shopping Center has maintained a steady stream of visitors and a 100% occupancy rate. Most of our tenants are world famous brands that have not previously entered the Turkish market and famous Turkish Brand names.



In addition, within the investment agreement signed with the Metro Group in 2005 to realize Real Hypermarket Project construction began on approximately 35.000 square meters of Tatilya's adjacent land with the foundation laying ceremony in December 2006. The Real Hypermarket Project is expected to be completed by the fall of 2007 and it will be the largest hypermarket in Yakuplu.

Tatilya's amusement activities were ended and the amusement facilities within it were sold, General Growth Properties (GGP) and Cura's joint venture Company in Turkey, CURA/GGP, signed a memorandum of understanding for the construction and transfer of right of construction for a shopping center on the remaining land. Work continued as planned and in February 2007 in accordance with the memorandum of agreement 13 million USD, half the designated value of the right of construction, was collected.

In 2006 land was purchased in partnership for the development of a multi-purpose project in Altunizade. In accordance with the permits expected from the municipality, a housing project is predominately planned to be developed on the land in question.

Performance Evaluation

When we examine our Company's year 2006 performance, it is obvious that just as promised to our shareholders, we have gradually begun to realize our projects and firm steps have been taken in the name of increasing yields from the existing real estate properties. We believe that our Company, which has closely followed all of the developments in this sector, has had a successful year.

After acquiring permission in 2007, we plan to realize the Altunizade Housing Project within, at most, a 2 year period. Owing to the strength behind our success in selling the residences in the Kanyon Project, and the reliability of İş GYO trademark, we foresee that a large portion of our residences will be sold during the presale period. Therefore, it is highly unlikely that any possible economical or political situation that is to be experienced in 2007 could possible affect the success of our Company in any way.

Targets and Strategies

The primary target of our company is to participate in profitable projects that will satisfy our shareholders. Within this scope, our company with its professional team, will meticulously evaluate the opportunities in 2007, and will endeavor to sign the most equitable projects.

Among the 2007 targets, as we specified above, is to obtain the permits for our Altunizade Housing Project and start with the pre-sale period. The project will be detailed according to the construction permits obtained.

In the year 2007, the Real Hypermarket Project is expected to be completed and opened to service. Among our targets this year, we aim to make progress in the phases of the CURA/GGP shopping center project to be constructed on Tatilya and the adjacent lands.

In our country, the internal migration into our major developing cities has proportionally increased along with the yearly housing demand. Therefore, developing housing projects in İstanbul and other major cities is among our primary goals. The demand for multi-purpose projects like Kanyon, especially in large cities other than İstanbul, should not be overlooked. As a company, we have been doing research on this subject.



When we assess our commercial real estate properties, our Company plans to shape our investments provided they maintain a certain income level. To this extent, research done in company and outside of the company show that more detailed risk-income calculations are required for shopping centers and office building investments. We think that the commercial real estate sector will move at a slower pace, especially in İstanbul, compared to the previous period.

When we look at and evaluate tourism investments, in addition to believing that our country is a potential field of investment, we look favorably upon projects that can be developed together with professional tourism operators.

In spite of its large scale investments in the past two years, our company did not omit distributing profit to the shareholders. Our aim is to make dividend payments to our shareholders in designated proportions every year. In this scope, our intentions are specified in our Dividend Policy that was published in 2006.

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

Turgay Tanes

» İş REIT fortifies its position in the sector due to its Code of Ethics in its operations and the trust it gains from the public disclosure and transparency in informing its investors.



COMPANY PROFILE



The Board of Directors



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3 1 2 4

The Board of Directors

- 1 Dr. Gürman Tevfik Chairman of The Board of Directors
- 2 Emre Cankorel Vice Chairman
- 3 Nejat Yalkut Ayözger Independent Board Member
- 4 Haldun Baydar Independent Board Member
- 5 Kemal Şahin Board Member

Committee Responsible for Audit

- 2 Emre Cankorel
- 5 Kemal Şahin

Audit Board

- 6 Süleyman H. Özcan
- 7 Sezai Sevgin
- 8 Haluk Giray

1 Dr. Gürman Tevfik
Chairman of the Board of Directors

Between the years of 1982-2000 Dr. Tevfik served successively in İş Bank as an Inspector, Assistant Manager and Group Manager, since the end of the year 2000 he has served as the General Manager of İş Portföy Yönetimi A.Ş. and at the same time he has served as the Chairman of the Board of Directors of İş Gayrimenkul Yatırım Ortaklığı A.Ş. since the year 1999. Since 2002 he has acted as the President of the Turkish Institutional Investment Association, and since 2004 he represents Turkey as a Board Member of the European Fund and Asset Management Association (EFAMA). In addition, he served as President of the International Investment Funds Association (IIFA) in 2006. Gürman Tevfik has a Masters Degree in Business Administration from the University of Colorado, and a Doctorate from Istanbul University. He has published numerous articles and six books, five of which were co-authored in banking, finance.

28.03.2006-26.03.2007

2 Emre Cankorel
Vice Chairman

Mr. Cankorel graduated from Şişli Political Sciences Academy in 1975. He began his career in İş Bank as an Assistant Inspector Trainee in 1976. He later served as Assistant Manager in the Bank's Deposits Department, and as Assistant Manager and as Group Head in the Organization Department in the same corporation. He served as the Manager of Balmumcu, Sirkeci, Beşiktaş and Levent Branches. Mr. Cankorel who also served as a Marketing Manager for Retail Banking, is presently the Manager of İş Bank Rıhtım Kadıköy Branch.

28.03.2006-26.03.2007

3 Nejat Yalkut Ayözger
Independent Board Member

Mr. Ayözger began his career in İş Bank as an Assistant Inspector Trainee at the Directorate of the Supervisory Commission in 1968. From 1968 until 1995 he served in the preceding order as; Inspector in the Directorate of Supervisory Committee, Assistant Manager in Human Resources Department, Regional Manager for Eastern Anatolia and Head of the Supervisory Committee Directorate. Mr. Ayözger who was appointed as the Assistant General Manager of İş Bank in 1995, retired on May 6, 2002. Mr. Ayözger, who has been an Independent Board Member of İş Gayrimenkul Yatırım Ortaklığı A.Ş. since 2006, has also served on the board of various affiliates of İş Bank.

28.03.2006-26.03.2007

4 Haldun Baydar
Independent Board Member

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

28.03.2006-26.03.2007

5 Kemal Şahin
Board Member

Mr. Şahin is a graduate of Middle East Technical University, Business Administration. He served in İş Bank as Assistant Inspector and Inspector for a total of ten years. He is currently the Assistant Manager in İş Bank Subsidiaries Department responsible for real estate companies. In addition to this position, he is a Board Member or Statutory Auditor in a number of İş Bank subsidiaries. He served in İş Gayrimenkul Yatırım Ortaklığı A.Ş. as a member of the Audit Board from 1999 until 2003 and since 2004 he has been serving as a Board Member in our company.

28.03.2006-26.03.2007

6 Süleyman H. Özcan

Mr. Özcan after graduating from Bosphorus University, Economics Department in 1993, began his career in İş Bank as an Assistant Inspector in the Supervisory Committee Directorate. 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.

28.03.2006-26.03.2007

7 Sezai Sevgin

Mr. Sevgin attended Marmara University, Economics and Business Administration Faculty from 1986 to 1990 and received his Bachelor's Degree in Finance and Accounting. In 1990 he began working for İş Bank Board of Inspectors as a Trainee Inspector. He was promoted to Inspector in 1995. In 1997 he was appointed by the bank to participate in founding IŞBANK Gmbh Paris of which 100 % is owned by İş Bank. On May 18, 1998 after completing his task of founding IŞBANK Gmbh Paris, he continued as the Assistant Manager. He was appointed as the Manager of this branch on March 27, 2002. He was promoted to Group Manager of İş Bank, Corporate Marketing Department, on July 2, 2004.

28.03.2006-26.03.2007

8 Haluk Giray

Graduated in 1981 from Ankara Commercial Sciences Academy, Mr. Giray began working as a clerk in İş Bank, Yeşildirek Branch in 1983. He is presently serving as Group Manager in İş Bank Logistics and Purchasing Department.

28.03.2006-26.03.2007

9 Turgay Tanes

Mr. Tanes graduated from Gazi University, Public Administration in 1987. He started working 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 a Group Manager of Real Estate and Glass Sector in the same department. He has been serving as the General Manager of İş Gayrimenkul Yatırım Ortaklığı A.Ş. since 2004, and is also serving as the Chairman of the Board of Directors in one of the subsidiaries of İş Bank.

Senior Management



3 6 7 2 1 5 4 8

- 1 Hülya Demir, Assistant General Manager
- 2 Tuğrul Gürdal, Manager, Financial and Administrative Affairs
- 3 Şenol Baban, Manager, Construction and Architecture Project Application
- 4 Bülent Otuz, Manager, Electric and Mechanic Project Application
- 5 T. Aydan Ormancı, Manager, Investment and Project Development
- 6 Pınar Ersin Kollu, Legal Consultant
- 7 Gökhan Temel, Assistant Manager, Construction and Architecture Project Application
- 8 Ayşegül Şahin Kocameşe, Assistant Manager, Risk Management and Investor Relations

Tax Consultant, Independent Auditors and Appraisal Firm from Which Our Company Obtains Service:

Tax Consultant

DRT Yeminli Mali Müşavirlik ve Bağımsız Denetim 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.

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 any kinship whether by blood or marriage unto the third degree, have had any direct or indirect relationship from the standpoint of employment, capital, or commercial interests with any company in which the lead entrepreneur owns more than a 10% share or possesses voting rights in that percentage; or with any shareholder in the Company that owns more than a 10% share or possesses voting rights in that percentage; or with any shareholder that owns a shareholding interest incorporating a right to designate a candidate for a seat on the board of directors; or with 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



Company Profile

Name	İş Gayrimenkul Yatırım Ortaklığı A.Ş.
Date of incorporation	August 6, 1999
Issued capital	329.966.000 YTL
Registered capital ceiling	2.000.000.000 YTL
Date of initial public offering	December 1-3 1999
IPO price	1.4 YTL
Company headquarters	İstanbul

History:

İş Gayrimenkul Yatırım ve Projelendirme A.Ş. and Merkez Gayrimenkul Yatırım ve Proje Değerlendirme A.Ş. were both established in 1998 and were operating separately, and on August 6th 1999 a Real Estate Investment Trust Company was established to which they transferred their assets and liabilities.

- » 1998, “**Ankara İş Tower**” and “**İstanbul İş Complex**” were included in the portfolio
- » In July 2000, the shares of the company began to effect transactions in ISE 30 index.
- » January 2001, within the decision of project development in cooperation with Eczacıbaşı Group, the first step in “**Kanyon Project**” was taken with the purchase of the project’s property.
- » 2001, “**Maslak Building**” was included in the portfolio.
- » 2001 “**Antalya Seven Seas Hotel**”, “**Marmaris Solaris Plaza**”, “**Tatilya Theme Park**” and 35.000 square meters of Tatilya’s adjacent land were included in the portfolio.
- » 2003, the Company “**Code of Ethics**”, already in practice, was disclosed to the public.
- » 2003, the International Credit Rating Agency Fitch IBCA, confirmed the national long-term credit rating of İş REIT as “A (tur)” and its “Outlook as Stable”.
- » 2004 İş REIT in partnership with Eczacıbaşı Holding established Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.
- » 2004, “**Ankara Ulus Historical Office Building**”, “**Ankara Kızılay Office Building**”, and “**Antalya Office Building**” were included in the portfolio.
- » 2005, “**Disclosure Policy**” was accepted.



- » October 2005, Euromoney granted İş REIT with an award for “**The Best Developer in Turkey**”.
- » 2005, with the aim of improving its income, new project studies were started on **Tatilya** and the adjacent lands. At the end of the same year, concrete steps were taken in the investment agreement concerning the hypermarket construction with **Metro Group**.
- » 2006, “**Dividend Policy**” was accepted.
- » May 2006, Turkey’s first open air shopping center “**Kanyon Shopping Center**” was opened.
- » June 2006, negotiations for **CURA/GGP**’s development project for a shopping center on Tatilya’s adjacent developable lands and the transfer of construction rights for the lands concerned were started.
- » December 2006, foundation for the largest to be hypermarket in the region, “**Real Hipermarket**” was laid.
- » December 2006, “Architectural Review’s Cityscape 2006 Architecture Award” considered to be the Oscar of Architecture, was given to Kanyon Project.
- » December 2006, Fitch Ratings Company raised İş REIT’s National Long Term Credit Rating from A (tur) to A+(tur) and defined the credit rating an ‘Outlook Positive’.
- » The portfolio size of İş REIT was approximately 91.6 million YTL in the year it was founded, and at the end of 2006 the portfolio size reached 1.104 million YTL, and net asset value jumped from 93 million to 1.057 million YTL.

Management of Human Resources at İş REIT

The main objective of our company is to ensure that qualified human resources are recruited and hired, to obtain the best results in company endeavors, to ensure motivation, to continually improve the personnel's economic and social rights, to create a fair and professional atmosphere and to determine personnel's training needs.

In our Company we practice "open door policy" and cultivate all types of platforms to enable efficient communication.

In the "Human Resources Management" section of our company's internet site, subjects such as employment conditions, career guidance, promotion requirements, and monetary adjustment are addressed.

Organizational Chart

GENERAL MANAGER



Field of Business

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

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

Our Mission:

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

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

Social Responsibilities

Our company set up a Donation Regulations on January 1, 2007 which encompasses all the rules with which our company will support, without remuneration, of social responsibility areas in our country such as education, health, culture, law, arts, scientific research, environment protection, sports etc.

Architectural Education Forum 3-Global Architectural Education Area, organized by İstanbul Technical University and realized with İŞ REIT's main sponsorship. The aim: to strengthen the communication and interaction between student-student and student-academician on an international platform at a fair where architecture students and academicians from schools all over the world were invited. Our Company joined the fair with the Kanyon project and its highly acclaimed architecture. In addition to the design and realization processes, the marketing dimension was mentioned and, the students were given information in addition to architecture concerning real estate investment trusts project selection, implementation and marketing processes.

In all the shopping malls that are in its portfolio, our Company offers associations and organizations that do public service to open stands free of charge and enables them to do publicity, fully cooperating with them and offering assistance and cooperation.

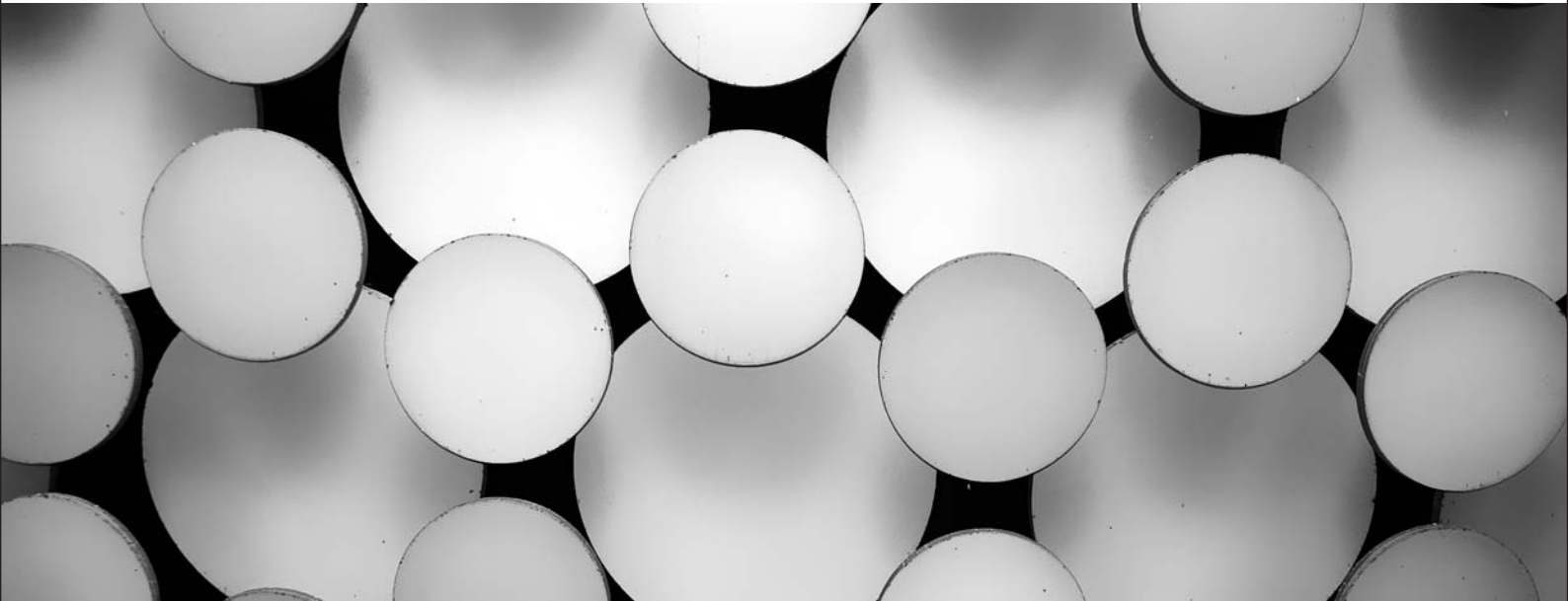


Investor Relations

The General Meeting of the company that took place on March 28, 2006 the total attendance all of which was in person, represented 59.21 % of the capital and the Extraordinary General Meeting which was held on November 13, 2006 attendance was 56.86 %. In the General Meetings all the documents shareholders needed were ready for their inspection in electronic medium and physically. Our company also answered all the oral and written questions of the shareholders except for the ones containing commercial confidentiality or secrets.

In 2006, the interest of the foreign investors and funds towards our Company, continued increasingly. At national and international organized meetings, panels, and conferences, our investors' attendance was ensured. Throughout the year, over one hundred individual meetings took place with foreign corporate investors and funds. In addition, comprehensive legislation, data and information including the "Company Disclosure Policy" demands from the local, foreign, private and corporate investors, including information on public disclosure and transparency, were corresponded in detail with versatility. Our department complies with the request of universities and various government organizations for their information demands and gives support to these establishments in their research.

The Extraordinary General meeting took place on November 13, 2006 to increase the company's registered capital ceiling from 500 million YTL to 2.000 million YTL and to change the 7th Article on "Capital and Stocks" of the Company's Articles of Association to adjust to the New Turkish Lira, and for registry system for alteration of the stocks. In the meeting, the capital ceiling was raised to 2.000 million YTL and the 7th Article of the Company's Articles of Association was altered unanimously. The change in question was registered in Trade Registry on November 16, 2006 and was declared in the Trade Registry Gazette dated November 21, 2006.



Dividend Policy

In the meeting of the board of directors dated February 28, 2006, it was decided that; The distribution of the first obligatory dividend of the distributable profit will be stated in the Articles of Association as a principle.

The Board of Directors would consider;

1. Finely keeping the balance between the expectations of our shareholders and the growth policies of İŞ REIT
2. İŞ REIT's profit-earning capacity

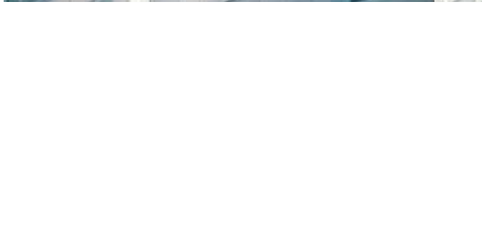
while making a decision on the dividend distribution proposal presented in the General Shareholders Meeting. Based on these conditions, if the Board of Directors decides to pay dividend, this dividend payment would not be less than %30 of the total distributable income and would be distributed as cash or bonus shares.

December 2006, Fitch Ratings upgraded İş REIT's National Long Term Credit Rating from A (tur) to **A+(tur)** and defined the credit rating an "Outlook Positive".





ACTIVITIES IN 2006



Activities in 2006

I. Investment Activities

Kanyon Residence-Office-Shopping Center

On the basis of cost and revenue sharing, jointly conducted, our company, with its own resources, solely financed Kanyon project whose office and shopping blocks have been completed, and the opening of the shopping center was realized on May 30, 2006.

Kanyon project was executed with cost values adjusted to CMB adjustments and the shopping center and the office building of the project were placed in the portfolio table on September 30, 2006 according to its appraised value. In 2005 all the residences were sold, and in 2006 preliminary surrenders started, in the first half of 2007 complete residence surrender will be realized. In 2006, including VAT a total of 53.5 million YTL was spent on the project.

Real Hypermarket Project

To realize a hypermarket project, next to Tatilya, land lot 105, within the frame work of the investment and twenty year rent agreement which was signed with Metro Group, Real Hypermarkets Chain, on December 22, 2005, the project and the bidding were completed in that year. The foundation laying ceremony for the Real Hypermarket took place on December 7, 2006 and the expected total cost to be covered by our company is to be around 22 million USD. It has total of 53.479 square meters of covered area and 8.520 square meters of sales area. Real Hypermarket will be a candidate to become the largest hypermarket in the region and will be completed by the fall of 2007.

New Projects

Our company joined the bidding for a land plot which is 32.081 square meters, in the district of Üsküdar in Altunizade area of İstanbul, and one half share of the plot was included in our portfolio for 13.500.000 USD on March 22, 2006. Our company is planning to develop a multipurpose project, focusing on housing on the lot of land in question, and our company has started working on the legal permits needed for the project.

To improve the revenues from Tatilya investment which is in our portfolio, the existing rent contract of Tatilya Entertainment Center was terminated to develop projects, and the sale of entertainment units was realized.

The adjacent 11.058 square meter land lot (with an unfinished building on it), number 106, which is next to Tatilya Entertainment Center, and the lots around it, were purchased for 4.000.000 USD.

Talks were started for construction rights with CURA/GGP Real Estate Construction and Development Co. that want to construct a shopping center in Tatilya and the surrounding land lots 106, 107 and part of 105. A preliminary agreement was reached on the subject. In the context of the project that will be developed, a constant and turnover based rent which will increase on a yearly ratio basis will be charged from CURA/GGP and in return for the transfer of construction rights, a cost of 13.000.000 USD will be charged. 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 in February 2007.

II. Rental Activities

With its unique concept and architecture, the Kanyon Project, which aims to be one of the top projects not only in Turkey, but in the world, has completely rented out all of the shops in the project during the year. As a result of world renowned national and foreign trademarks' high demand, a majority of the stores were rented with five year contracts as of year end.

Owing to ownership sharing, the Kanyon office blocks under our ownership have been completely rented, each and every one to national and foreign tenants prominent in their own sectors.

There has been no change in our Company's portfolio's 100% occupancy rate for İş Towers (Tower-2 and Tower-3), Ankara Ulus, Ankara Kızılay, Antalya Office Buildings and Maslak Office Building.

Our revenues from Kanyon Complex are expected to increase more than 50% from the rent that will be collected from Kanyon Shopping Center and the Office building.

2007 Expectations

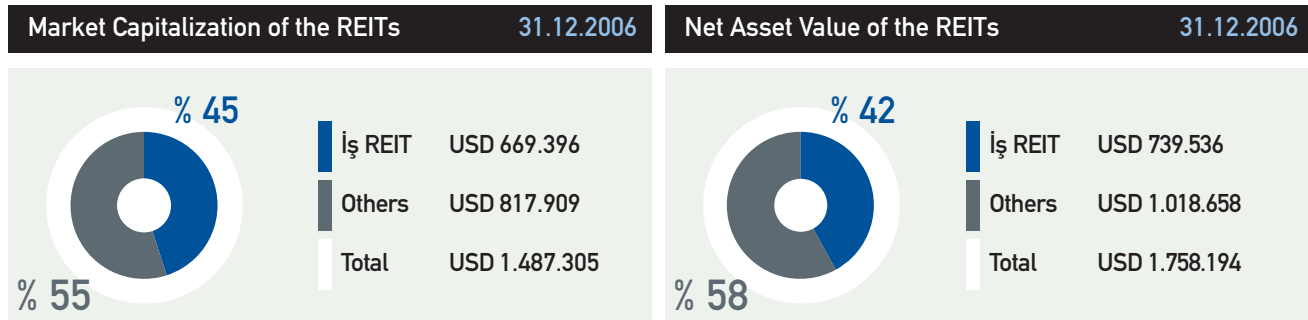
The preliminary surrender process of Kanyon residences started and it is expected to be finalized in the first half of 2007.

Depending on the construction permits that will be acquired for our project that will be developed in Altunizade in 2007, the process for preliminary sales will be determined.

In the year 2007, the Real Hypermarket project is expected to be completed and opened to service. Among our targets this year, we aim to make progress in the phases of the CURA/GGP shopping center project to be constructed on Tatilya and the adjacent lands.

Besides our present and continuing projects in 2007, we will continue work and do research to develop new real estate projects both in İstanbul and outside of İstanbul depending on developments in the real estate market and in general economy.

İş REIT 2006 Financial Highlights

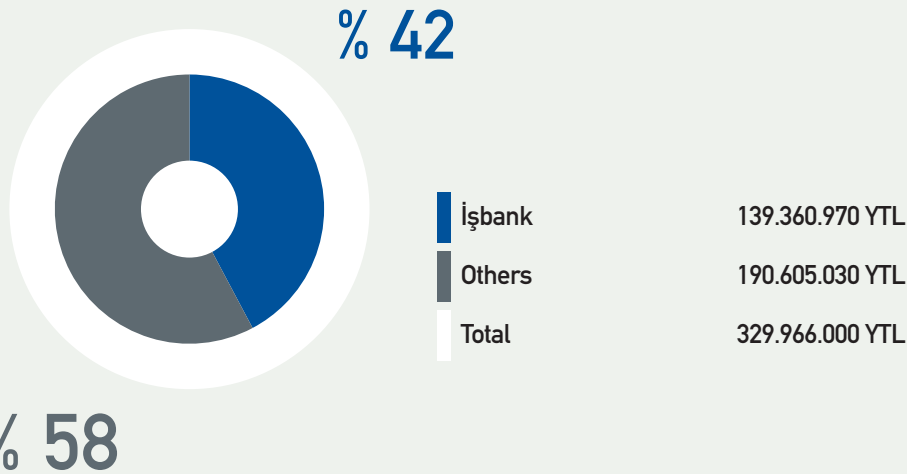


NET ASSET VALUE

USD **739.536**

İş REIT Shareholder Structure

Shareholder Structure

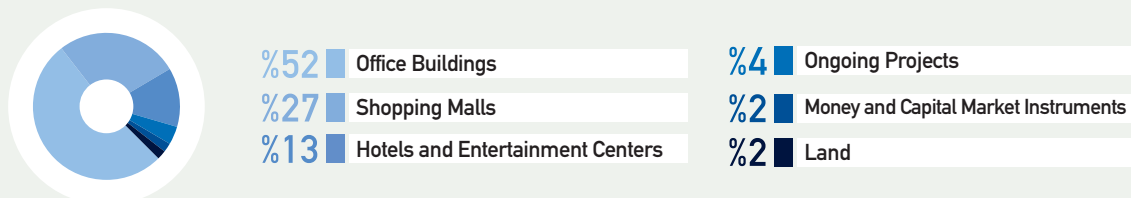


As of December 31, 2006 the free float ratio of the company is 46%, and of this free float 59% is in foreign portfolios.

Looking at our own portfolio as of December 31, 2006, 52% of its value was in office buildings, 27% was in shopping centers, 13% was in hotels and entertainment centers, 4% was in the ongoing project, 2% was in money and capital market instruments and 2% was in land. As required by law, the ongoing project is shown in terms of the realized cost of investment outlays incurred as of the portfolio valuation date. The completion of Kanyon Project contributed an important ratio of growth to our portfolio.

Breakdown of İş REIT's Portfolio Investment

31.12.2006



Changes in Organization, Capital, Shareholder Structure, Administration Structure During the Year

Capital and Shareholder Structure

As of December 31, 2006, İş Bank has 42.23% of the share of our capital, 59% of our shares in circulation are owned by foreign investors.

Our application to the Capital Market Board to increase the company's registered capital ceiling from 500.000.000 YTL to 2.000.000.000 YTL and to change the 7th Article on "Capital and Stocks" of the Company's Articles of Association to adjust to New Turkish Lira and for registry system for alteration of the stocks was accepted by the CMB on September 22, 2006 with the resolution 42/1188 and the capital ceiling was raised to 2.000.000.000 YTL. The change in question was registered in the Trade Registry on November 16, 2006 and was declared in the Trade Registry Gazette dated November 21, 2006.

Changes in the Administration and Organization Structure

In the general meeting, the curriculum vitae of selected board members, and the Board Members who are already serving, were presented in the report. In the general meeting that took place on March 28, 2006 Mr. Nejat Yalkut Ayözger was selected as an Independent Board member in place of İrfan Turan Karaoğlu who had completed his term of service.

Süleyman H. Özcan was selected in place of Tuncay Güler, to the membership of the Audit Board.

Our employees working as a team in the control and application of our Company's developing projects established two separate entities, after restructuring, working under an Assistant General Manager, a Project Application Department (Construction and Architecture) and a Project Application Department (Mechanic and Electric).

The Changes Made in Statute During the Report Period for REIT's Investment Activities and the Fundamental Principles Related to These Activities

Detailed information on the Principles of REIT Investment Activities, the founders, the procedures of REIT establishment, the registry of shares to the board and public offerings, administration and qualification of the managers, subjects of activity, and portfolio limitations and periodic public disclosure can be found at www.spk.gov.tr.

The Fundamentals of the Activities Communiqué for Real Estate Investment Trusts are given below with its main features:

- » REITs are obliged to invest a minimum of 50% of their portfolio values in real estate development projects and rights shared in real estate properties. Outside of these entities (capital market tools, and cash assets) they can invest a maximum of 50% of their portfolio assets.
- » General purpose REITs have to vary their portfolios according to sector, regions and type of real estate property, and long term management is required.
- » REITs have to take into account the usage of appraised values determined by appraisal companies in renting, selling, and buying for their portfolios as designated by the CMB.
- » REITs can never undertake construction works and cannot hire personnel and equipment for this purpose on their real estate.
- » REITs can use credit up to three fold of their net assets.

The Changes in the Decree for The REIT Activities That Took Place During The Report Period:

- » The minimum initial capital for the instantaneously formed companies to be founded was raised from 1 million YTL to 7.2 million YTL and for transforming companies, the minimum capital condition was raised from 1 million YTL to 7.2 million YTL.
- » The decree for a minimum 25% of the initial capital or issued capital to be in cash is changed to:
 - » The companies with capital of less than 50 million YTL, the shares for liquid funds can be 10% of the initial or issued capital.
- » The companies with capital of more than 50 million YTL, the shares for liquid funds can be fixed at 5 million YTL.
- » The decree for the Founding partners, one of which will be a leader entrepreneur, was removed and the new decree states that the corporate body or the individual to be a founder of REITs should possess financial strength, reputation and sufficient experience.
- » The compulsory rule of having Turkish Nationals for the majority of Board members has been removed.
- » The maximum investment limit to tools of capital markets for foreign and national real estate properties has been raised from 10% to 49%.
- » In the existing decree for the land and plots of land which do not have any project implementation, the period of obligatory project development has been increased from 3 to 5 years.

Other Issues

Information on Lawsuits to Which Our Company is a Party

There were no law suits, warnings, or monetary fines by the public authorities against the company in 2006.

The land lease of parcels 101, 102, 103, 105, 107 which are in our portfolio in İstanbul, Municipality of Beylikdüzü location, the law suit opened against our company at the 2nd Civil Court of First Instance was dismissed on December 26, 2006 and the action and judicial ruling is expected to be concluded.

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

In 2006; a total of 22.904.206 YTL rent revenue from the Group Companies and 806.532 YTL interest revenue from bank deposits were earned. In 2006, compared to this, total received service costs are 2.607.626 YTL.

Statement concerning foreseeable risks inherent in our activities

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

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

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

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

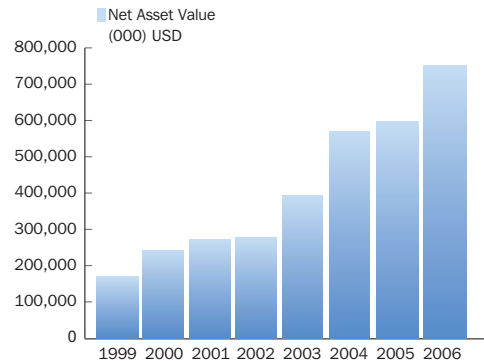
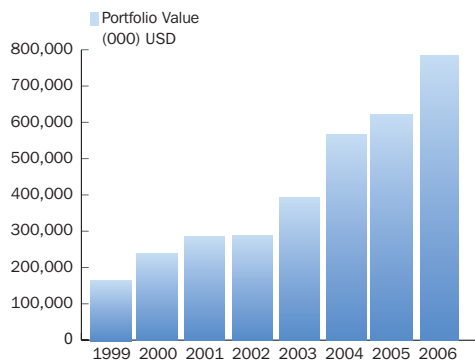
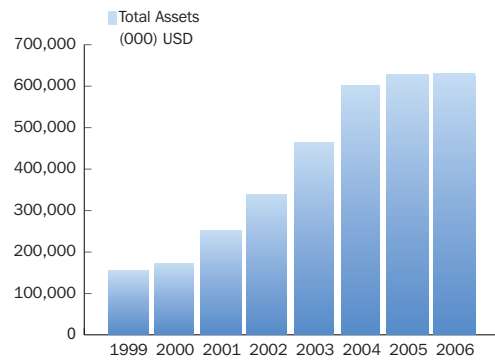
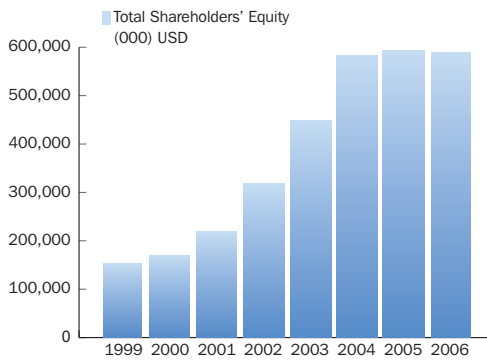
Financial Standing

As of December 31, 2006 our portfolio value table of the liquid funds and other capital market tools totaled 23.906.147 YTL and it is 2% of our portfolio value. 98% of the total amount of these is in time deposits and foreign currency demand accounts and the rest are in B type investment participation certificates.

Basic Financial Indicators

(USD) 2006

Total Assets	630.706
Total Shareholders' Equity	589.262
Net Profit	34.683
Portfolio Net Asset Value	752.110



Net Asset Value per Share	3.20	YTL
ISGYO Share Price	2.90	YTL
Market Capitalization	669.396	USD

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net Asset Value per Share	2.46	2.45	3.07	3.20
Last Session Weighted Average Price	3.37	2.40	2.70	2.90

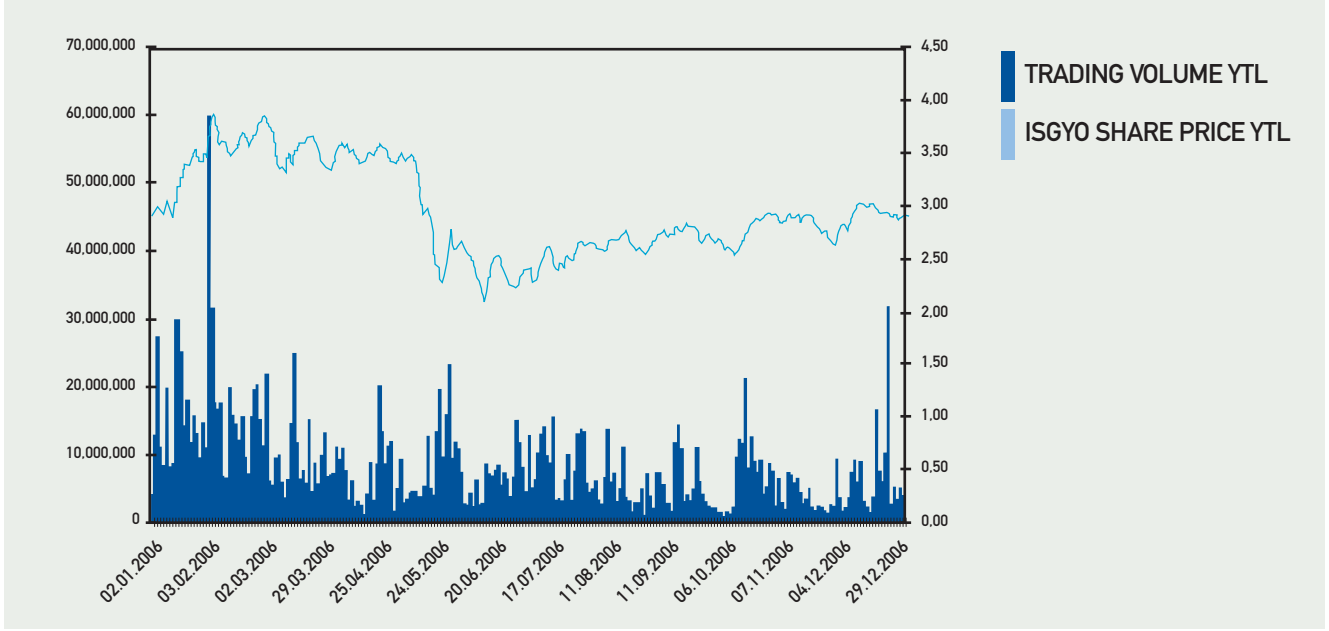
ISE PERFORMANCE

2006 - ISE National - 100, REIT Index and ISGYO Share Price



In 2006, on basis of Turkish Lira ISE National - 100 Index decreased in value of 1,66%, during the same period Real Estate Investment Trusts decreased in value 16,85%. In conjunction with these our stock decreased in value 2,03% in the same period and it exhibited a performance parallel to ISE National 100 index and performed above the sector index.

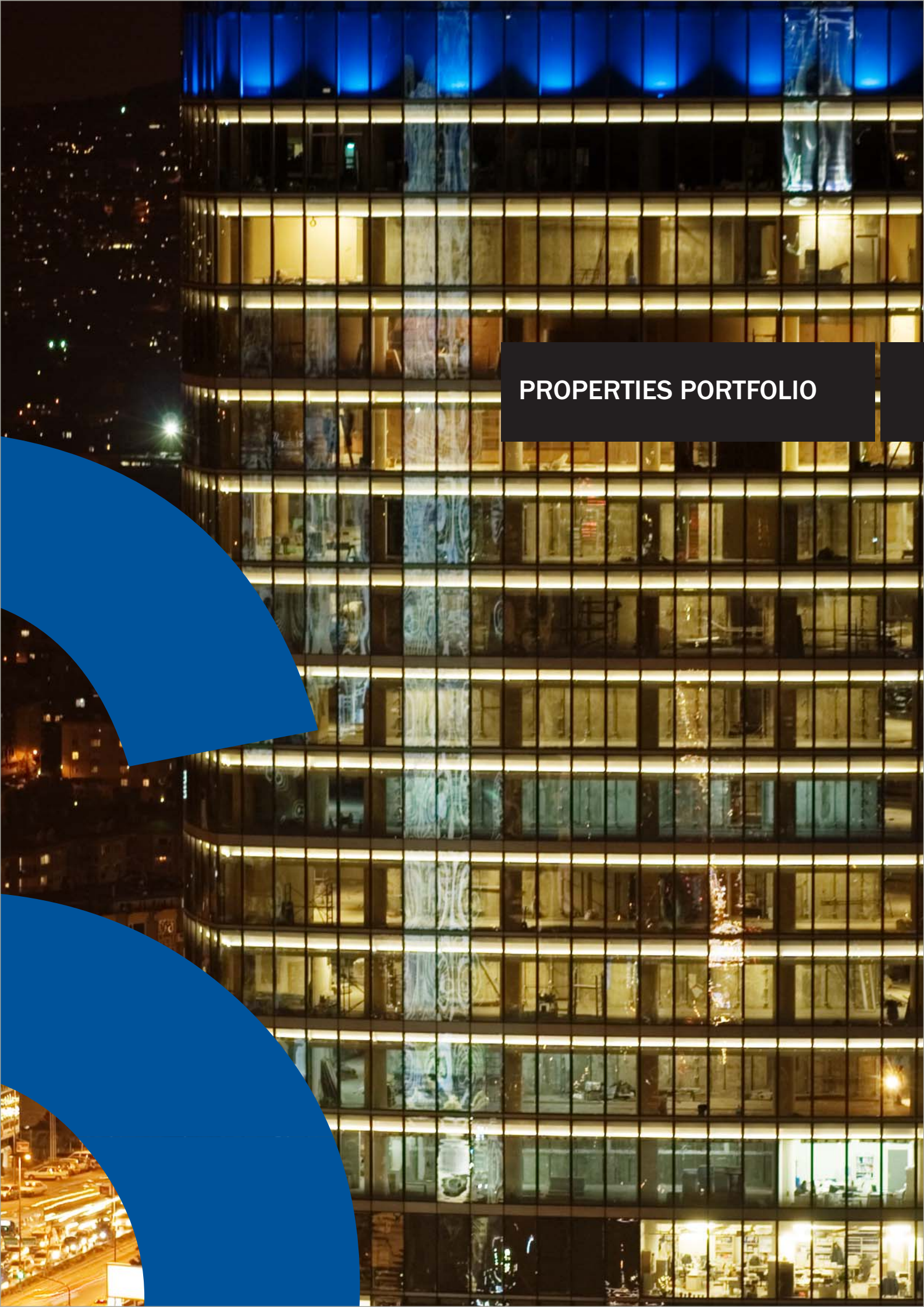
2006 - ISGYO Daily Trading Volume and Share Price



Our stocks which are traded in ISE National-30 realized a daily average volume of 8.178.902 YTL in 2006. The closing value of our stock in 2006 was 2.90 YTL, and it closed the year with 10 % discount when compared to 3.20 YTL net asset value per share. After the completion of our Kanyon Project our net asset value increased 32 % when compared to last year and reached 1.057 million YTL on the basis of Turkish Lira.

Since İŞ REIT's establishment it has managed to increase its rental income from its premier properties portfolio 6 fold.





PROPERTIES PORTFOLIO



Properties Portfolio

The Sources of Our Rental Income

- » Tower 2 and Tower 3 and the Kule Çarşı shopping mall on the platform joining these two towers in the İstanbul İş Complex
- » Ankara İş Tower
- » Maslak Building
- » Seven Seas Hotel
- » Solaris Plaza Shopping Center
- » Ankara-Ulus Office Building
- » Ankara-Kızılay Office Building
- » Antalya Office Building
- » Kanyon Office Block and Kanyon Shopping Center

Properties Under Development

- » Real Hypermarket Project (on 35.000 m² of 50.309 m² land in the vicinity of the Tatilya Theme Park)

Other Properties

- » Project-developable land (7.613 m²) in front of İş Towers in 4. Levent
- » Altunizade Project Land
- » Tatilya land and the lands adjacent (parcels 105, 106 & 107)

İSTANBUL İŞ COMPLEX
(Tower2, Tower3 & Kule Çarşı Shopping Center)



Location

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

Gross Leasable Area (GLA)

63.324 m²

Definition

Two 34-story office towers containing 27 leasable stories and the Kule Çarşı shopping center containing 30 stores.

Portfolio Entry Date

2000

Appraised Value (USD)

248.303.603

Rental Income in 2006 (USD, not including VAT)

15.717.391

İş Towers was designed and built with the infrastructure and technology needed to satisfy all the requirements of 21st century living and in keeping with the principle of maximizing construction quality, durability, security, comfort, and economy.

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

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

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

Kule Çarşı, a shopping center located in the İş Complex in 4. Levent, is an elegant shopping and entertainment center where employees and visitors can enjoy themselves while doing their shopping or having lunch or dinner. The mall contains 30 stores and restaurants that offer a huge variety of goods and services 365 days a year. There is parking space for 491 vehicles. Kule Çarşı serves tenants, their personnel, and visitors alike providing them a comfortable and secure environment all year long.

LAND-1**Location**

İstanbul-4. Levent, in front of İş Towers

Gross Leasable Area (GLA)

7.613 m²

Definition

Land

Portfolio Entry Date

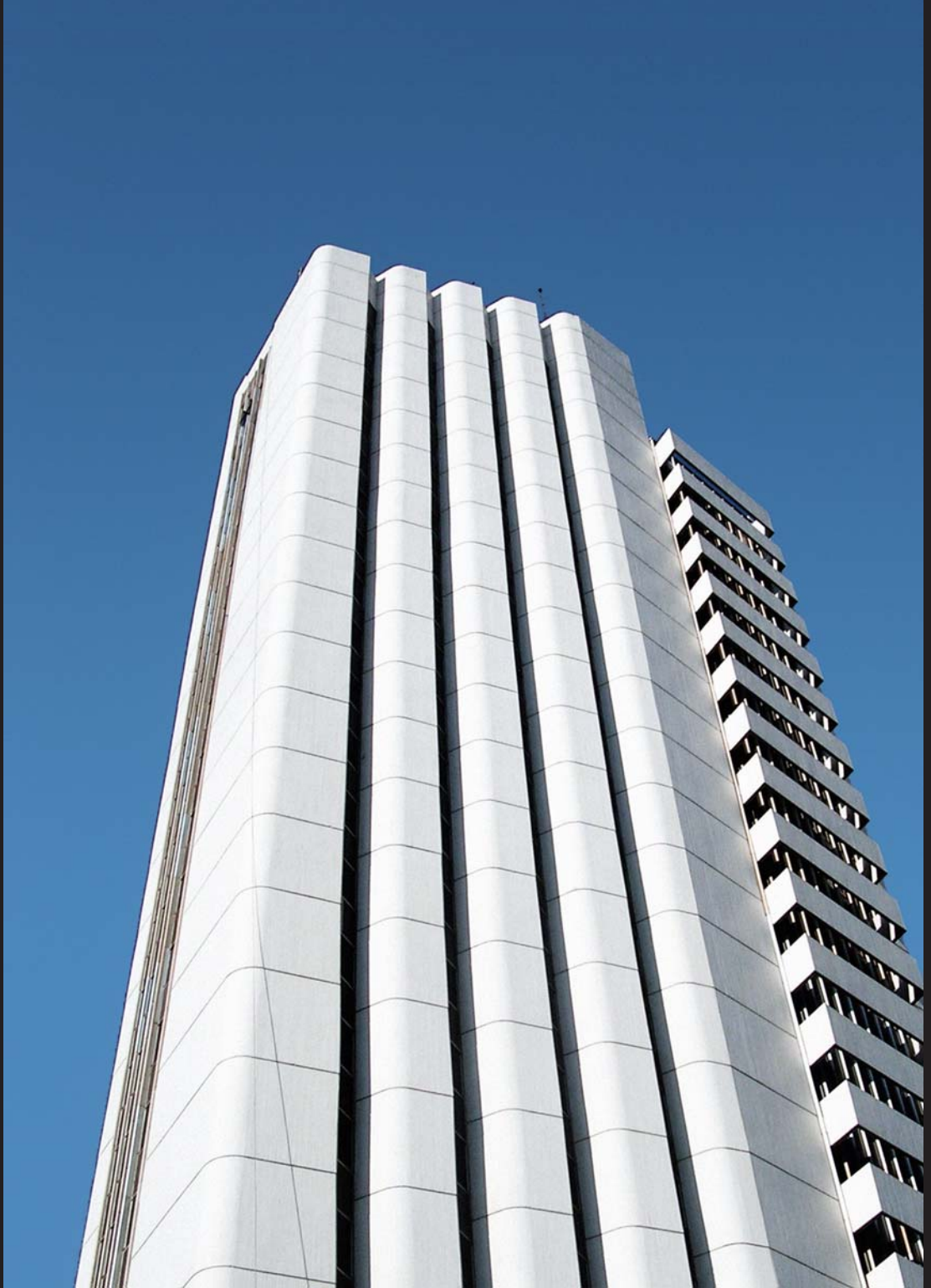
1999

Appraised Value (USD)

465.198



ANKARA İŐ TOWER



Location

Ankara-Çankaya, in Kavaklıdere, the heart of Turkey's diplomatic and political center

Gross Leasable Area (GLA)

26.488 m²

Definition

Office building consisting of three blocks and a total of 29 stories

Portfolio Entry Date

1999

Appraised Value (USD)

67.240.294

Rental Income in 2006 (USD, not including VAT)

3.436.499

Ankara İş Tower formerly served as the headquarters of İşbank. The building has a great deal of prestige and nostalgic value as a structure that initiated the transition to modern buildings in Ankara and significantly influenced people's value-judgments.

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



MASLAK BUILDING



Location

İstanbul-Şişli, on Büyükdere Street, the main thoroughfare between Levent and Maslak

Gross Leasable Area (GLA)

12.904 m²

Definition

Twelve-story office building

Portfolio Entry Date

2001

Appraised Value (USD)

26.162.994

Rental Income in 2006 (USD, not including VAT)

1.954.026

Due to its location, the building offers great advantages from the standpoint of convenient transportation access and therefore has tremendous commercial potential. The structure is currently on lease to Petrol Ofisi and İşbank (540 m²).



SEVEN SEAS HOTEL



Location

Antalya-Manavgat, Sorgun village, Titreyen Göl district

Gross Leasable Area (GLA)

52.699 m²

Definition

5-star seaside hotel with 358 rooms and a bed capacity of 861

Portfolio Entry Date

2001

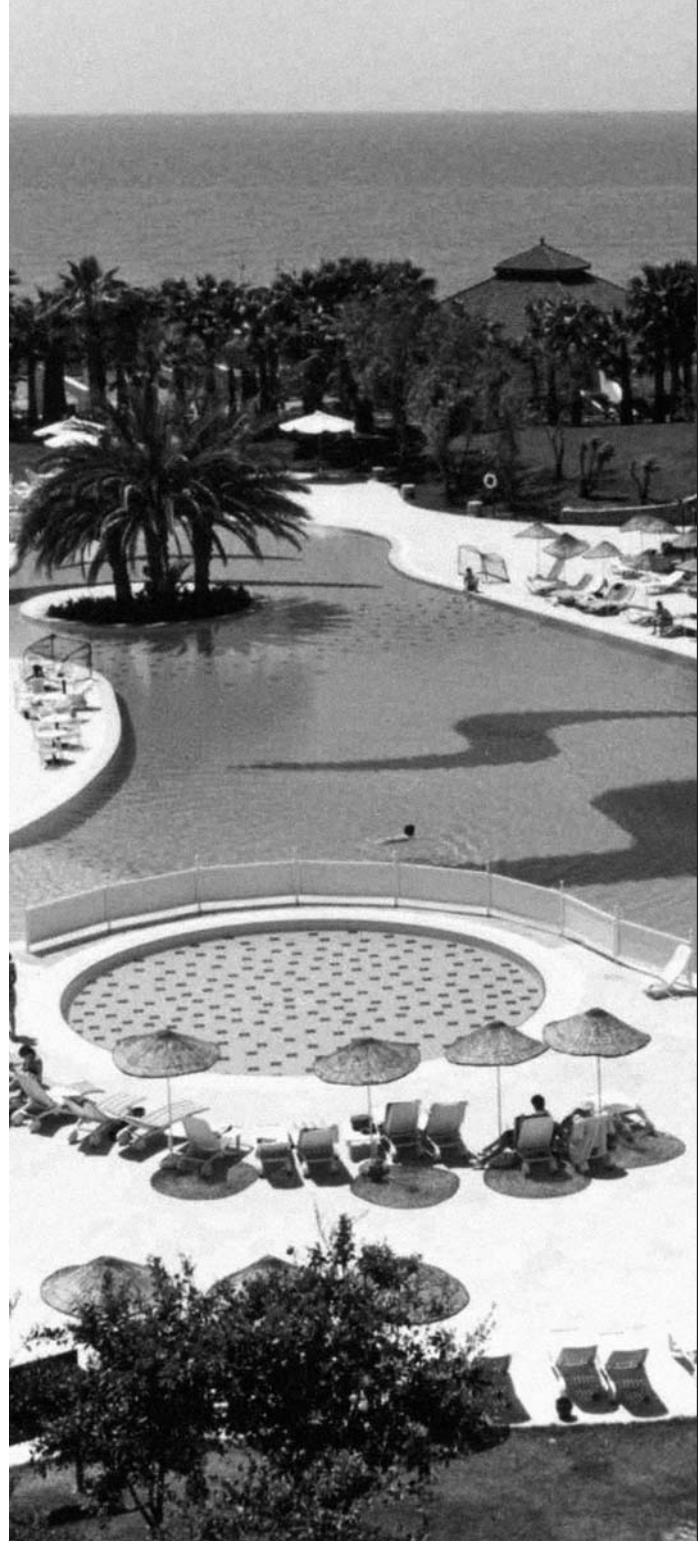
Appraised Value (USD)

38.950.682

Rental Income in 2006 (USD, not including VAT)

4.102.639

Historical sites, beautiful surroundings, a pristine sea, and never-failing sunshine make the region in which the Seven Seas Hotel is located a magnet for domestic and international tourists and give it tremendous commercial potential. The hotel is situated beside Titreyen Göl (Quivering Lake), a spectacular natural wonder in its own right. Surrounded by some of the most important excursion points popular with tourists in Turkey, the Seven Seas Hotel is an attractive destination for Turkish and foreign guests alike. Seven Seas is being operated by Magic Life, a leading European tour operator.



SOLARIS PLAZA SHOPPING CENTER



Location

Muğla-Marmaris, Kemeraltı district on Atatürk Caddesi

Gross Leasable Area (GLA)

3.172 m²

Definition

Shopping center with 30 independent units

Portfolio Entry Date

2001

Appraised Value (USD)

7.820.916

Rental Income in 2006 (USD, not including VAT)

363.049

Solaris Plaza is the first modern shopping center in Marmaris, one of the country's most important tourist destinations. With its professionally planned tenant mix, Solaris Plaza attracts both the local population and visiting tourists with its services.



ANKARA - ULUS OFFICE BUILDING



Location

Ankara-Altındağ, Ulus district

Gross Leasable Area (GLA)

6.418 m²

Definition

Office building in a central location with commercial development potential

Portfolio Entry Date

2004

Appraised Value (USD)

14.732.424

Rental Income in 2006 (USD, not including VAT)

1.422.790

This landmark building served as İşbank's second headquarters and is architecturally important as it is commercially valuable. It has been rented out to İş Bank on a 15-year lease.



ANKARA - KIZILAY OFFICE BUILDING



Location

Ankara-Kızılay

Gross Leasable Area (GLA)

5.193 m²

Definition

Office building in a central location with commercial development potential

Portfolio Entry Date

2004

Appraised Value (USD)

12.486.884

Rental Income in 2006 (USD, not including VAT)

1.198.163

This office building is located in Kızılay the heart of Ankara's commercial and business district. The building has been rented out to İşbank on a 15 year lease.



ANTALYA OFFICE BUILDING



Location

Antalya-Central

Gross Leasable Area (GLA)

3.353 m²

Definition

Office building in a central location with commercial development potential

Portfolio Entry Date

2004

Appraised Value (USD)

7.625.044

Rental Income in 2006 (USD, not including VAT)

599.306

Centrally located in an easily accessible area with tremendous commercial development potential in Antalya, one of the most beautiful of Turkey's southern provinces. This office building has been rented out to İş Bank on a 15-year lease.



KANYON OFFICE & SHOPPING CENTER



Location

Levent, İstanbul

Gross Leasable Area (GLA)

30.342 m² office, 38.823 m² shopping center

Definition

Complex consisting of a shopping center with cinema & entertainment block, office block, and housing block*

Opening Date

31 May 2006

Appraised Value (USD)

223.854.495

Rental Income in 2006 (USD, not including VAT)

6.698.638

İş REIT and Eczacıbaşı Group realized the Kanyon project in İstanbul, Levent district, a candidate to become the largest residence, office, and shopping-entertainment center in Turkey and in Europe. It offers flats with terraces, balconies and gardens in the center of İstanbul which have earthquake safety standards in accordance with national and international earthquake regulations, it also integrates social life and business; visitors enjoy shopping in the open air under comfortable conditions and it is different from all other residence shopping centers in our country with its unique design and architecture compatible with human nature and the fresh approach it has brought to retail and entertainment.

Live, Create and Discover

* Residence block: Provisional Acceptance procedures have been completed; the surrendering of flats to the owners has begun. The deed transfers have not been completed.



KANYON RESIDENCE, OFFICE AND SHOPPING CENTER PROJECT



The Specialities of the Kanyon Project Concept

Istanbul has many experimental structures but there are not many locations that meaningfully integrate shopping, business and residences together where the human factor is in the foreground.

One of the targets of the Kanyon group was to satisfy this deficiency. The team that designed Kanyon was 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.

In Kanyon architecture, passage, decoration, light and water are used all together. The target is to make Kanyon an organic part of the city and to have people experience a variety of experiences. In addition to the design of the stores in Kanyon, the trade marks, the common space concept, the use of works of art, the special exhibitions and activities to be organized are all supportive of this concept. We believe that with Kanyon’s attributes we make a difference in İstanbul Life, and are the leaders of this concept in the world.

Kanyon Residences

Kanyon residences, which have all been surrendered to their owners, offer an environment where nature can be enjoyed without breaking away from the social life of the city. Kanyon Residences is a different project with its advanced automation systems; air conditioned flats, operable windows and impressive interior design.



Kanyon Offices

Kanyon Offices, centrally located in the Levent area, provide easy transportation, a complete daylight environ due to its transparent glass covering, 100 % clean air aeration system, energy savings, advanced automation and safety systems and is the answer to the needs of the present and the future. The offices in Kanyon create many alternatives for the employees. The shopping and entertainment block offers alternatives to the employees with its stores, restaurants and bars. To eliminate employee stress, there are cinemas and also a sports and health complex with a pool, and a massage parlor.

Shopping in Kanyon

In reality Kanyon is far from the “shopping center” definition. Kanyon’s living-shopping concept targets to be leader in both Turkey and in the world. The shopping experience in Kanyon resembles walking in the city streets in the open air rather than being in a closed shopping center. Kanyon offers the visitor an environment created with the luxury of greenery, water, and natural elements with heated walking areas in winter and the comfort of closed spaces.

The trade mark blend seen in Kanyon is a style which is not in a customary manner of blend. There are 160 stores of the best trade marks of Turkey and the world under one roof in Kanyon. In the four floors of Kanyon, the aim is for very different concepts and varying store designs. The lowest floor of Kanyon, which is an open area, is spared for live performances, street shows and is the focus of visitors and a constant element of surprise.

REAL PROJECT



Location

İstanbul, Yakuplu District

Project Area

53.479 m² closed area on parcel 105

Gross Leasable Area (GLA)

16.500 m²

Definition

Hypermarket Project

Estimated Opening Date

2007

Appraised Value (USD)

50.507.170



Portfolio Table

Portfolio Table as of 31.12.2006	USD	%
Office Buildings		
İstanbul İş Towers	226.013.802	
Ankara İş Tower	68.383.608	
Maslak Building	26.607.854	
Ankara Ulus Historical Office Building	14.982.925	
Antalya Office Building	7.754.696	
Ankara Kızılay Office Building	12.699.203	
Kanyon Project Office Block (GLA: 29.903 m ²)	50.334.377	
Sub Total	406.776.466	52
Hotels & Entertainment		
Seven Seas Hotel	39.612.977	
Tatilya Entertainment Center and Adjacent Lands (*)	62.512.136	
Sub Total	102.125.112	13
Shopping Centers		
Solaris Plaza Shopping Center	7.953.899	
Kule Çarşı Shopping Center	26.511.810	
Kanyon Shopping Center With 198 Independent Units, 9 Film Theatres	177.326.409	
Sub Total	211.792.117	27
Project Under Development		
Kanyon Residential Block with 179 apartments	29.447.910	4
Land		
Land in front of İstanbul İş Towers	17.974.530	2
Üsküdar Land (**)	473.108	
No: 106 lot adjacent to Tatilya	13.695.219	
	3.806.204	
General Total of Properties	768.116.135	98
Participations	35.572	0
Cash and Marketable Securities	17.007.788	2
TOTAL PORTFOLIO VALUE	785.159.496	100
Trade Receivables and Other Assets	5.918.041	
Liabilities (***)	38.967.662	
TOTAL NET ASSET VALUE	752.109.875	
Total Number of Shares	329.966.000	
Net Asset Value per Share	2,28	

(*) The leasing agreement of the operator company is terminated on 5th of April according to the decision taken in the meeting of Board of Directors. On the 35.000 m² of the vacant land, Real Hypermarket Project is under development.

(**) No projects under development on the land in front of İstanbul İş Towers yet. Therefore, property tax value of the land is used by the appraisal company for its valuation.

(***) 86% of the total cost is the advance payment from Kanyon Residential sales based on accounting principles.

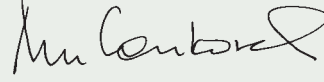
Statement by Board Members Responsible From Audit

We hereby declare that the financial statements concerning the Company's activities for the period January 1, 2006 to December 31, 2006 inclusive, prepared by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. have been prepared in accordance with the Capital Market's Board Communiqué XI:25 concerning the accounting standards in the capital market, and that they also incorporate the adjustments and classifications made according to the Company's legal records; we also declare that the legal books of account and legal financial statements have been prepared in accordance with the principles stipulated by the Turkish Commercial Code and by the applicable tax legislation. The independent Audit Firm is selected in accordance with the rules within the regulations, and during the audit period there are no outside influences to hamper the independence of the independent Audit Firm.

Member
Kemal Şahin



Member
Emre Cankorel



Board of Directors' Recommendation Concerning the Distribution of 2006 Year Profit (Values in YTL)

The Company's net profit for the period as of December 31, 2006 is 48.750.382,00 YTL in the financial statements prepared in accordance with the Capital Market Board Communiqué No: XI/25 "Communiqué on Capital Market Accounting Standards", and is 21.386.841,25 YTL in the legal records maintained in accordance with Tax Procedures Law.

According to article 30 concerning the distribution of profit and reserve funds of the Company's Articles of Association, it has been decided to present the distribution of net profit as bonus shares, 16.498.300,00 YTL, to the approval of the General Assembly of the share holders.

A- DISTRIBUTION OF CURRENT-YEAR PROFIT

1. CURRENT-YEAR PROFIT	48.831.405,00 YTL
2. PRIOR-YEAR LOSSES	0,00 YTL
3. TAXES DUE	81.023,00 YTL
Corporation Tax	
Withholding For Income Tax	
Other Taxes And The Like	
4. NET PROFIT FOR THE PERIOD	48.750.382,00 YTL
5. LEGALLY REGISTERED NET PROFITS FOR THE REPORT PERIOD	21.386.841,25 YTL
6. FIRST LEGAL RESERVE (-)	1.069.342,06 YTL
7. UNREALIZED CAPITAL GAINS (-)	1.255,35 YTL
NET DISTRIBUTABLE PROFIT FOR THE YEAR	20.316.243,84 YTL
8. FIRST SHAREHOLDERS' DIVIDEND (%5)	16.498.300,00 YTL
- For Common Shareholders	
- For Preferred Shareholders	
9. DIVIDEND FOR BLUE & WHITE COLLAR EMPLOYEES	
10. DIVIDEND FOR COMPANY DIRECTORS	
11. SECOND SHAREHOLDERS' DIVIDEND	
- For Common Shareholders	
- For Preferred Shareholders	
12. SECOND LEGAL RESERVE	
13. STATUARY RESERVES	
14. SPECIAL RESERVES	
EXTRAORDINARY RESERVES (-)	31.181.484,59 YTL

B- DIVIDENDS PAID FROM RESERVES

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

C. PROFIT PER SHARE (YTL / %)

- Common Shareholders
- To Preferred Shareholders

D- DIVIDEND PER SHARE (YTL / %)

- Common Shareholders
- To Preferred Shareholders

2006 Statutory Auditors' Report

To the General Assembly of the Shareholders of İş Gayrimenkul Yatırım Ortaklığı A.Ş.:

Company Name	İş Real Estate Investment Trust Co.
Headquarters	İstanbul
Issued Capital	329.966.000. - YTL
Principal Business Activity	The Company was established to invest in real estate properties, in capital market instruments backed by real estate properties and in real estate projects.
Name, Term of Office, and Partnership Status of the Statutory Auditors	Haluk Giray Sezai Sevgin Süleyman Hayrettin Özcan The statutory auditors are elected to serve until the date of the next ordinary general meeting. They are not partners in the Company.
Number of Board of Directors Meetings Participated in and Number of Times the Statutory Auditors Formally Convened	12 (twelve)
Scope, Dates and Results of Examinations Performed on the Company's Accounts, Books and Documents	The Company's legal books of account and documents were examined in the months of June and December and the conclusion reached: they were in accord with records.
Number of Cash Counts Performed at the Company Cashier's Office in Accordance with the Requirements of Subparagraph 3 of Paragraph 1 of Article 353 of the Turkish Commercial Law and the Conclusions Reached	Cash counts were performed at the Company's cashier office twice in 2006 in accordance with the requirements of law. All cash balances conformed to the books of account.
Dates on Which Examinations were Performed in Accordance With the Requirements of Subparagraph 1 of Paragraph 4 of Article 353 of the Turkish Commercial Law and the Conclusions That Were Reached	During our examinations performed each month the presence of all negotiable instruments was checked and it was established that they conformed to the records.
Charges or Complaints of Improprieties Received and the Action Taken	During our term of office as statutory auditors for İş Real Estate Investment Trust Co., no charges or complaints of improprieties were referred to us.

We have examined the accounts and transactions of the firm of İş Real Estate Investment Trust Co. for the period January 1, 2006 to December 31, 2006 for compliance with the requirements of the Turkish Commercial Law, 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 January 1, 2006 - December 31, 2006, the contents of which we certify, accurately reflects the true financial standing of the Company on the latter date; the income statement for the period 1, 2006 - December 31, 2006 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



Haluk Giray



Corporate Governance Principles Compliance Report

1. Statement of Compliance With Corporate Governance Principles

Strict attention was given during the reporting period at our Company to the principles of corporate governance under the main headings of “Shareholders”, “Public Disclosure and Transparency”, “Stakeholders”, and “Board of Directors”, and the operations on the application of the principles that are inherent in these fundamentals were conducted.

Having closely pursued the concept of Corporate Governance since its debut in the world, 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 the requirements of law and the “Corporate Governance Principles” adopted by the Capital Market Board under resolution 35/835 dated July 4, 2003 and published by that body. In addition, the Company constantly identifies areas that are amenable to improvement in order to best serve the interests of investors, shareholders, and all groups with which the Company is involved and it develops and implements new practices so as to achieve the ongoing improvement of the corporate governance system. In this regard, professional cooperation with Core Ratings, a corporate rating company, continues, and our corporation and rating evaluations are conducted on its compliance with corporate governance principles.

PART I: SHAREHOLDERS

2. Investor Relations Unit

The “Risk Management and Investors Relations Department” which was established in 2005, managed the operations of the general meetings and the relations of the shareholders effectively and systematically during the year 2006. In 2006, the interest of the foreign investors and funds towards our Company continued to increase. With the aim of informing our investors, attendance to nationally and internationally organized meetings, panels, and conferences was ensured. Throughout the year, over one hundred individual meetings took place with foreign corporate investors and funds. In addition, comprehensive legislation, data and information including the “Company Disclosure Policy” demands from the local, foreign, private and corporate investors including information on public disclosure and transparency were met in detail. Our General Department complies with the request of universities and various government organizations for their information demands and gives support to these establishments in their research.

During the reporting period, the “Risk Management and Investor Relations Department” was set up to manage the issues related to general meetings, capital increases, and investor relations, and the said tasks were carried out by this department.

3. Shareholders' Exercise of Their Right to Obtain Information

During 2006, shareholders for the most part sought the information they need, usually at the time of or after the publication or announcement of general meetings, capital increases, or financial statements. Turkish citizen investors demanded the information they needed mostly by telephoning or by email. The foreign investors, however, elected to obtain the information they needed by e-mail or by holding one-to-one meetings. Telephone queries are answered immediately or e-mail queries are responded to as quickly as possible. The information requests were satisfied within periods based on the “Company Disclosure Policy” that was published during the year. Every development that might affect shareholders' exercise of their rights is announced to shareholders the same day through the İstanbul Stock Exchange (ISE). In the case of announcements that must be made through public media, the Company takes care to publish them in high-circulation national newspapers rather than local ones.

In addition, announcements concerning our annual general meeting last year were also put up on our corporate website. Under a service contract entered into with the firm of Foreks Bilgi İletişim A.Ş., all special circumstance announcements that our Company sends to the ISE and information about our stock price performance are also published on the “Financials” page of our website in the manner and form prescribed by law. The “Financials” section was comprehensively streamlined. 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.

Corporate Governance Principles Compliance Report

Our Company's Articles of Association contain no provisions concerning a "request for the appointment of a special auditor" as a shareholder right. When the Articles of Association were established for our company, which operates as a joint stock company, the main concentration was based on subjects with precedence that are in the Real Estate Investment Trust Communiqué of the Capital Market Board. The appointment of a special auditor right is in the 348th article of the Turkish Commercial Code, the article in question incorporates our company which was founded as a joint stock company. The 348th article states a "general meeting can appoint a special auditor to investigate and to study special subjects if the need arises". In this context, shareholders that represents one tenth of the capital, reserves the right to appoint a special auditor and this right is under the protection of the Turkish Commercial Code. During the reporting period, our Company received no requests for the appointment of a special auditor.

4. Information About General Meetings

During the reporting period, an annual General meeting took place on March 28, 2006 and an Extraordinary General Meeting took place on November 13, 2006. An invitation for the annual general meeting, the meeting's agenda, and a specimen of a proxy statement were published in two nationally circulating newspapers; invitations were sent out to registered shareholders by registered mail, return receipt requested; a link concerning the meeting was placed on the corporate website; a letter concerning the meeting was also sent to corporate shareholders whose names appeared in the attendance roster of the last general meeting and to brokerages with market transaction volumes above a specified limit. 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 in the internet site and was also made available for the examination and assessment of shareholders visiting the Company's headquarters and of shareholders attending the general meeting.

While complying with the provisions of the Ministry of Industry and Trade 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 in the meeting. At the general meeting held during the reporting period, 59.21% of the Company's capital, all of which was represented in person, and in the Extraordinary Meeting, was realized by 56.86% attendance. Excluding the secret and confidential commercial information which was not made public, all other oral and written queries of the shareholders about the company were answered.

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 there were no questions and no proposals that came up in the general and the extraordinary general meetings during the reporting period any referral to those did not take place in the minutes of the meetings.

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 and 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 meetings.

5. Voting Rights and Minority Rights

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

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

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

Corporate Governance Principles Compliance Report

6. Dividend Policy and Timing

Our company's Dividend Policy which was passed in 2006 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.

The Board of Directors would consider;

1. Finely keeping the balance between the expectations of our shareholders and the growth policies of İş REIT.
2. İş REIT's profit-earning capacity

while making a decision on the dividend distribution proposal presented in the General Shareholders Meeting. Based on these conditions, if the Board of Directors decides to pay dividend, this dividend payment would not be less than 30% of the total distributable income and would be distributed as cash or bonus shares.

Information on the policy in question was presented to our shareholders in the General Meeting on March 28, 2006. The dividend distribution date is decided by our shareholders in the general meeting.

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 2005, in order to secure timely public disclosure of information on the principles of being accurate, complete, intelligible, interpretable, conveniently accessible at low cost, and equally available to all, the Company Disclosure Policy was accepted and presented to the General Assembly of Shareholders for their information during the reporting period. In 2006, the requests for disclosure of information were fulfilled under this policy.

9. Special Circumstance Announcements

Pursuant to CMB regulations, our Company made twenty eight (28) special circumstance announcements in 2006. During the reporting period, CMB imposed no sanctions on our Company for not having made special circumstance announcements in due time.

10. The Internet Site and its Content

Our Company's corporate website is located at www.isgyo.com.tr. With the intention of better informing our investors our internet website has become more detailed during the report period: company profile, our portfolio, founding and capital structure, company senior management, mission, commercial registry information, share holder structure, investor information, 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, articles of association, general meeting information, general 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.

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 December 31, 2006 is presented below:

31.12.2006

Shareholder Structure

	YTL	%
İş Bank	139.360.970	42,23
Other	190.605.030	57,77
Total	329.966.000	100,00

Corporate Governance Principles Compliance Report

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

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

Members of the Board of Directors:

Dr. Gürman Tefvik, Chairman

Emre Cankorel, Vice Chairman

Nejat Yalkut Ayözger, Independent Board Member

Haldun Baydar, Independent Board Member

Kemal Şahin, Board Member

Senior Management:

Turgay Tanes, General Manager

Hülya Demir, Assistant General Manager

Tuğrul Gürdal, Financial and Administrative Affairs Manager

Şenol Baban, Project Application, Construction and Architectural Manager

Bülent Otuz, Project Application, Electrical and Mechanics Manager

T. Aydan Ormancı, Investment and Project Development Manager

Pınar Ersin Kollu, Legal Consultant

Gökhan Temel, Project Application, Construction and Architectural Assistant Manager

Ayşegül Şahin Kocameşe, Risk Management and Investor Relations 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 safeguarded 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 realise 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 and a high level of motivation; that equal opportunities for personal development are given to each individual; and that satisfactory career opportunities are

Corporate Governance Principles Compliance Report

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, and is provided with all the means necessary to ensure a safe and healthy environment in which to work.

Subjects such as employment, career planning, conditions of promotion, monetary adjustments, and social aid 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 those who also identify with 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

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 reporting period, no suits were lodged against our Company on account of any damage caused by it to the environment.

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

During the year in parallel to our Company's social consciousness the Architectural Education Forum 3, Global Architectural Education Area (Global Architectural Education Area, MIMED Architectural Education Forum 3) organised by Istanbul Technical University was realized under the main sponsorship of İŞ REIT. Its objective was to strengthen the communications and interaction among student to student, student to academician on an international level; at a festival where students and academicians from all around the world were invited to the festival and which our Company joined with its highly acclaimed Kanyon Project. In addition to the project design and realization process, marketing aspects were mentioned and information was given on real estate investment trusts project selection and application and marketing processes.

In all the shopping malls that are in its portfolio, our Company offers associations and organizations that do public service to open stands free of charge and enables them to do publicity, fully cooperating with them and offering assistance and cooperation.

PART IV - THE BOARD OF DIRECTORS

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

Members of the Board of Directors:

Dr.Gürman Tevfik, Chairman, non-executive

Emre Cankorel, Vice Chairman, non-executive

Nejat Yalkut Ayözger, Board Member, non-executive, independent

Haldun Baydar, Board Member, non-executive, independent

Kemal Şahin, Board Member, non-executive

Senior Management:

Turgay Tanes, General Manager

Corporate Governance Principles Compliance Report

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

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

Members of the Board of Directors shall not be involved in any negotiations on issues that are concerned with their own personal interests or with the interests of any persons with whom they or their spouse have any kinship or affinity, whether by blood or marriage, unto the third degree. Members of the Board of Directors shall not engage, personally or indirectly, in any business transaction that falls within the Company's object and scope, either on their own behalf or on the behalf of others, even if they have obtained permission to do so from the general assembly of shareholders; neither shall they join another company engaged in the same kind of business as a partner with unlimited liability. All of our Company's Board Members adhere strictly to these rules.

19. Qualifications of Board Members

The minimum qualifications required to be elected to a seat on our Company's Board of Directors are in full compliance with CMB's corporate governance principles. Indeed the CMB recommended principle concerning the professional experience of board members is embodied even more explicitly in article 12 of our Articles of 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, members of the Board of Directors must have at least three years of experience in matters falling within the Company's object and scope. (CMB, 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 publicly announced the Company's corporate mission. Our mission is to maximize the collective value of our portfolio for our shareholders through stable growth and high profitability. The board meets regularly once a month unless warranted by unusual circumstances and during these meetings the degree to which the Company is achieving its objectives, its activities, and its performance are reviewed. A detailed activity report concerning these matters is prepared in advance and made available for board members to study at least a week before the date of each meeting.

Our company continues its work in the scope of company mission that was disclosed to the public, since the day it was founded, stable growth has been maintained through its sensible 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 report period.

21. Risk Management and Internal Control Mechanisms

The Risk Management and Investor Relations Department was established in 2005 and including the manager, a total of three people are working in the department.

The unit in question reports to the Company's Risk Committee and Board of Directors and upper management, concerning the management of risks in the company's activities and the company risk policy and within the framework, management through related adjustments. In this context, constant measurements are taken during the year within the designed policies for the company's market and liquidity risks. Work has begun on operation risk management, the processes of company activities have been scrutinized, and the risks related to activities have been defined.

Corporate Governance Principles Compliance Report

Even though internal control mechanism is not established as a unit in our company, due to our company's activities since its establishment multiple control systems completely answer the need for internal control.

22. Authorities and Responsibilities of Board Members and Executives

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

23. Operating Principles of the Board of Directors

Board meeting agendas are determined on the basis of recommendations made by the General Manager and with the knowledge of the Chairman of the board. The chairman or vice chairman calls upon the other members to convene. All members have the right to call for a meeting of the board under article 13 of the Company's Articles of Association. The Company's Audit Board members are invited to board meetings and they also receive the same pre-meeting reports that board members do. An executive assistant and specialist have been assigned to keep board members and statutory auditors informed and maintain communication with them. The Board of Directors met thirty-one (31) times during the reporting period. Board of Directors decisions must, as a rule, be unanimous.

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

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

24. Prohibition on Doing Business or Competing With the Company

According to article 20 of Communiqué on principles pertaining to Real Estate Investment Trusts, which governs our activities, in situations where members of board of directors are not independent (in the sense of subparagraph (g) of article 4 of the Communiqué) of those who are parties to a decision that the board is going to make, are required to notify the board of this situation, giving full details, and to have the matter entered into the meeting's minutes. In addition, board members are not allowed to be authorized by shareholders to be exempted from the prohibition on doing business with the Company (under article 334 of the Turkish Commercial 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 reporting period, there were no instances of board members acting in contravention of the prohibition on doing business with the Company or competing with the Company.

25. Codes of Ethics

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

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

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

Corporate Governance Principles Compliance Report

During the operation period in accordance with corporate governance principles, to manage our company systematically under the exposure to risk, the highest administrative organ in risk management to represent the risk management system to the Board of Directors "Risk Committee" was established. The Risk Committee consists of seven people, two of which are members of the Board of Directors, and one who is General Manager.

"Corporate Governance Committee" was established to see that our Company's Corporate Governance Principles are observed and to present suggestions to the Board of Directors.

27. Financial Rights Provided to the Board of Directors

The salaries of the members of the Board of Directors are determined by the General Assembly of Shareholders. At the Annual General Meeting held on March 28, 2006, shareholders voted to pay board members a monthly salary of 1,250 YTL (gross) and statutory auditors a monthly salary of 875 YTL (gross).

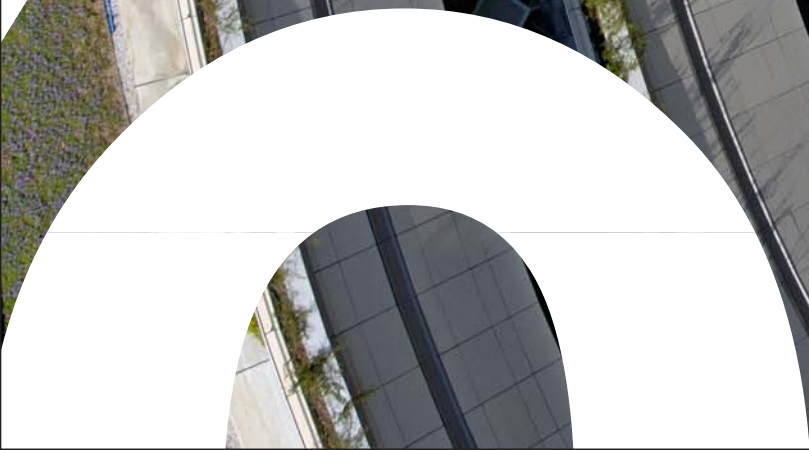
During the reporting period, the Company engaged in no transactions such as lending money, extending credit, or providing guarantees involving members of the Board of Directors or of the Company's management.

İş REIT's net profit is 48.7 million YTL in 2006 report period and compared to 2005 it displayed an increase level of 43 %.





AUDITORS' REPORT



INDEPENDENT AUDITORS' REPORT FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2006

1. 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 2006, 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

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting standards published by 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

3. 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.

4. 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.

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

Opinion

6. 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 2006, and of 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 Capital Markets Board.

7. Additional paragraph for 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 2007

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Member of DELOITTE TOUCHE TOHMATSU



Hasan Kılıç
Partner

Consolidated (According to Proportionate Consolidation Method) Balance Sheet as of 31 December 2006
(Amounts are expressed in New Turkish Lira ("TRY") unless otherwise indicated.)

ASSETS	Note	31 December	31 December
		2006	2005
		TRY	TRY
Current Assets		32.744.292	70.650.953
Cash and Cash Equivalents	4	23.678.815	38.502.663
Marketable Securities (net)	5	500.838	22.947.411
Trade Receivables (net)	7	4.347.453	1.979.523
Due From Related Parties (net)	9	228.026	475.793
Other Receivables (net)	10	2.547.120	5.694.989
Deferred Tax Assets (net)	11	-	-
Other Current Assets (net)	12	1.442.040	1.050.574
Long-term Assets		853.776.264	771.060.421
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	782.614.790	620.132.386
Tangible Assets (net)	16	71.089.832	150.856.211
Intangible Assets (net)	17	71.013	71.824
Deferred Tax Assets (net)	11	-	-
Other Long-term Assets	12	629	-
TOTAL ASSETS		886.520.556	841.711.374
LIABILITIES			
Short-term Liabilities		57.955.447	46.083.448
Short-term Borrowings (net)	6	-	-
Short-term Portions of Long-term Borrowings (net)	6	-	-
Finance Lease Payables (net)	8	-	-
Other Financial Liabilities (net)	10	351.271	1.266.232
Trade Payables (net)	7	4.921.955	196.407
Due to Related Parties (net)	9	1.187.957	644.120
Advances Received	18	47.253.266	43.561.432
Provisions	20	36.204	3.344
Deferred Tax Liabilities (net)	11	-	-
Other Short-term Liabilities (net)	12	4.204.794	411.913
Long-term Liabilities		299.073	110.218
Long-term Borrowings (net)	6	-	-
Finance Lease Payables (net)	8	-	-
Other Financial Liabilities (net)	10	-	-
Trade Payables (net)	7	157.041	-
Due to Related Parties (net)	9	-	-
Advances Received	18	-	-
Provisions	20	139.993	108.184
Deferred Tax Liabilities (net)	11	2.039	2.034
Other Long-term Liabilities	10	-	-
MINORITY INTEREST	21	-	-
SHAREHOLDERS' EQUITY		828.266.036	795.517.708
Capital	22	329.966.000	329.966.000
Treasury Stock	22	-	-
Capital Reserves	23	344.148.611	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		343.724.630	343.724.630
Profit Reserves	24	2.657.571	1.566.511
Legal Reserves		1.965.386	1.095.099
Statutory Reserves		-	-
Extraordinary Reserves		571	571
Special Reserves		691.614	470.841
Gain on Sale of Properties and Equity Participations Which Will Be Transferred to Capital		-	-
Currency Translation Reserve		-	-
Net Profit for the Period		48.750.382	34.094.657
Retained Earnings	25	102.743.472	85.741.929
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		886.520.556	841.711.374

İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

Consolidated (According to Proportionate Consolidation Method)

Income Statement for the Year Ended 31 December 2006

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

INCOME STATEMENT	Note	1 January - 31 December 2006 TRY	1 January - 31 December 2005 TRY
OPERATING INCOME			
Sales Revenue (net)	33	59.058.099	39.535.502
Cost of Sales (-)	33	(50.199.342)	(22.177.642)
Income From Services (net)	33	-	-
Other Operating Income (net)	33	34.392	41.654
GROSS PROFIT/(LOSS)		8.893.149	17.399.514
Operating Expenses (-)	34	(3.238.650)	(3.912.611)
GROSS OPERATING PROFIT/LOSS		5.654.499	13.486.903
Other Income and Profits	35	49.753.519	27.118.263
Other Expenses and Losses (-)	35	(6.576.613)	(6.500.110)
Finance Expenses (net)	36	-	-
NET OPERATING PROFIT/LOSS		48.831.405	34.105.056
Net Monetary Gain/(Loss)	37	-	-
MINORITY INTEREST	21	-	-
PROFIT/(LOSS) BEFORE TAXATION		48.831.405	34.105.056
Taxation	38	(81.023)	(10.399)
NET PROFIT/(LOSS) FOR THE PERIOD		48.750.382	34.094.657
EARNINGS PER SHARE	39	0,1477	0,1033

Consolidated (According to Proportionate Consolidation Method)
Statement of Changes in Shareholders' Equity for the Year Ended 31 December 2006
(Amounts are expressed in New Turkish Lira ("TRY") unless otherwise indicated.)

	Capital TRY	Premium in Excess of Par TRY	Shareholders' Equity Inflation Restatement Differences TRY	Legal Reserves TRY	Extraordinary Reserves TRY	Special Reserves TRY	Net Period Profit/(Loss) TRY	Retained Earnings TRY	Total TRY
As of 1 January 2005	329.614.634	19.839	343.724.630	-	-	371.190	104.173.496	446.641	778.350.430
Transfers:									
Capital Increase	351.366	-	-	-	-	-	-	-	351.366
Share Premiums	-	404.142	-	-	-	-	-	-	404.142
Legal Reserves	-	-	-	1.095.099	-	-	-	(1.095.099)	-
Extraordinary Reserves	-	-	-	-	571	-	-	(571)	-
Transfers to Special Reserves	-	-	-	-	-	451.660	-	(451.660)	-
Transfers to Retained Earnings	-	-	-	-	-	(352.009)	(104.173.496)	104.525.505	-
Dividends Paid	-	-	-	-	-	-	-	(17.682.887)	(17.682.887)
Net Profit for the Period	-	-	-	-	-	-	34.094.657	-	34.094.657
Balance as of									
31 December 2005	329.966.000	423.981	343.724.630	1.095.099	571	470.841	34.094.657	85.741.929	795.517.708
As of 1 January 2006	329.966.000	423.981	343.724.630	1.095.099	571	470.841	34.094.657	85.741.929	795.517.708
Transfers:									
Capital Increase	-	-	-	-	-	-	-	-	-
Profit on Shares Sold	-	-	-	-	-	-	-	-	-
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
Balance as of									
31 December 2006	329.966.000	423.981	343.724.630	1.965.386	571	691.614	48.750.382	102.743.472	828.266.036

Consolidated (According to Proportionate Consolidation Method)**Statement of Cash Flow for the Year Ended 31 December 2006**

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

	Note	1 January - 31 December 2006 TRY	1 January - 31 December 2005 TRY
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Profit for the Period		48.750.382	34.094.657
Adjustments to Reconcile Net Profit to Net Cash Provided by Operating Activities:			
Depreciation of Tangible Assets	16	112.571	69.305
Depreciation of Investment Properties	15	33.782.163	19.078.453
Amortization of Intangible Assets	17	39.667	32.883
Provisions Released Related to Investment Properties	15	(45.404.190)	(14.745.140)
Provisions Released Related to Other Tangible Assets	16	2.572.305	(29.161)
Gains / (losses) on Sale of Investment Properties		2.752.732	(2.171)
Losses on Sale of Other Tangible Assets		-	58.468
Losses on Sale of Intangible Assets	17	-	397
Retirement Pay Provision	20	33.952	39.784
Tax Provision	38	81.023	10.399
Cash Provided by Operating Activities Before Changes in Working Capital		42.720.605	38.607.874
Changes in Working Capital	40	12.631.791	22.411.578
Cash Provided by Operations		55.352.396	61.019.452
Taxes Paid	20	(48.157)	(5.324)
Retirement Pay Provision Paid During the Period	20	(2.143)	(7.187)
Net Cash Provided by Operating Activities		55.302.096	61.006.941
CASH FLOWS FROM INVESTING ACTIVITIES			
Changes in Marketable Securities (net)	5	22.446.573	(662.025)
Purchases of Tangible Assets	16	(697.465)	(34.674.728)
Purchases of Investment Properties (net)	15,16	(75.834.142)	(7.340.642)
Proceeds From Sale of Investment Properties		-	59.445
Proceeds From Sale of Other Tangible Assets		-	37.500
Purchases of Intangible Assets	17	(38.856)	(16.847)
Net Cash Used in Investing Activities		(54.123.890)	(42.597.297)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital Increase		-	351.366
Premium on Excess of Par		-	404.142
Dividends Paid		(16.002.054)	(17.682.887)
Net Cash Used in Financing Activities		(16.002.054)	(16.927.379)
NET CHANGES IN CASH AND CASH EQUIVALENTS			
		(14.823.848)	1.482.265
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD			
	4	38.502.663	37.020.398
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD			
	4	23.678.815	38.502.663

**NOTES TO THE
FINANCIAL STATEMENTS**

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 Türkiye İş Bankası subsidiary.

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

The Company had 29 employees as of 31 December 2006.

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 so on 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 with 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 ("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 (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.

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 intercompany sales and purchases, intercompany receivables and payables and intercompany equity investments. The joint venture under common control is consolidated with Company through summing up with related accounts of the Company taking into account 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.

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.

The CMB have resolved in the meeting dated 17 March 2005 no. 11/367 that the hyperinflationary period is over, the indications of high inflation have been eliminated, the 2005 financials statements should not be adjusted for inflation and as a result inflation accounting have not been applied subsequent to 1 January 2006.

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 are changed, prior year financial statements are also reclassified for the purposes 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.

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 with their restated costs 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 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 investigated whether there is an indication which requires impairment of the asset or not. 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 like investment properties are capitalised 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 their fair values 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 amortised cost and assets without certain maturities are recorded at cost. Valuations of financial assets are checked periodically for the allowance for impairment.

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 values of financial instruments have been 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.

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 values of certain financial assets carried at cost are 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 amounts of the remaining cash and bank balances are 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 amounts in the books are estimated to be their fair values.

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

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

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 the 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 values.

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 rates of exchange 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 statements of income.

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.

i. 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 but 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 their 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.

r. Government Grant and Incentives:

None.

s. Investment Properties

Investment property, which is property, held to earn rentals and/or for capital appreciation is 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, Seven Seas Hotel, Maslak Petrol Ofisi Building, Kanyon Office Building and Shopping Mall, Tatilya Entertainment Center, Solaris Plaza, the Ankara Merkez and 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 gain, these are included as investment properties as of the balance sheet date. Other properties under 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 the Clause 3 of the 15th Article 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 the 15th Article 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. Based on the Clause 2 of the 15th Article of the CTL, the dividend withholding tax will not be applied on such taxed income.

Provisional article 1/(4) of the same law also state that, the Council of Ministers decision with respect to the tax rates stated on Income Tax Law 193 (ITL) and CTL 5422 will be valid as long as these rates fall within the limits indicated in the legislation, until a new Council of Ministers decision. The Council of Ministers have not circulated 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 ITL Article 94 clause 1 6/(a) (i).

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.

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 values are either the price determined on stock exchange or market value. The price quotations in an active market are the best evidences for fair values. 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 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 values.

4. CASH AND CASH EQUIVALENTS

	31 December 2006 TRY	31 December 2005 TRY
Cash	1.113	81
Demand Deposits	55.002	93.655
Time Deposits	23.622.700	38.408.927
	23.678.815	38.502.663

Time Deposits:			31 December 2006 TRY
Original Currency	Interest Rate	Maturity	
US Dollars	4,00% - 4,25%	18.12.2006 - 29.01.2007	4.656.057
Euro	3,00% - 3,40%	01.12.2006 - 18.01.2007	18.966.643
			23.622.700

Original Currency	Interest Rate	Maturity	31 December 2005 TRY
TRY	14,22%	02.01.2006 - 15.01.2006	90.571
US Dollars	3,25% - 4,75%	15.01.2006 - 30.01.2006	28.622.695
Euro	3,00%	04.01.2006 - 18.01.2006	9.695.661
			38.408.927

5. MARKETABLE SECURITIES (NET)

	31 December 2006 TRY	31 December 2005 TRY
Securities Held for Trading	500.838	22.947.411
	500.838	22.947.411

	31 December 2006	
	Cost TRY	Fair Value TRY
Securities Held for Trading		
Investment Funds	500.838	500.838
	500.838	500.838

	31 December 2005	
	Cost TRY	Fair Value TRY
Securities Held for Trading		
Eurobonds	10.596.380	8.175.665
Government Bonds	5.524.723	5.663.546
Treasury Bills	8.655.864	9.050.441
Investment Funds	57.774	57.759
	24.834.741	22.947.411

6. BORROWINGS (NET)

As of 31 December 2006 and 31 December 2005, there were no borrowings.

7. TRADE RECEIVABLES AND PAYABLES (NET)

	31 December 2006 TRY	31 December 2005 TRY
Trade Receivables:		
Receivables from customers	4.088.395	189.293
Notes receivables	267.475	1.835.530
Discount on accounts and notes receivable (-)	(8.417)	(46.160)
Deposits and guarantees given	-	860
	4.347.453	1.979.523
Trade payables:		
Payables to suppliers	4.386.459	196.407
Discount on accounts and notes payable (-)	(10.622)	-
Deposits and guarantees received	546.118	-
	4.921.955	196.407
Long-term Payables		
Deposits and guarantees received	157.041	-
	157.041	-

8. FINANCE LEASE RECEIVABLES AND PAYABLES (NET)

As of 31 December 2006 and 31 December 2005, there were no finance lease receivables and payables.

9. DUE FROM / TO RELATED PARTIES (NET)

	31 December 2006 TRY	31 December 2005 TRY
Due from related parties		
İş Merkezleri Yönetim ve İşletim A.Ş.	102.107	475.792
Avea İletişim Hizmetleri A.Ş.	99	1
İŞ Yatırım Menkul Değerler A.Ş.	45.713	-
Anadolu Anonim Türk Sigorta A.Ş.	80.096	-
Other	11	-
	228.026	475.793
Due to related parties		
Anadolu Anonim Türk Sigorta A.Ş.	696.709	560.639
Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.	431.069	40.029
İş Merkezleri Yönetim ve İşletim A.Ş.	31.779	33.457
Payables to personnel	27.548	847
Other	852	9.148
	1.187.957	644.120
	1 January -31 December 2006 TRY	1 January -31 December 2005 TRY
Rent income from related parties		
Türkiye İş Bankası A.Ş.	5.208.826	4.817.079
Anadolu Anonim Türk Sigorta A.Ş.	2.322.978	2.148.756
Anadolu Hayat Emeklilik A.Ş.	1.547.309	1.468.755
Destek Reasürans A.Ş.	-	72.070
İş Faktoring A.Ş.	143.600	135.050
İş Finansal Kiralama A.Ş.	696.100	652.903
İş Merkezleri Yönetim ve İşletim A.Ş.	1.340.363	1.862.576
İŞ Yatırım Menkul Değerler A.Ş.	1.205.043	1.098.749
T.Şişe ve Cam Fabrikaları A.Ş.	9.599.788	9.034.148
İş Yatırım Ortaklığı A.Ş.	62.577	60.186
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	124.771	120.078
İş Net Elektronik Hizmetler A.Ş.	5.164	159.874
İş Portföy Yönetimi A.Ş.	221.984	146.327
Camış Menkul Değerler A.Ş.	124.499	111.671
Paşabahçe Mağazacılık A.Ş.	286.409	148.733
Avea İletişim Hizmetleri A.Ş.	14.797	1.615
	22.904.206	22.038.570

Notes to the Consolidated (According to Proportionate Consolidation Method)**Financial Statements as of 31 December 2006**

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

	1 January -31 December 2006 TRY	1 January -31 December 2005 TRY
Deposit interest income from related parties		
Türkiye İş Bankası A.Ş.	806.532	1.397.613
	806.532	1.397.613
Insurance expenses paid to related parties		
Anadolu Anonim Türk Sigorta A.Ş.	1.642.767	1.370.640
Anadolu Hayat Emeklilik A.Ş.	-	-
	1.642.767	1.370.640
Building operation and management expenses paid to related parties		
İş Merkezleri Yönetim ve İşletim A.Ş.	694.819	793.725
	694.819	793.725
Bank commission and transaction expenses paid to related parties		
Türkiye İş Bankası A.Ş.	18.199	9.540
	18.199	9.540
Commission expenses paid to related parties		
İş Portföy Yönetimi A.Ş.	30.867	65.433
İŞ Yatırım Menkul Değerler A.Ş.	52.692	-
	83.559	65.433
Internet service providing expenses paid to related parties		
İş Net Elektronik Hizmetler A.Ş.	19.110	19.942
	19.110	19.942
Board and audit committee salaries paid to related parties		
Türkiye İş Bankası A.Ş.	132.372	181.760
	132.372	181.760
Capital increase commission paid to related parties		
İŞ Yatırım Menkul Değerler A.Ş.	16.800	72.998
	16.800	72.998

10. OTHER RECEIVABLES AND PAYABLES (NET)

	31 December 2006 TRY	31 December 2005 TRY
Other Receivables		
Short-term other receivables	667.579	9.627
VAT carried forward	928.001	397.493
VAT deductible	-	1.047.382
Business advances given	951.540	4.240.487
	2.547.120	5.694.989
Other Liabilities		
Taxes and dues payable	317.133	709.381
Social security premiums payable	33.884	52.311
VAT calculated	-	502.313
Other payables	254	2.227
	351.271	1.266.232

11. DEFERRED TAX ASSETS AND LIABILITIES (NET)

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 Article 8 section 4-d of the Corporate Tax Law. 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 according to 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 CMB Accounting Standards and their tax bases and 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% (2005:30%).

	31 December 2006 TRY	31 December 2005 TRY
Temporary differences subject to deferred tax:		
Useful life differences on tangible and intangible assets	17.339	9.393
Retirement pay provision	(9.347)	(2.613)
Discounting receivables and payables	2.205	-
	10.197	6.780
Deferred tax assets/(liabilities):		
Useful life differences on tangible and intangible assets	3.468	2.818
Retirement pay provision	(1.869)	(784)
Discounting receivables and payables	440	-
Deferred tax liability	2.039	2.034
Movement of deferred tax asset/(liability)		
Opening balance, 1 January	2.034	-
Effect of tax rate change	-	-
Deferred tax charge / (benefit)	5	2.034
Closing balance, 31 December	2.039	2.034

12. OTHER CURRENT/LONG-TERM ASSETS AND SHORT/LONG-TERM LIABILITIES

	31 December 2006 TRY	31 December 2005 TRY
Other current assets		
Prepaid insurance expenses	1.363.417	960.629
Prepaid personnel and other expenses	78.623	89.945
	1.442.040	1.050.574
Other long-term assets		
Prepaid other expenses	629	-
	629	-
Other short-term liabilities (net)		
Unearned income	4.197.573	404.196
Expense accruals	7.221	7.717
	4.204.794	411.913

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 2006 and 31 December 2005, there were no financial assets.

14. POSITIVE/(NEGATIVE) GOODWILL (NET)

As of 31 December 2006 and 31 December 2005, there was no positive / negative goodwill.

15. INVESTMENT PROPERTY (NET)

In the accompanying consolidated financial statements, investment properties are carried at cost less accumulated depreciation and any accumulated impairment losses.

	Ankara İş Kule Building TRY	İstanbul İş Kuleleri Complex TRY	Seven Seas Hotel TRY	Maslak Petrol Ofisi Building Entertainment Center TRY	Tatilya Center (RealProject) TRY
Acquisition cost					
Opening balance 1 January 2006	115.740.853	339.231.892	60.673.721	39.441.045	101.547.965
Additions	257.667	290.821	159.084	105.000	-
Disposals	-	-	-	-	(3.436.861)
Transfers	-	-	-	-	-
Impairment loss/reversals	4.832.260	-	24.390.521	4.442.460	10.751.733
Closing balance 31 December 2006	120.830.780	339.522.713	85.223.326	43.988.505	108.862.837
Accumulated depreciation					
Opening balance 1 January 2006	21.625.853	34.700.809	12.603.721	5.241.045	15.147.965
Charge for the period	3.084.927	6.865.818	16.489.605	1.127.460	3.273.046
Disposals	-	-	-	-	(958.174)
Closing balance 31 December 2006	24.710.780	41.566.627	29.093.326	6.368.505	17.462.837
Net book value as of 31 December 2005	94.115.000	304.531.083	48.070.000	34.200.000	86.400.000
Net book value as of 31 December 2006	96.120.000	297.956.086	56.130.000	37.620.000	91.400.000

**Notes to the Consolidated (According to Proportionate Consolidation Method)
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(Amounts are expressed in New Turkish Lira ("TRY") unless otherwise indicated.)

Solaris Plaza TRY	İş Bankası Ankara Merkez Branch TRY	İş Bankası Ankara Kızılay Branch TRY	İş Bankası Antalya Merkez Branch TRY	Kanyon Ofis Building and Shopping Mall TRY	Total TRY
11.847.215	19.000.000	16.240.000	8.013.357	-	711.736.048
3.184	-	-	-	654.643	1.470.399
-	-	-	-	-	(3.436.861)
-	-	-	-	151.868.665	151.868.665
987.216	-	-	-	-	45.404.190
12.837.615	19.000.000	16.240.000	8.013.357	152.523.308	907.042.441
1.347.215	411.667	351.867	173.520	-	91.603.662
310.400	380.000	324.800	160.273	1.765.834	33.782.163
-	-	-	-	-	(958.174)
1.657.615	791.667	676.667	333.793	1.765.834	124.427.651
10.500.000	18.588.333	15.888.133	7.839.837	-	620.132.386
11.180.000	18.208.333	15.563.333	7.679.564	150.757.474	782.614.790

15. INVESTMENT PROPERTY (NET) (Cont.)

	Ankara İş Kule Building TRY	İstanbul İş Kuleleri Complex TRY	Seven Seas Hotel TRY	Maslak Petrol Ofisi Building TRY
Acquisition cost				
Opening balance 1 January 2005	107.361.582	339.160.138	54.448.098	37.016.777
Additions	11.639	71.754	7.070.676	76.526
Disposals	-	-	(69.013)	-
Impairment loss /reversals	8.367.632	-	(776.040)	2.347.742
Closing balance 31 December 2005	115.740.853	339.231.892	60.673.721	39.441.045
Accumulated depreciation				
Opening balance 1 January 2005	18.541.582	27.810.397	9.168.098	4.116.777
Charge for the period	3.084.271	6.890.412	3.449.034	1.124.268
Disposals	-	-	(13.411)	-
Closing balance 31 December 2005	21.625.853	34.700.809	12.603.721	5.241.045
Net book value as of 31 December 2004	88.820.000	311.349.741	45.280.000	32.900.000
Net book value as of 31 December 2005	94.115.000	304.531.083	48.070.000	34.200.000

**Notes to the Consolidated (According to Proportionate Consolidation Method)
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(Amounts are expressed in New Turkish Lira ("TRY") unless otherwise indicated.)

Tatilya Entertainment Center TRY	Solaris Plaza TRY	İş Bankası Ankara Merkez Branch TRY	İş Bankası Ankara Kızılay Branch TRY	İş Bankası Antalya Merkez Branch TRY	Total TRY
97.057.233	11.437.135	19.000.000	16.240.000	8.000.000	689.720.963
60.806	35.884	-	-	13.357	7.340.642
-	(1.684)	-	-	-	(70.697)
4.429.926	375.880	-	-	-	14.745.140
101.547.965	11.847.215	19.000.000	16.240.000	8.013.357	711.736.048
11.784.355	1.045.356	31.667	27.067	13.333	72.538.632
3.363.610	301.871	380.000	324.800	160.187	19.078.453
-	(12)	-	-	-	(13.423)
15.147.965	1.347.215	411.667	351.867	173.520	91.603.662
85.272.878	10.391.779	18.968.333	16.212.933	7.986.667	617.182.331
86.400.000	10.500.000	18.588.333	15.888.133	7.839.837	620.132.386

Notes to the Consolidated (According to Proportionate Consolidation Method)

Financial Statements as of 31 December 2006

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

16. TANGIBLE ASSETS (NET)

	Machinery and Equipment	Vehicles	Furniture and Fixtures	CIP	Other Tangible Assets (*)	Total
	TRY	TRY	TRY	TRY	TRY	TRY
Acquisition cost						
Opening balance 1 January 2006	88.358	81.242	415.203	-	150.579.204	151.164.007
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 loss/reversals	-	-	-	-	(2.572.305)	(2.572.305)
Closing balance 31 December 2006	91.046	49.809	1.080.814	22.515	70.231.724	71.475.908
Accumulated depreciation						
Opening balance 1 January 2006	76.499	41.075	190.222	-	-	307.796
Charged for the period	7.153	15.741	89.334	343	-	112.571
Disposals	-	(31.433)	(2.858)	-	-	(34.291)
Closing balance 31 December 2006	83.652	25.383	276.698	343	-	386.076
Net book value as of 31 December 2005	11.859	40.167	224.981	-	150.579.204	150.856.211
Net book value as of 31 December 2006	7.394	24.426	804.116	22.172	70.231.724	71.089.832
Acquisition cost						
Opening balance 1 January 2005	87.841	81.242	339.205	-	116.047.798	116.556.086
Additions	517	-	75.998	-	34.598.213	34.674.728
Disposals	-	-	-	-	(95.968)	(95.968)
Impairment loss/ reversals	-	-	-	-	29.161	29.161
Closing balance 31 December 2005	88.358	81.242	415.203	-	150.579.204	151.164.007
Accumulated depreciation						
Opening balance 1 January 2005	63.463	24.827	150.201	-	-	238.491
Charged for the period	13.036	16.248	40.021	-	-	69.305
Disposals	-	-	-	-	-	-
Closing balance 31 December 2005	76.499	41.075	190.222	-	-	307.796

	31 December 2006 TRY	31 December 2005 TRY
İstanbul, Beşiktaş, I. Region 81, 981 572-629-630-631 numbered plot of land	18.687.546	18.687.546
İş Kule Complex costs	860.499	858.193
Kanyon project costs	37.510.961	147.344.204
Üsküdar project 212 region 725 plot of land	18.394.733	-
Büyüçekmece Beylikdüzü 21 plot of land	5.301.160	-
Real project costs	8.137.257	-
Other	222.612	-
	89.114.768	166.889.943
Impairment loss (-)	(18.883.044)	(16.310.739)
Total	70.231.724	150.579.204

(*) Other tangible fixed assets are composed of Kanyon residential building project costs, Real project costs and other lands purchased in Üsküdar for USD 13.500.000, in Beylikdüzü for USD 4.000.000 and the land across İş Kule Complex to be used in other projects.

Movement of impairment loss:

	2006 TRY	2005 TRY
Opening balance 1 January	-	-
Charge for the period	(16.310.739)	(16.339.900)
Impairment loss reversed during the period	(2.572.305)	-
Closing balance 31 December	(18.883.044)	(16.310.739)

17. INTANGIBLE ASSETS (NET)

	Computer Software TRY	Total TRY
Acquisition Cost		
Opening balance 1 January 2006	178.967	178.967
Additions	38.856	38.856
Disposals	-	-
Closing balance 31 December 2006	217.823	217.823
Accumulated Amortization		
Opening balance 1 January 2006	107.143	107.143
Charged for the period	39.667	39.667
Disposals	-	-
Closing balance 31 December 2006	146.810	146.810
Net book value as of 31 December 2005	71.824	71.824
Net book value as of 31 December 2006	71.013	71.013
Acquisition Cost		
Opening balance 1 January 2005	162.781	162.781
Additions	16.847	16.847
Disposals	(661)	(661)
Closing balance 31 December 2005	178.967	178.967
Accumulated Amortization		
Opening balance 1 January 2005	74.524	74.524
Charged for the period	32.883	32.883
Disposals	(264)	(264)
Closing balance 31 December 2005	107.143	107.143
Net book value as of 31 December 2004	88.257	88.257
Net book value as of 31 December 2005	71.824	71.824

18. ADVANCES RECEIVED

	31 December 2006 TRY	31 December 2005 TRY
Advances received (*)	47.253.266	43.561.432
	47.253.266	43.561.432

(*) The sale of the residences of the Kanyon project has not been completed as of the balance sheet date. Since the ownership of the residences have not been transferred by the Company, Company's 50 share of the total revenue generated from the sale of the residences have been accounted for as advances received. The pre acceptance procedures of the customers are currently on going and the final transfer is planned to be completed in the first half of the year 2007.

19. RETIREMENT PLANS

As of 31 December 2006 and 31 December 2005, there was no retirement plan.

20. PROVISIONS

	31 December 2006 TRY	31 December 2005 TRY
Short-term:		
Provision for corporate tax	81.018	8.364
Advance taxes	(44.814)	(5.020)
	36.204	3.344
Long-term:		
Retirement pay provision	139.993	108.184
	139.993	108.184

Under the Turkish Law, the Group is required to pay employment termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men).

The provision is made in respect of all eligible employees, at a rate of 30 days gross pay for each year of service. The retirement pay provision ceiling as at the balance sheet date, is subject to a maximum of TRY 1.857,44 per month for the year 2006 (31 December 2005: TRY 1.727,2 per month).

Notes to the Consolidated (According to Proportionate Consolidation Method)

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

Communiqué No: XI/25, Part 29 ("Employee Benefits") clarify the journalisation of this provision taking in to consideration that this liability is for future periods:

- An expected inflation rate and an appropriate discount rate should both be determined, the net of these being the real discount rate. This real discount rate should be used to discount future retirement payments to their present value at the balance sheet date.
- The anticipated rate of forfeitures should be considered.

Consequently, in the accompanying financial statements, provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

Retirement pay provision as of 31 December 2006 and 2005 have been calculated with the annual inflation rate of 5% and discount rate of 11% resulting in approximately 5.71% of real discount rate. (31 December 2005: 6,175% inflation, 12% discount rate and 5,49% real discount rate)

	31 December 2006 TRY	31 December 2005 TRY
Provision as of 1 January	108.184	75.587
Charge for the period	33.952	39.784
Retirement pay provision paid	(2.143)	(7.187)
Provision as of 31 December	139.993	108.184

21. MINORITY INTEREST

As of 31 December 2006 and 31 December 2005, there were no minority interests.

22. CAPITAL / TREASURY STOCK

As of 31 December 2006 and 31 December 2005, the capital structure is as follows:

İş Gayrimenkul Yat. Ort. A.Ş.	(%)	31 December 2006	(%)	31 December 2005
		TRY		TRY
Türkiye İş Bankası A.Ş.	42.23	139.360.970	42,23	139.360.970
Anadolu Hayat Emeklilik A.Ş.	7.11	23.455.279	7,11	23.455.279
Anadolu Anonim Türk Sigorta A.Ş.	4.77	15.748.446	4,77	15.748.446
İş Net Elektronik Hizm. A.Ş.	1.33	4.374.192	2,05	6.774.194
Other	2.83	9.336.542	4,26	14.037.712
Publicly traded	41.73	137.690.571	39,58	130.589.399
Historical capital	100.00	329,966,000	100	329,966,000

Kanyon Yön. İşl. Paz. Ltd. Şti	(%)	31 December 2006	(%)	31 December 2005
		TRY		TRY
İş Gayrimenkul Yat. Ort. A.Ş.	50	50.000	50	50.000
Eczacıbaşı Holding A.Ş.	50	50.000	50	50.000
Historical capital	100	100.000	100	100.000

The nominal capital of the Company consists of 329.966.000 shares of TRY 1 each. TRY 471.380 of the shares are Group A issued to name, and TRY 329.494.620 are Group B issued to the name. Group A shares have privileges to nominate for the election of board members. Only one of the board members is chosen from the candidates of Group B shareholders but all other board members are chosen from the nominees of Group A shareholders.

The nominal capital of Kanyon consists of 100.000 shares of TRY 1 each. 50.000 shares belong to Eczacıbaşı Holding A.Ş. are Group A and 50.000 shares belong to İş Gayrimenkul Yatırım Ortaklığı A.Ş. are Group B shares. Three of the Executive Board of Managers that will consist of six people is selected from among the candidates of Group A shareholders and the other three members are selected from among the candidates of Group B shareholders. The capital amounting to TRY 50,000 in Kanyon that belongs to the Company has been eliminated from the accompanying consolidated financial statements during investment-capital elimination.

23. CAPITAL RESERVES

As of 31 December 2006 and 31 December 2005, capital reserves are as follows:

	31 December 2006 TRY	31 December 2005 TRY
Premium in excess of par	423.981	423.981
Shareholders' equity inflation restatement differences	343.724.630	343.724.630
	344.148.611	344.148.611

24. PROFIT RESERVES

As of 31 December 2006 and 31 December 2005, profit reserves are as follows:

	31 December 2006 TRY	31 December 2005 TRY
Special Reserves	691.614	470.841
Legal Reserves	1.965.386	1.095.099
Extraordinary Reserves	571	571
	2.657.571	1.566.511

Special reserves consist of unrealized gains coming from year 2005 classified to reserves amounting to TRY 533.400 and unrealized gains coming from year 2004 classified to reserves amounting to TRY 158.214, in accordance with CMB Communiqué IV No:27.

25. RETAINED EARNINGS

	31 December 2006 TRY	31 December 2005 TRY
Retained earnings	102.743.472	85.741.929
	102.743.472	85.741.929

26. FOREIGN CURRENCY POSITION

As of 31 December 2006, foreign currency position is as follows:

Bank Deposits	Amount	Currency	FX Rate	TRY
Türkiye İş Bankası A.Ş.	3.308.901	US Dollars	1,4056	4.650.991
Türkiye İş Bankası A.Ş.	10.219.600	Euro	1,8515	18.921.589
				23.572.580
Notes Receivables	101.513	US Dollars	1,4056	142.686
Advances given	64.987	US Dollars	1,4056	91.346
	92.957	Euro	1,8515	172.111
				263.457
Total Assets				23.978.723
	Amount	Currency	FX Rate	TRY
Due to related parties				
Anadolu Anonim Türk Sigorta	471.957	USD	1,4056	(663.382)
Anadolu Anonim Türk Sigorta	18.000	Euro	1,8515	(33.327)
				(696.709)
Other advances received	315.026	USD	1,4056	(442.801)
Advances received from sale of Kanyon Residences	22.824.660	USD	1,4056	(32.082.342)
Advances received from sale of Kanyon Residences	558.997	Euro	1,8515	(1.034.983)
Advances received from sale of Kanyon Residences	1.310	GBP	2,7569	(3.612)
				(33.120.937)
				(34.260.447)
Total Liabilities				(10.281.724)
Net Balance Sheet Position				(10.281.724)

As of 31 December 2005, foreign currency position is as follows:

Bank Deposits	Amount	Currency	FX Rate	TRY
Türkiye İş Bankası A.Ş.	21.397.986	USD	1,3418	28.711.817
Türkiye İş Bankası A.Ş.	6.107.502	Euro	1,5875	9.695.660
				38.407.477
Marketable securities				
Euro Bills	5.150.025	Euro	1,5875	8.175.664
Notes Receivables	1.311.835	USD	1,3418	1.760.220
Advances given	86.719	USD	1,3418	116.360
	115.250	Euro	1,5875	182.959
				2.059.539
Total Assets				48.642.680

Notes to the Consolidated (According to Proportionate Consolidation Method)**Financial Statements as of 31 December 2006**

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

Due to related parties	Amount	Currency	FX Rate	TRY
Anadolu Anonim Türk Sigorta	417.541	USD	1,3418	(560.257)
Advances received from sale of Kanyon Residences	22.108.937	USD	1,3418	(29.665.772)
Advances received from sale of Kanyon Residences	551.251	Euro	1,5875	(875.110)
Advances received from sale of Kanyon Residences	1.281	GBP	2,3121	(2.962)
				(30.543.844)
Total Liabilities				(31.104.101)
Net balance sheet position				17.538.579

27. GOVERNMENT GRANTS AND INCENTIVES

As of 31 December 2006 and 31 December 2005, there are no government grants and incentives.

28. COMMITMENTS AND CONTINGENCIES

	31 December 2006 TRY	31 December 2005 TRY
Letters of guarantee given	374.620	43.677
	374.620	43.677

29. MERGERS AND ACQUISITIONS

As of 31 December 2006 and 31 December 2005, there were no mergers or acquisitions.

30. SEGMENTAL INFORMATION

There are no segments as stated in Communiqué No: XI/25, Part 22.

31. SUBSEQUENT EVENTS

There are no subsequent events.

32. DISCONTINUED OPERATIONS

As of 31 December 2006 and 31 December 2005, there were no discontinued operations.

33. OPERATING INCOME (NET)

	1 January -31 December 2006 TRY	1 January -31 December 2005 TRY
Sales income (net)		
Rent income	59.058.099	39.535.502
	59.058.099	39.535.502
Cost of sales		
Depreciation charges	(33.782.163)	(19.063.219)
Insurance expenses	(1.571.972)	(1.326.477)
Administrative expenses	(11.831.532)	(705.790)
Taxes and dues	(1.414.423)	(973.848)
Other	(1.599.252)	(108.308)
	(50.199.342)	(22.177.642)
Other operating income		
Overdue rent penalties	34.392	41.654
	34.392	41.654

Notes to the Consolidated (According to Proportionate Consolidation Method)

Financial Statements as of 31 December 2006

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

34. OPERATING EXPENSES

	1 January -31 December 2006 TRY	1 January -31 December 2005 TRY
General Administrative Expenses (-)		
Personnel salaries	(1.637.909)	(1.747.211)
Depreciation charges	(152.238)	(117.422)
Outsourced service expenses	(660.924)	(793.069)
Capital increase expenses	(25.427)	(235.835)
Tax and dues expenses	(213.268)	(330.748)
Other	(548.884)	(688.326)
	(3.238.650)	(3.912.611)

35. OTHER INCOME / EXPENSE AND PROFIT / LOSSES

	1 January -31 December 2006 TRY	1 January -31 December 2005 TRY
Income and profit from other operations		
Interest income	1.656.073	2.215.154
Income from sale of securities held for trading	1.845.500	2.781.621
Foreign exchange gains	3.113.552	836.560
Discount income	58.037	2.193.373
Provisions released	42.831.885	14.774.301
Income generated from exchange of floor ownership of Kanyon Project (*)	-	4.200.157
Other	248.472	117.097
	49.753.519	27.118.263
Loss and expenses on other operations (-)		
Losses on sale of held for trading financial assets	(21.560)	-
Foreign exchange losses	(1.880.373)	(2.045.183)
Discount expenses	(1.665.673)	(4.361.440)
Loss on sale of Tatilya premises	(2.518.119)	-
Other	(490.888)	(93.487)
	(6.576.613)	(6.500.110)

36. FINANCE INCOME (NET)

None.

37. NET MONETARY GAIN/(LOSS)

According to the decision of the CMB dated 17 March 2005 and numbered 11/367, 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.

38. TAXATION

	1 January -31 December 2006 TRY	1 January -31 December 2005 TRY
Taxation:		
Corporate tax	81.018	8.364
Deferred tax (benefit)/ charge	5	2.035
	81.023	10.399

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 Article 8 section 4-d of the Corporate Tax Law. Furthermore, the income earned by real estate investment trusts is also exempt from advance corporate taxes. According to Income Tax Law 94 article 6/a clause and the Council of Ministers decision, withholding tax rate out of portfolio management income of real estate investment trusts is 0%.

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 taxation in the accompanying consolidated financial statements.

	1 January -31 December 2006 TRY	1 January -31 December 2005 TRY
Tax Reconciliation:		
Company's Share in Joint Venture's Profit Before Tax	405.312	34.108
Taxation based on effective tax rate 20% (2005: 30%)	81.062	10.232
Decrease in the deferred tax due to decrease in the effective tax rate	(678)	-
Tax effect of undeductible expenses	639	167
Taxation	81.023	10.399

39. EARNINGS PER SHARE

The calculations of weighted average number of shares outstanding and earnings per share are as follows:

	1 January -31 December 2006 TRY	1 January -31 December 2005 TRY
Number of Shares Outstanding As of 1 January (Total)	329.966.000	329.614.634
New shares issued	-	351.366
Number of Shares Outstanding As of 31 December (Total)	329.966.000	329.966.000
Weighted Average Number of Shares Outstanding	329.966.000	329.907.439
Net profit (TRY)	48.750.382	34.094.657
Earnings per share (TRY)	0,1477	0,1033

40. STATEMENT OF CASH FLOWS

	1 January -31 December 2006 TRY	1 January -31 December 2005 TRY
Changes in working capital:		
Trade receivables	(2.365.841)	(1.453.644)
Due from related parties	245.678	(200.131)
Other receivables (net)	3.147.869	(150.483)
Other current assets	(391.466)	78.379
Other long term assets	(629)	18.873
Trade payables	4.876.335	(340.676)
Long-term trade payables	157.041	-
Other liabilities	6.569.754	24.221.191
Due to related parties	393.050	238.069
	12.631.791	22.411.578

41. OTHER MATTERS THAT MATERIALLY AFFECT THE FINANCIAL STATEMENTS OR THAT MUST BE DISCLOSED FOR THE FINANCIAL STATEMENTS TO BE MORE EXPLICIT, INTERPRETABLE AND UNDERSTANDABLE

None.

On October 13, 2005 **Euromoney** granted İş REIT with an award for “**The Best Developer in Turkey**”.

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